

Strategic Forecasts

for Aberdeen City and Aberdeenshire 2000-2016

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The full set of 2001 forecasts published as the Strategic Forecasts for Aberdeen City and Aberdeenshire, 2000-2016 comprises:

- **Oil and Gas Prospects: 2001 Update** (*published, August 2001*)
- **Strategic Forecasts for Aberdeen City and Aberdeenshire: Autumn 2001**
Employment, Population, Housing (*this document*). These forecasts are published as one, stand-alone document; previously there was a Main Report and a separate Technical Report.

The Forecasts were prepared in the period March to October 2001, and approved by the North East Strategic Planning Committee on 19 October 2001.

This version of the text reflects minor typographic corrections, subsequent to production of the printed report.

Executive Summary

These forecasts start from a new year (mid 2000) base for each of the three components of employment, population and housing. They take into account current assumptions on expected changes over the period 2000 to 2016 for the area comprising Aberdeen City and Aberdeenshire: this area also corresponds to the Structure Plan Area.

The key findings of the 2001 forecasts are:

- Stability in growth in the local economy in the short to medium term is the key factor in the employment forecasts, which project an increase of 0.8% up to 2016 in total employment resident within the Structure Plan Area, representing 1,850 additional employees. It is now forecast that there will be an increase of 2.2% by 2006, followed by a slight decrease of 1.3% in the later years. The impact of the terrorist attacks on the World Trade Centre (WTC) is expected to reduce global and national economic growth rates in the short term. Local economic impact is more difficult to evaluate. Although there may be a short term effect on some economic sectors, the strategic forecasts for this area take a longer term view of forecast levels of employment.
- The continued importance of the oil industry as a major sector within the north east area is emphasised by a slower employment decline over the forecast period than previously predicted. It is expected that some 7,000 jobs on and offshore will be lost by 2016. Since many offshore workers live outside Aberdeen and Aberdeenshire, not all of the effect of these losses will be felt within the Structure Plan Area.
- Total non-oil employment is predicted to increase by 2,150 employees (1.2%) over the 16 year period, represented by a steady increase in the service, construction and self-employed sectors to 2006, then a slowdown thereafter. This will help to offset the decline in employment levels in the oil sector and the continued decline in the primary and manufacturing sectors.
- With the concentration of employment opportunities in Aberdeen City, the forecast increase in total employment is expected to be split, 1.2% for the City and 0.2% for Aberdeenshire over the next 16 years.
- Within the Structure Plan Area the population is expected to rise slightly by just over 5,000 (1.2%) between 2000 and 2016, with a lesser increase during the period post 2006, reflecting the expected changes in employment trends. Overall, the forecasts show relative stability in population levels, with increases particularly in Aberdeenshire.

- Trends for the different age groups are expected to remain fairly consistent with that predicted in the past, namely of an ageing population and a decreasing number of school children, although the pre-school age group will be more stable.
- The population figures are used in the forecasting of housing requirement, indicating an increase in total households of just under 28,000 between 2000 and 2016. There is still a continuation of the trend for a reduction in the size of households throughout the Structure Plan Area reflecting in part the trends in the age structure of the population and increasing aspirations. Aberdeenshire is still expected to generate the greatest increase in household numbers, 19% compared to 10.5% in the City.
- An additional 30,500 houses are forecast to be required over the 16 years within the Structure Plan Area. Approximately 70% of new houses will be required within the Aberdeen Housing Market Area, which extends roughly to around a 30km radius from Aberdeen City.

The forecasts have implications for public agencies and private sector companies in meeting changing circumstances. The impact of policy/investment decisions based upon the forecasts will influence the actual levels of employment and population and will impact on future predictions.

It is important, therefore, that account is taken of the predicted trends towards the latter part of the forecast period, when continued losses in oil employment jobs is reflected in a slowing down of both non-oil employment and population growth.

The table below summarises the key figures from the 2001 Forecasts: for the Structure Plan Area, Aberdeen City and Aberdeenshire, and for housing requirement, the two Housing Market Areas.

	2000	2001	2006	2011	2016	Change 2000/2016
Structure Plan Area						
Employment	228,400	231,200	233,400	232,650	230,250	+1,850
Population	438,450	439,156	441,854	443,139	443,542	+5,092
Households	191,600	193,380	202,150	210,880	219,480	+27,880
Housing Requirement	1,940	9,570	9,530	9,410		+30,450
Aberdeen City						
Employment	140,050	142,300	144,150	143,200	141,750	+1,700
Population	211,250	211,244	210,648	209,382	208,315	-2,935
Households	100,600	101,270	104,570	107,770	111,210	+10,610
Aberdeenshire						
Employment	88,350	88,900	89,250	89,450	88,500	+150
Population	227,200	227,912	231,206	233,757	235,227	+8,027
Households	91,000	92,110	97,580	103,110	108,270	+17,270
Aberdeen Housing Market Area						
Housing Requirement	1,380	6,810	6,760	6,740		21,690
Aberdeenshire Rural Housing Market Area						
Housing Requirement	560	2,760	2,770	2,670		8,760

Introduction

This report presents the **Strategic Forecasts for Aberdeen City and Aberdeenshire** (which corresponds to the Structure Plan Area) for the period 2000-2016 for the area covered by the two constituent authorities (Aberdeen City and Aberdeenshire Councils) and, in terms of housing, the Aberdeen Housing Market Area and the Aberdeenshire Rural Housing Market Area. The forecasts start from a new 2000 base for the three components; employment, population and housing, and take on board current assumptions on expected change over the longer period.

THE ROLE OF THE COUNCILS' FORECASTS

The Councils make forecasts to provide a basis for the planning of their own services. These services include two distinct but related topics:

- the Councils' Statutory Development Plans, the Structure Plan and Local Plans;
- the provision of services such as education, economic development and social work.

In addition, the forecasts are widely used by other agencies and the private sector for their own planning purposes.

The forecasts are updated regularly, traditionally on a two-yearly cycle. This is because of the scale and pace of change in an area such as North East Scotland, which is linked to the economic performance arising from the offshore oil and gas industry. As with all forecasts there are uncertainties, especially in the longer term. By revising the forecasts regularly, it is possible to minimise these uncertainties by taking account of known changes as they occur or are first anticipated.

THE FORECASTING CYCLE

To meet the needs summarised above, different services of both Councils require specific items of information to be forecast at different levels of detail over varying periods of time. For example:

- for structure planning purposes, it is necessary to identify the number of houses needed by the population over the next 15 years;
- to plan the infrastructure of roads, the physical pattern of development needs to be known over a period of several years;
- education planners need to know the likely number of pupils for each year and for each school for the next few years.

To cope with these different needs, the Councils make various types of forecast on a regular basis in a way that ensures they are mutually compatible. The procedures used and the output are standardised. Thus, users gain familiarity with and confidence in the forecasts and requests for time consuming one-off forecasts are minimised.

The Councils have developed a routine for producing forecasts which has three major parts:

- forecasts of employment, population and housing. These are prepared for the area covered by both authorities for 15 years into the future;
- land development forecasts of likely residential development rates prepared by individual site and settlement. These represent what is likely to happen over the next few years, given present plans and intentions by public and private sectors;
- secondary forecasts, prepared to meet the specific needs of the Councils' service departments, for example school roll forecasts and small area population estimates and forecasts.

The forecasts of employment, population and housing are the leading elements in the overall forecasting framework. They provide the context for the assessment of the likely pattern of future land development. This pattern can in turn influence the forecasts themselves, if the development rates they require to sustain appear unrealistic. Together, the strategic forecasts and land development forecasts provide the basis for producing small area population forecasts (for settlements and other areas). They also form the input to a wider range of secondary forecasts, the most important of which are the school roll forecasts.

THE FORECASTS PROCESS

The starting point in the methodology is to make independent projections of the three main elements - employment, population and housing. This is in itself a complicated activity because of the large number of variables and assumptions used for each forecast. Because the forecasts are made regularly, new assumptions and data are not always generated each time. The previous assumptions are re-examined. Any new information, about either actual/estimated change or likely future trends, is incorporated in the new forecasts.

These forecasts are then reconciled systematically, where necessary, so they form a set of consistent or compatible forecasts.

Although the employment, population and housing forecasts are initially produced independently, there are certain obvious linkages between them. For example, the population in the working age group provides the bulk of the labour force to fill the jobs.

A process of compatibility checking is therefore carried out to ensure that the links between the forecasts are consistent. The final results of this process are the forecasts set out in the rest of this report.

This approach provides the most comprehensive set of forecasts for this part of Scotland. Other projections, often prepared by national organisations for individual elements, are not always capable of taking account of local economic conditions or providing consistency between the approaches to population or housing.

In practice, there is no one 'correct' solution to such a process and it is necessary to identify certain factors which are the key or controlling elements. The approach adopted in the North East has historically been to regard labour demand as the key determinant of growth, due to the recent past history of change associated with the offshore oil industry. Recent trends would seem to indicate, however, that the age structure of the population could have a more significant effect.

However, it should be noted that all forecasts are only best estimates of the future, especially long term forecasts. This is one reason why the local authorities review forecasts and plans on a regular basis.

The results are published at the most appropriate level of detail for that component. For example, the population figures are presented at a greater level of accuracy than is implied to allow users to take the data further without encountering further rounding problems. Similarly, they are presented by the most relevant geography. For example, housing requirement is discussed in terms of Housing Market Areas.

The forecasts follow the two-yearly cycle established by Grampian Regional Council (last updated in 1995) and the two successor Councils, in 1997 and 1999.

- **Geographical Coverage:** These forecasts are for Aberdeen City and Aberdeenshire (see map), ie the area covered by the North East Structure Plan.
- **Timeframe:** The last set of forecasts were for the period 1998-2016. These forecasts start from a new (mid 2000) base, and are for the period 2000-2016.
- **Production Team:** The report and its component parts have been prepared by a team drawn from the research sections of both Councils' Planning services.
- **Methodology:** Although the same basic components of change have been examined, the overall 'control' has been one of compatibility and coherence. No specific attempt has been made to forecast unemployment or journey to work, though account has been taken of recent trends. Some amendments have been made to the methodology and these are mentioned at the appropriate point.
- **Consultation:** The team has had dialogue on assumptions with representative bodies such as Aberdeen and Aberdeenshire Local Economic Forum, and North East Housing and Planning Alliance and, for the first time, surveyed a sample of companies in the local service sector.

- **Presentation:** The forecasts are presented in a consistent form, for the Structure Plan Area, the two separate Council areas, and where relevant, the Aberdeen Housing Market Area and Aberdeenshire Rural Housing Market Area.
- **Documentation:** In previous years there were two complementary reports. The 2001 Forecasts now comprise this one volume which, for completeness, now includes:
 - an Executive Summary
 - a new chapter entitled 'Recent Trends and Scenario'. This seeks to set out relative changes since the last (1999) Forecasts and parallels a similar chapter in Oil and Gas Prospects.

Areas Covered in the Strategic Forecasts



Recent Trends and Scenario

In the two years since the last forecasts were published, Aberdeen City Council and Aberdeenshire Council have regularly monitored and assessed a range of socio-economic, demographic and housing trends. This has provided the basis for our assumptions forecast over the period from 2000-2016. In previous years, this assessment has not formed part of the published report. However, in an attempt to further improve the transparency and accountability of the forecasts, it was decided to include a brief summary of the main factors that have influenced the current sets of forecasts.

The main trends in employment, population and housing are set out below. In addition, there is a brief scenario for the forecast period for the three component parts of the 2001 forecasts. An overall scenario completes this review.

EMPLOYMENT

The economic situation in the Structure Plan Area (ie the area covered by Aberdeen City and Aberdeenshire) has changed significantly over the past two years, leading to a more optimistic outlook than was warranted in 1999. A number of indicators, some of which are described in more detail in the Employment chapter, show the improving economic prospects for the area.

- **Oil Price:** this has risen from an average of \$19 per barrel in 1999 to an average of around \$25 so far this year;
- **Local Economic Output:** local estimates indicate that GDP in North East Scotland rose by 3.6% in 2000, following a decline of 0.1% in 1999. Growth projections for 2001 are estimated to be around 3.0%, around 1.0% higher than figures for Scotland overall;
- **Unemployment:** the number of unemployed claimants in the Structure Plan Area fell from 6,097 in January 1999 to 4,332 in July 2001, a fall of 29%. Unemployment peaked in March 2000 at 7,350 claimants.
- **Earnings:** in April 2000, average earnings in Aberdeen City were £445 per week, a 5.2% increase on the previous year, while earnings in Aberdeenshire rose by 8.2% to £371.
- **Airport Traffic:** following a decline in passenger numbers in 1999, there was an increase in both fixed wing and helicopter passengers in 2000. Figures for the first seven months of 2001 show a further increase in numbers.

The employment scenario is much more optimistic than before. Key economic indicators point to an improving economic performance in the last two years. This is likely to continue over the short to medium term in Aberdeen City and Aberdeenshire. The performance of the oil and gas sector is a major reason for this improved outlook. The indirect and induced effects of oil and gas have positive benefits for non oil employment, particularly the service sector.

At the time of writing, the potential impact of the terrorist attacks in the United States upon the world economy remains uncertain. While there may be short term negative impact on economic growth, particularly at world and national levels, the employment scenario for North East Scotland is based upon a longer term strategic view of local economic prospects.

POPULATION

The main source of information on population change is the mid year estimates (MYEs) of population produced annually by the General Register Office for Scotland. Employment change will also influence population as it affects migration. Additionally, population trends can be discerned from a number of other sources.

- **MYE:** between 1998 and 2000, the MYE for Aberdeen City fell from 213,070 to 211,250, a decrease of 1,820 (0.9%). Over the same period, the MYE for Aberdeenshire rose by 940 (0.4%), from 226,260 to 227,200.
- **Register of Electors:** the electorate in Aberdeen City declined by 3,792 (2.2%) between 1998 and 2000, while in Aberdeenshire there was an increase of 732 (0.4%) over the same period.
- **School Rolls:** the number of children attending local authority schools in Aberdeen City fell from 26,832 in 1998 to 25,984 in 2000, a decrease of 846 (3.2%). In Aberdeenshire, numbers declined from 36,844 in 1998 to 36,564 in 2000, a decrease of 280 (0.8%).
- **Natural Change:** in Aberdeen City, natural change went from +50 in 1998-99 to -90 in 1999-00. In Aberdeenshire, the trend was +442 in 1998-99 and +355 in 1999-00.

The recent trends show generally more positive demographic growth indicators although most of the population growth has been in the commuting area surrounding Aberdeen City. The population scenario is clearly influenced by employment change, which in turn affects migration assumptions. The employment growth projected for Aberdeen City points to a continuation of this trend. Over the longer forecast period, positive net migration is projected, based upon improved local employment prospects, resulting in a stabilisation of population levels. This results in increased population for Aberdeenshire based upon committed patterns of growth.

HOUSING

The number of households in Aberdeen City and Aberdeenshire is influenced by two main factors: firstly, alterations to the rates of household formation (or headship rates), which are derived from past Censuses of Population; and, secondly, changes in the population, which in turn are influenced by employment prospects. Housing indicators that are regularly monitored are the number of house completions and house prices.

- **Completions:** the number of completions in Aberdeen City was quite stable between 1998 and 2000, averaging around 1,000 new dwellings per year. The completion rate is slightly higher in Aberdeenshire at around 1,200 new dwellings per year.
- **House Prices:** the average house price in the Aberdeen Housing Market Area rose from £77,000 in 1998 to £83,500 in 2000, an increase of 8.5%. The average increase in Scotland was 2.1% over the same period.

The more positive outlook for employment and population has a direct impact on the housing forecasts. A greater number of households are forecast over the 2000-2016 period than was envisaged in the previous set of forecasts. The housing requirement for the period is therefore correspondingly higher.

OVERALL SCENARIO

The overall scenario for Aberdeen City and Aberdeenshire for the period from 2000 to 2016 is more positive than predicted two years ago. The recent events highlighted show increasing economic confidence, driven primarily by the oil and gas sector, in turn improving employment prospects. The retention of more jobs and improved migration trends point towards population gain overall in the Structure Plan Area, although primarily in Aberdeenshire. The effect of these influences together with the long-term trends in household formation indicate an increase in households and housing requirement in the period to 2016.

The scenario presented can, of course, be influenced by a range of external factors that cannot be predicted. For example, severe oil price movements or global events that have a significant effect on world trade. Also, policies that are implemented after the publication of these forecasts may change trends in patterns of employment, population and housing in North East Scotland.