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**REPORT TO: SPECIAL MEETING OF MORAY COUNCIL ON 8 MARCH 2023**

**SUBJECT: MORAY GROWTH DEAL – FULL BUSINESS CASE – BUS REVOLUTION**

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

**1 REASON FOR REPORT**

1.1 To inform Council of the progress of the Moray Growth Deal, specifically the Full Business Case for Bus Revolution.

1.2 This report is submitted to Council in terms of Section (II) (20) of the Council's Scheme of Administration relating to a new policy matter which does not fall within the terms of reference of any Committee.

**2 RECOMMENDATION**

**2.1 It is recommended that the Council:-**

- (i) consider and approve the full business case for the Bus Revolution project v1.4 as summarised in the report and contained in Appendix 1;**
- (ii) delegate authority to the Depute Chief Executive (Economy, Environment and Finance) to make final changes that may be required from Government feedback and agree the final version of the Full Business Case; and**
- (iii) delegate authority to the Depute Chief Executive (Economy, Environment and Finance) or such other signatory as may be required to accept the grant for the project in line with the terms of the Moray Growth Deal.**

**3 BACKGROUND**

3.1 The Bus Revolution project is part of the Moray Growth Deal and aims to improve public transport connectivity across Moray by providing additional demand responsive transport, improving the ease of use of public transport by

the introduction of app based technology, and reducing carbon emissions by the use of fully electric bus vehicles.

- 3.2 The project builds on the existing Dial M demand responsive service, to extend hours of operation, and particularly aims to tackle transport barriers to employment. There will be three key funding phases throughout the 10 year span of the Growth Deal, each giving the opportunity to incrementally expand service provision, with a long term aim of providing services seven days per week from early morning to late evening.
- 3.3 The Outline Business Case for Bus Revolution was approved in November 2021, with the full Growth Deal being signed in December 2021.

#### **4 BUS REVOLUTION FULL BUSINESS CASE**

- 4.1 The Full Business Case was initially approved by Programme Board on 29 April 2022. Ongoing review with Scottish Government officials has resulted in the final version of the Full Business Case v1.4 which was approved by the Programme Board on 24 February 2023 (**APPENDIX 1**). Scottish Government officials are supportive of the project, and at the time of writing the report were confident that full Scottish Government approval will be achieved by the end of the financial year.
- 4.2 The capital costs of £4.3m over the life of the project are funded by the Scottish Government as part of the overall Growth Deal. The revenue costs and income sit with the council. The financial case indicates a subsidy requirement for the first 3 years of the project, with a transfer into surplus in year 3. The projected income and costs for 2023/24 have been incorporated into the revenue budget presented on 1 March 2023.
- 4.3 Bus Revolution will be delivered by the council and supported through partnership work with HITRANS, particularly in relation to the development of the app technology where HITRANS are supporting the development and implementation of the app based booking and management system through the provision of the core app as part of their Mobility as a Service project.
- 4.4 The operational delivery plan for the first phase of the project was approved by Economic Development and Infrastructure Services Committee on 22 March 2022 (para 11 of the minute refers) and is provided as additional information.
- 4.5 These service enhancements for Phase 1 of Bus Revolution are summarised as follows:
- Additional demand responsive vehicle covering Buckie / Keith 0630h – 2030h Monday to Friday
  - Two additional demand responsive vehicles covering Speyside 0630h – 2030h Monday to Friday

- New circular timetabled service connecting Cullen – Buckie – Keith – Cullen 0525h – 2015h Monday to Friday
- Enhance Aberlour – Knockando – Archiestown – Elgin service from 2 x per week to daily
- Additional DRT pre-0630h and post 1830h subject to demand for workplace transport bookings through local employers

4.6 The heart of the Bus Revolution project is to enhance the provision of demand responsive transport, which is flexible to a dispersed population by using a principle similar to Uber ride sharing – a customer books the service based on their direct journey need and this is accommodated as near to real time as possible. The customer may need to have some flexibility in journey time to get the best journey fit, but it is a means to providing journey opportunities where fixed timetabled routes would not be sustainable. It is an enhancement on the current Dial M operations in that bookings can be made same day through the use of app based technology, rather than only in advance. It is worth noting that bookings through the Contact Centre will be retained for those customers who need this facility, but may be able to be same day as they will use the same technology as the app. The additional services set out above provide journey opportunities at times of the day when people are likely to be travelling to work.

4.7 The Full Business Case is attached as Appendix 1. This appendix is a redacted version of the Full Business Case with redactions to the financial case and Appendix 10 due to reasons of commercial confidentiality. The full version is separately available for elected members.

4.8 At the time of writing this report, final approval of the FBC from Scottish Government is still outstanding and as there may be a need for a final iteration of the document, delegated authority is sought to achieve this once final government feedback is obtained. These potential amendments are around the detail of how the project benefits are documented and monitored along with some other detailed requests for information, but have no bearing on the scope of the project, services to be provided, or cost base. The Regional Economic Development team (lead department for the Growth Deals) recognises the impact of the lengthy process of finalising the Full Business Case and has assured officers that this process should not disrupt the plans to launch service provision.

4.9 To support the promotion of the existing and additional services going forward, the m.connect brand developed through a HITRANS funded project will replace the Dial M identity. As well as providing a fresh and modern brand image, it also removes the focus away from bookings made on the phone to the Contact Centre by removing the 'Dial' reference. The brand comprehensively sits within the council's brand identity, and is flexible to promote different aspects of connectivity and public transport. The new vehicles have a full wrap in brand identity, and the existing fleet of vehicles are being updated with a partial wrap.



- 4.10 The additional services are planned to commence operation on Tuesday 2 May, in line with the operational delivery plan. Preceding this 'go-live' there will be a final transfer of the back office management system to the app platform, following comprehensive testing. Drivers have been recruited and will be undergoing induction and training in late March and early April. The new services will be supported by targeted marketing. This will initially be activity to highlight the re-brand of the existing Dial M services to the new m.connect identity. This will then be followed by bespoke marketing activity specifically focussed on the new services and potential users such as small and medium sized enterprises (SMEs) in Speyside. This marketing campaign is currently being developed by a specialist agency. It is proposed that more celebratory recognition events take place in the weeks following launch to allow for the focus on operational delivery in the first few weeks.
- 4.11 In parallel with this there will be a more 'information provision' element of marketing by providing clear information about the services to enhance uptake of the core existing service through sheltered housing providers, Age Scotland and other community groups. The service will also be promoted to youth organisations and schools.
- 4.12 It is recognised that the ability to attract more customers for new routes is dependent on providing a reliable, quality service. To this end a Project Initiation Document / business change plan has been developed to ensure there is clarity on how the organisation needs to move from existing ways of working to the future model.

## 5. SUMMARY OF IMPLICATIONS

### (a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

The growth funding bid provides a unique opportunity to work in partnership with key stakeholders in the Moray economy to review the supports and stimuli in place already, the gaps and how best to fill these. If this process is completed in a robust and collaborative way, Moray will be able to leverage in significant funding from across the public and private sectors in addition to funding from the UK and Scottish Governments. Sustainable economic development is a priority in both the LOIP and Corporate Plans.

**(b) Policy and Legal**

The Bus Revolution project sits within the governance framework for the overall Growth Deal, and supports a range of council and government policy positions in relation to sustainable transport, inclusive economic growth, and tackling the climate emergency.

**(c) Financial implications**

As part of the partner contributions to the deal Moray Council has committed £8 million in capital funding across the 4 projects in the deal being managed by the Council. The Council is also the accountable body for the deal and will be responsible for monitoring expenditure and draw down of grant funding from the Scottish Government.

The capital grant funding from the Scottish Government for this project is:

22/23: £1.146m  
25/26: £670k  
27/28: £685k  
29/30: £707k  
30/31: £278k  
31/32: £496k

The revenue risk is with the Council for the project. The summary projections for the first four years are as follows:

	23/24	24/25	25/26	26/27
Income	£274k	£380k	£626k	£610k
Expenditure	£369k	£391k	£588k	£576k
Net revenue position	(£94k)	(£10k)	£38k	£34k

As referenced in the body of the report it is projected that, notwithstanding the clear socio-economic benefit of the project, it will generate an operating surplus in the latter part of the project, enabling a long term sustainable transport provision. Members' attention is drawn to the sensitivity analysis at 5.1.2 of the FBC which sets out the risks of variation, but should also note that the baseline costs and incomes have been set conservatively based on existing parallels (as detailed in the assumptions section which is redacted in the appendix, but available on the members' portal).

The capital and revenue implications of the project have been incorporated into the council's financial planning arrangements and budget. The financial (and operational) performance of the project will be routinely monitored and reported to allow for appropriate review points and controls.

**(d) Risk Implications**

The risks associated with the project are captured in the Full Business Case and there is a clear risk management process embedded into the project governance arrangements. The principle risk is around the

success of the project in achieving the target passenger numbers – the implementation plan, marketing strategy, and review arrangements are all established to monitor and manage this and other risks.

**(e) Staffing Implications**

The project requires the recruitment of additional drivers and a supervisory post, which were approved at a meeting of Moray Council on 28 September 2022 (Para 22 of the minute refers). The wider supervision and management falls within the existing resource and structure of the Public Transport Unit.

**(f) Property**

There are no property implications at this time. The charging infrastructure for the initial tranche of electric vehicles has already been installed at a number of locations across Buckie, Keith and Speyside.

**(g) Equalities/Socio Economic Impact**

Inclusive growth is a key concept in growth funding development and in terms of the overarching policies. The project is particularly focused on reducing inequalities through transport poverty. The EIA for the project is incorporated into the Full Business Case. Although the EIA was carried out some time ago, the principles captured have remained unchanged, and the position remains the same that it is focused on reducing inequalities.

**(h) Climate Change and Biodiversity Impacts**

One of the three principal objectives of the project is a reduction in carbon emissions. The vehicles procured for this project are fully electric, and the environmental benefits of a greater uptake of low carbon public transport are documented in the Carbon Assessment as part of the Full Business Case.

**(i) Consultations**

The Depute Chief Executive (Economy, Environment and Finance), Chief Financial Officer, Head of Strategy Performance and Governance, Head of Economic Growth and Development, Committee Services Officer (T Sutherland) and Equalities Officer have been consulted and their comments incorporated into the report.

**6. CONCLUSION**

**6.1 This report provides details on the Full Business Case for the Bus Revolution Project for approval, and progression into operational delivery.**

Author of Report: Nicola Moss, Head of Environmental and Commercial Services  
Background Papers: Report to EDandIS Committee 22 March 2022  
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