Moray Council

Wednesday, 08 March 2023

NOTICE IS HEREBY GIVEN that a Special Meeting of the **Moray Council** is to be held at **Council Chambers**, **Council Office, High Street, Elgin, IV30 1BX** on **Wednesday, 08 March 2023** at **09:30**.

BUSINESS

1. **Sederunt**

2. **Declaration of Group Decisions and Members Interests** *

3. **Resolution**

   Consider, and if so decide, adopt the following resolution:
   "That under Section 50A (4) and (5) of the Local Government (Scotland) Act 1973, as amended, the public and media representatives be excluded from the meeting for Item 10 of business on the grounds that it involves the likely disclosure of exempt information of the class described in the relevant Paragraphs of Part 1 of Schedule 7A of the Act."

4. **Corporate Overview of Council Priorities**　　　　　　　5 - 22

   Report by Chief Executive

5. **Revenue Budget Monitoring to 31 December 2022**　　　23 - 48

   Report by Depute Chief Executive (Economy, Environment and Finance)

6. **Discretionary Non Domestic Rates Relief**　　　　　　　49 - 56

   Report by Depute Chief Executive (Economy, Environment and Finance)

Moray Growth Deal - Full Business Case - Bus Revolution - Appendix - Members Only

- Information on proposed terms and/or expenditure to be incurred by the Authority;

10. **Short to Medium Term Financial Plan [Para 1]**

- Information relating to staffing matters;

Watching the Meeting

You can watch the webcast live by going to:

http://www.moray.gov.uk/moray_standard/page_43661.html

Webcasts are available to view for 1 year following the meeting.

You can also attend the meeting in person, if you wish to do so, please come to the High Street entrance door and a member of staff will be let into the building.

GUIDANCE NOTES

*   **Declaration of Group Decisions and Members Interests -** The Chair of the meeting shall seek declarations from any individual or political group at the beginning of a meeting whether any prior decision has been reached on how the individual or members of the group will vote on any item(s) of business on the Agenda, and if so on which item(s). A prior decision shall be one that the individual or the group deems to be mandatory on the individual or the group members such that the individual or the group members will be subject to sanctions should they not vote in accordance with the prior decision. Any such prior decisions will be recorded in the Minute of the meeting.

THE MORAY COUNCIL

Moray Council

<u>SEDERUNT</u>

Councillor Kathleen Robertson (Chair)
Councillor Donald Gatt (Depute Chair)

Councillor James Allan (Member)
Councillor Peter Bloomfield (Member)
Councillor Neil Cameron (Member)
Councillor Tracy Colyer (Member)
Councillor Theresa Coull (Member)
Councillor John Cowe (Member)
Councillor John Divers (Member)
Councillor Amber Dunbar (Member)
Councillor Jérémie Fernandes (Member)
Councillor David Gordon (Member)
Councillor Juli Harris (Member)
Councillor Sandy Keith (Member)
Councillor Scott Lawrence (Member)
Councillor Graham Leadbitter (Member)
Councillor Marc Macrae (Member)
Councillor Paul McBain (Member)
Councillor Neil McLennan (Member)
Councillor Shona Morrison (Member)
Councillor Bridget Mustard (Member)
Councillor Derek Ross (Member)
Councillor John Stuart (Member)
Councillor Draeyk Van Der Horn (Member)
Councillor Sonya Warren (Member)
Councillor Ben Williams (Member)

Clerk Name:	Tracey Sutherland
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Clerk Email:	committee.services@moray.gov.uk

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

SUBJECT: CORPORATE OVERVIEW OF COUNCIL PRIORITIES

BY: CHIEF EXECUTIVE

1.   REASON FOR REPORT

1.1   This report provides the Council with a high level indicative assessment of current Council priorities, service pressures and risk.

1.2   This report is submitted to Council in terms of Section II (13) of the Council's Administrative Scheme relating to the preparation of a plan that is of a corporate nature.

2.   RECOMMENDATIONS

2.1   **Council is asked to:**

    i)   Consider and note the Council's Strategic Framework

    ii)   Consider and note the priorities and pressures as set out in this report and the Appendix to this report;

    iii) Consider and note the key factors and messages as set out in Section 3 of this report;

    iv)   Recognise the interdependencies of significant service pressures with the achievement of the Council's strategic plans and priorities and the delivery of Best Value; and

    v)   Recognise in order to maintain an appropriate balance of risk to iv) above, the need for moderation in the approach to prioritisation and the allocation of available resources.

3.   BACKGROUND

Key Internal Factors

3.1   This report is the latest of a series of reports reflecting the priorities and pressures on Council services in recent years, such as:-

- Covid Related Pressures and Service Prioritisation – March 2021

- ICT Resourcing – May 2021
- Legal Services Staffing Resources – May 2021
- Covid Related Pressures and Service Prioritisation Update – June 2021
- Legislative Changes and Impact on Education – November 2021
- Strategic Priorities and Funding Opportunities – June 2022

3.2   This report and accompanying appendix provides by way of illustration an assessment of service pressures and associated risk to be taken into account in the context of the delivery of the Council's high level strategic priorities encompassed in the Council's strategic framework which comprises the following:-

- Corporate Plan (and associated Service Plans) and Improvement and Modernisation Programme;
- Short to Medium Term Financial Plan; and
- Recovery and Renewal Strategic Framework

Corporate Plan
3.3   As Members are aware the Corporate Plan provides the required vision and strategic direction on the Council's priorities. The associated Service Plans set out the means of resourcing and delivering the Corporate Plan.

3.4   An update and progress of a review of the Corporate Plan was considered at a meeting of Moray Council on 2 February 2023 (para 15 of the draft minute refers) when it was agreed.

Improvement and Modernisation Programme (IMP)
Based on the following set of design principles, the IMP is the development of the commitment in the Corporate Plan to a programme of modernisation and improvement to contribute to a financially stable Council by:-

- Streamlining processes and improving efficiency;
- Realigning resources to priority areas;
- Embracing and exploiting technology to enhance digital provision and skills;
- Improving services and standards; and
- Developing the skills, knowledge and capacity of the workforce to deliver better services.

3.5   The high level expectations of the IMP are:-

- A balanced budget;
- Reinvestment in priority areas with money shifting between services;
- Less services and different delivery methods;
- Reduced service standards in some areas and improved standards in others;
- Greater community self-reliance;
- Service improvement;
- Efficiency projects; and
- Transformational projects.

Recovery and Renewal Strategic Framework

3.6 The Council will continue to work on achieving economic stability and support to recover and grow the economy. Supporting those most affected by the pandemic, including those in hardship and advancing wellbeing will also continue through the Council's planned work on social recovery and renewal.

Short to Medium Term Financial Planning

3.7 The Short to Medium Term Financial Strategy is the subject of regular review.

Medium to Long Term Financial Planning

3.8 Production of a Medium to Long Term Financial Plan has been delayed, pending clarity on the role of transformation and what the future council will look like in the context of the Council's finances. This will be the subject to a future report to Council.

Key External Factors

3.9 The Council has to respond to the external environment of climate change, public sector reform, financial pressures and demographic change. The Council recognises that Climate Change is an urgent issue and is committed to taking action to achieve net zero. More recently the Council has also declared a nature emergency.

3.10 The impact of a whole range of national (at both UK and Scottish Government level) policy and legislation continues to be significant. For example, there is uncertainty about the destination of Scottish Government proposals for a new national care service giving rise to concern about local empowerment and funding for councils.

3.11 Demographic changes and the growing cost of living crisis will affect the demand for council's services. The trend in Moray is towards an aging population and the proportion of those aged of those over 85 will increase. It is of course also difficult to untangle the combined impacts of Covid-19 and the war in Ukraine and the rising global energy prices and shortages of key resources and inflation.

3.12 As Members are aware, the Council has a statutory duty to deliver Best Value in the provision of services. Capacity to deliver strategic change and maintain the pace of transformation alongside business as usual and recovery is one of the themes in the most recent Best Value Follow Up Report. Accordingly, the report identifies the following two high level areas of improvement:-

- **Improvement and Modernisation Programme** to increase the pace of transformational change through the Programme whilst monitoring staff capacity and wellbeing.
- **Committed decisive leadership** to support and advance the leadership role of Members and create a positive culture and to work together and with officers to deliver Council priorities.

3.13 These two areas are the most difficult and tackling these with a finely balanced Council is both opportunity and a challenge. The nature of political discourse since May 2022 is reflected in the extended duration of meetings of Council and it's Committees and an increase in procedural points (Notices of

Motion; Points of Order and deferral) along with increased numbers of questions. It is also reflected in an increase in the volume and complexity of the work required to prepare for and service meetings of Council and its Committees etc. Transformational change, relationships and leadership are issues that do not have simple tangible remedies and will need ongoing attention. There is a need to focus on these as both significant and challenging if the Council is to continue to improve.

3.14   Planning to respond to these medium to long term issues is difficult. Funding levels continue to be uncertain because of short term funding cycles, ring fenced funding and the increasing use of funding bids. It is challenging for the Council to find the capacity and resources to respond to and influence and shape these challenges.

3.15   Prioritisation of resources and focussing of agendas and priorities will be needed if the Council is to deliver more and increase the pace of improvement and modernisation as budgets and other resources will be limited. The financial climate adds to this when once again there will have to be considerable political and officer attention given to levels of savings in a climate where we have already delivered savings for many years.

Service Pressures: Illustration of Pressures by Service Portfolio

3.16   The Appendix attached to this report sets out by way of illustration some of the of pressures by portfolio.

Key Messages

3.17   **Recovery and Renewal -** The Council has been through a very difficult period and faces challenges in recovering services dealing with ongoing demand and meeting community needs and expectations. Key lessons learned include the benefits of:

- Collaborative working with partners and communities to respond and reshape services;
- Having access to and making better use of data to understand needs and planned services;
- The rapid use of digital technology in service design / service redesign; and
- New ways of working with staff.

3.18   **Business as usual -** The Council continues to operate in a difficult and uncertain strategic context and faces longer term financial pressures, lack of certainty and flexibility over long term funding and the prospect of major service reforms.

3.19   **Council of the future** - The council is planning for the 2024/25 financial year and the potential areas and opportunities for further savings; efficiencies and service rationalisation and redesign etc.

3.20   Although the Council has responded well during the Pandemic and is continuing normal service delivery, this obscures the fragility underpinning this high level overview position and the interplay and interdependencies across the strategic framework overall and within elements of each of its constituent

parts. This has been achieved by careful choice, prioritisation and concentrated periods of deployment of existing resources to advance projects and priorities where possible. It requires careful judgement and planning to ensure key timelines are met and at times, working to "just enough" standards and depth of quality which can be difficult for both officers and Members to accept. This approach has enabled progress of key priorities where resource has been stretched across agendas, but inevitably carries a greater degree of risk.

3.21 The continuing uncertain and challenging context needs this approach to continue. To govern is to choose. The Council has significant choices open to it and this requires strategic thinking, effective collaborative working and decision making. It also needs a resilient workforce, and a culture that promotes wellbeing.

4. **SUMMARY OF IMPLICATIONS**

   (a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**
   The Council is committed to deliver better outcomes year on year through these plans.

   (b) **Policy and Legal**
   The Council has a legal duty to deliver Best Value, the expectations of which are of councils having an appropriate balance amongst:-

   - Clear priorities and long term plans
   - Options for significant change
   - Workforce knowledge, skills, time and capacity
   - The involvement of citizens and communities
   - A pace and depth of continuous improvement
   - The quality of its performance of its functions
   - The cost of the council of that performance
   - The cost of any services provided by the council

   In maintaining that balance the Council must have regard to:-

   - Efficiency
   - Effectiveness
   - Economy
   - The need to meet equal opportunity requirements

   The statutory guidance and Best Value requires the Council to demonstrate delivery of Best Value in respect of the following seven themes:-

   1. Vision and leadership
   2. Governance and accountability
   3. Effective use of resources
   4. Partnership and collaborative working
   5. Working with communities
   6. Sustainability
   7. Fairness and equality

(c) Financial implications
Covid-19 significantly impacted on many aspects of Council finances.

Funding to local government has been reduced in real terms since 2013/14.

The ongoing absence of a multiyear financial settlement creates uncertainty for Council in a time where effective and robust financial management is crucial.

The Council has committed earmarked reserves for improvement and transformational change to be drawn down to develop the capacity and capability to deliver the IMP.

(d) Risk Implications
The risks associated with change, and the success of transformation are well known. Historically the Council has found it difficult to create capacity for change at scale.

The Council maintains and keeps under review a corporate Risk Register and the current risk for Human Resources has a RAG scoring rated as red as at August 2022. The main issues for the rating being workloads and the ability to recruit and retain staff across a number of service areas.

In acknowledging that employees are the Council's most important resource and a skilled and motivated workforce is essential for the delivery of Council services, there is a determination to mitigate risks which adversely impact on staff. For example, the move to hybrid working, namely the Council's "Smarter Working" project, as part of the Council's flexible working policy should help alleviate some of these service pressures.

It is recognised that the challenge to recruit staff to certain specialist jobs remains with particular impacts around senior management posts and our leadership capacity. Council pay and grading policies limit incentives that may aid in the filling of vacancies. Inability to attract suitable staff in sufficient numbers creates risk including, but not limited to, reduced staff morale, poor service quality, inability to secure Best Value and unsatisfactory reports by inspectors and regulators.

Although the Council has responded well during the pandemic both in continuing normal service delivery and establishing new response based services, the pandemic has created an entirely new working environment It is well recognised that the Council operates with comparatively small teams of officers and the scope and skill task set out in the Council's strategic framework are considerable. In addition to new and emerging service areas to be resourced, there are a number of existing service areas which require replenishment.

Reduced ability of smaller teams to deal with competing and complex demands; reduced ability of smaller teams to forward plan across a wider Council agenda and be ready with a strategic response.

Difficult to recruit in certain specialist areas including certain subject teachers; vehicle technicians, specialist professional posts and senior management.

Staff turnover leads to loss of expertise and 'corporate memory' but workforce planning is used to offset this, especially for key roles.

Inability to meet service demands and secure continuous improvement. Staff morale and productivity is adversely affected as a consequence of the pandemic.

Careful consideration has to be given to the achievability of the scale and range of the improvement and transformation projects in particular. In order to manage these risks the Council needs to continue to:-

- To ensure that there are adequate resources for the overall programme of work and for individual projects.
- In order to manage the risks as the improvement and modernisation programme work develops, the programme is scheduled to manage risk and capacity.
- Leadership and management capacity across services in light of the existing Improvement and Modernisation Programme is monitored on an ongoing basis to ensure that progress can be maintained and interdependencies between Council priorities, projects and Covid are adequately addressed.

A degree of this challenge will be emerge as part of the 2024/25 budget cycle. In short, the agreed solution of additional capacity, capacity being the problem to be resolved, is not yet fully in place.

Given the interdependency, it is important that Members are cognisant of the impact of identifying new areas of work which require further agile resource allocation and a heightened risk of non-achievement of agreed standards and timelines. Pending mobilisation of agreed resources, the current approach is high risk and depends on ongoing moderation by prioritisation and reprioritisation which is not sustainable without workload reductions to balance the risk.

The above risks focus on change but there are others such as extent of external influence and control on our priorities and hence how resources have to be deployed which reduces scope to select local priorities and give these attention. It also diverts from local choice and issues.

Internal ways of working – there is a need to consciously develop these to keep up with the operating environment and ensure focus on priorities (Notices of Motion, minor queries issues) to avoid a loss of focus on valued outcomes.

Short term focus – there is a need to be aware of outcomes to be delivered over longer term and it is easy to be diverted e.g. issue by issue budget management at expense of medium to long term; long term project objectives while experience challenge of change.

Partnership working – increasing focus and criteria for funding. This needs change in ways of working, shift of control but not always accountability and requires resource which are not always available. Whilst this form of working has potentially greater benefits, it also carries greater risks as the council carries many of the responsibilities.

In conclusion, some of these are contributors to the pressurised environment and explain why it feels different to the past.

(e) Staffing Implications
There are no implications arising directly from this report. The pressure on the workforce continues. Wellbeing support for the workforce has also to continue.

The development of officer capacity to deliver the required improvements related to the transformation programme and other specific pieces of work. However, there are recruitment challenges, especially relating to temporary appointments and this could impact on pace and progress.

Recruitment and Retention
Councils are facing skills shortage and recruitment difficulties in key areas, a number of which are referred to in the Appendix to this report.

Wellbeing
Recent mental health and wellbeing surveys of Council staff gives some indication of an improving picture in terms of how supported the workforce report feeling and how well they are being able to manage their mental health and wellbeing during the recovery from the pandemic.

In summary, the results show in general the workforce the managed the impact of Covid well.

It is also evident that there are areas that require improvement work such as anxiety about workload and employees mental health being well looked after which are embedded in the wider aspects of positive workforce culture activities, although they may require further focus within specific teams and services.

(f) Property
There are no direct implications from this report although Property is the subject of work streams in the Improvement and Modernisation Programme and issues arising from these reported as appropriate.

(g) Equalities/Socio Economic Impact
There are no equalities associated with this report. Any equalities issues are addressed within the priorities and any projects or workstreams.

(h)   Consultations
The Corporate Management Team has been consulted in the preparation of this report and comments incorporated for their areas of responsibility.

5.   **CONCLUSION**

5.1   **This report has been produced to inform the Council's approach as it continues with preparation for the 2024/25 financial year budget and the opportunity this presents to design the Council of the future. It is much more difficult to make changes to the Council and the way it works when it has to continue the daily routine ("business as usual"). The potential offered by the transition to the Council of the future is not to be underestimated but the time to do this is not long and will pass very quickly. The pressures are significant and the danger is that in the face of all this, it will be easier just to continue to do things as they were being done and ignore the issues and changes requiring action.**

5.2   **The situation regarding Covid-19 continues to have a significant impact on the Council's current strategic corporate capacity and capability given the level of responsibilities and concurrent risks the Council continues to carry for the foreseeable future. This continues to be effectively managed by reviewing and resetting strategic, corporate and tactical priorities with actions to mitigate in the short to medium term.**

5.3   **The Council has made good progress, in particular in relation to financial sustainability. It is recognised however that there is still a significant amount of work ahead. The very challenging economic and financial background and the need for recovery and renewal to address the social and economic harms as a consequence of Covid-19 set a challenging context in which to continue the Council's positive progress in delivering Best Value.**

5.4   **Notwithstanding the unprecedented challenges, the Council has a clear strategic plan and programme with resources beginning to align to support delivery. This has enabled steady progress while also pursuing a number of significant policy initiatives as part of the broad context in which the Council operates. Whilst in some respects the way forward remains uncertain, the importance of investment in time, capacity and capability in order to make the required choices and decisions to deliver on the IMP and its contribution to securing best value and sustainability remains a major focus along with generally maintaining an appropriate balance of prioritisation of workload, resource allocation and risk to provide regular assurance on pace, depth and continuity of improvement and transformation.**

5.5   **It is imperative that the Council recognises the risks of such a wide ranging agenda and the need for moderation to achieve the appropriate balance of risk to implement it and ensure Council services improve in the process whilst monitoring staff capacity and wellbeing.**

Author of Report: Roddy Burns, Chief Executive
Background Papers:

1. Covid Related Pressures and Service Prioritisation prioritisation: Report & Appendix 1 to Moray Council on 10 March 2021
2. Legal Services Staff Resources: Report to Moray Council on 12 May 2021
3. ICT Resourcing: Report to Moray Council on 12 May 2021
4. Strategic Priorities and Funding Opportunities: Report and Appendix 1 to Moray Council on 29 June 2022
5. Covid Related Pressures and Service Prioritisation Update: Report to Moray Council on 30 June 2021
6. Strategic Framework for Renewal and Recovery in Moray Update: Report, Appendix 1 & Appendix 2 to Moray Council on 15 September 2021
7. Legislative Changes and Impact on Education: Report to ECLS Committee on 24 November 2021
8. Service Plans
   - Education (Schools and Early Years) (to ECLS Committee on 9 March 2022)
   - Education Resources & Communities (to ECLS Committee on 9 March 2022)
   - Financial Services (to Corporate Committee on 15 March 2022)
   - Human Resources & Organisational Development (to Corporate Committee on 15 March 2022)
   - ICT (to Corporate Committee on 15 March 2022)
   - Governance, Strategy and Performance (to Corporate Committee on 15 March 2022)
   - Economic Growth & Development, Housing & Property Services & Environmental & Commercial Services (to ED&I Committee on 22 March 2022)
9. Improvement and Modernisation Programme: Report & Appendix 1 to Corporate Committee on 30 August 2022
10. Short to Medium Term Financial Plan: Report, Appendix 1 & Appendix 2 to Moray Council on 7 December 2022
11. Best Value Progress Report: Report & Appendix 1 to Moray Council on 29 June 2022
12. Mental Health and Wellbeing Pulse Survey 2022: Report & Appendix A to Corporate Committee on 8 November 2022
13. Corporate Risk Register: Report & Appendix 1 to Corporate Committee on 30 August 2022
14. Local Government in Scotland Financial Bulletin 2021/22 prepared by Audit Scotland January 2023
15. Corporate Plan 2019-2024

16. Budget Savings 2017-2022 Breakdown (SPFINANCE-381602673-64)

Ref: SPMAN-1108985784-851
                             SPMAN-1108985784-852

			APPENDIX 1
Ref	**Policy Area**	**Issue**	**Pressures and Issues**
		Description of what we need to do	*Particular point to highlight*
001	Ministerial direction on drug deaths & suicides	Undertake multi agency reviews	Ability to resource on ongoing basis. Efforts are being made to establish a proportionate and appropriate approach whilst pressing Scottish Government for funding
002	Poverty / Cost of Living	Escalation nationally and locally of expected response. Limited council resource to respond	Limited Council resource to respond. Absence of co-ordinating governance and work spread across services and agencies
003	Service Reviews	Service review for BVAR and ongoing change programme	Investigating and developing manageable and proportionate methodology to undertake reviews
004	Strategic and Corporate Planning e.g. LOIP	The development and review of strategic plans such as the LOIP.	Limited (no) resource and discussions at partnership level with Chief Officers who have not not produced a solution
005	Partnership Working	Dedicated officers who perform this role	A number of partner public sector organisations have dedicated officers.
006	Corporate Role of IJB -	Participation as appropriate in the Corporate and strategic management and being accountable for ensuring that corporate strategic objectives are met.	Availablity of skills and capability to support the strategic and corporate objectives of the Council and of the Community Planning Partnership
007	Emergency Planning / Resilience	Continued expansion of counter-terrorism and security remit in terms of Prevent and Protect (the UK anti-terrorism strategies) and a more proactive role for emergency planning required post Storm Arwen	Managing and co-ordinating the delivery of the expectations of the Protect Strategy and emergency planning

Ref	Policy Area	Issue	Pressures and Issues
008	Recruitment and Retention / Succession Planning	Skills shortages and recruitment difficulties in key areas.	e.g. - IJB CFO - Legal Services - Building Standards - Building Trades - Social Work Practitioners
009	Military Covenant	The new Covenant Duty places a legal obligation on public bodies to pay 'due regard to the principles of the Covenant' and requires decisions about the development and delivery of certain services to be made with conscious consideration of the needs of the Armed Forces community.	To some extent the scope and reach of this will be influenced by how proactive the elected member champion is in developing working groups etc.
010	National Asylum Dispersal, Unaccompanied Migrant Children, Afghan and Ukrainian Support schemes	Facilitation of local resources; requirement to monitor and respond to end of placement requirements for mainstream accommodation; growing burden on existing services bothe within housing and across public services	Limited staff resources

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Ref	**Policy Area**	**Issue**	**Pressures and Issues**
		Description of what we need to do	*Particular point to highlight*
001	Wrap Around Child care	Expansion of holiday childcare - no resource or service to lead; Pressure to develop wrap around childcare to meet demand but not council stautory responsibilty	Has potential to develop into new service area that is not currenlty planned for or resoruced. Information not available as to future SG holiday care plans but anticipated this will continue or increas, with potential wider expansion of childcare. SG funding criteria for 2023 awaited but concern that will change and so add expectation of continuing current (with no £) while adding new
002	Counselling for Schools Mental Wellbeing Funding	Commissioning and contract management of services	Limited staff resources
003	Free School Meal Payments	New Process	Additional Business Support admin
004	Universal Free School Meals	Extend primary free school meal provision to include P4-P7	Limited staff resources
005	DSM/Increase in class contact time	Review of DSM scheme, increase non-contact hours of all teachers	Limited staff resources
006	The Promise / UNCRC	Developing new ways of working to meet requirements of The Promise/UNCRC	Limited staff resources
007	Attainment	Monitor and review Stretch aims	This is an additional task
008	ASN Review	Review of ASN polcies and processes. Organisational design and structure. Models of service delivery. Workforce development. Tests of change.	Long term, complex and multi facetated programme of change in an increasingly challenging operational environment.

Ref	Policy Area	Issue	Pressures and Issues
009	Learning Estate Strategy	Transforming the learning environment to support the delivery of the LOIP outcome of building a better future for Moray's children and young people and growing a diverse and sustainable economy.	The significant risks with a programme of this scale and nature envisaged in the investment plans and individual projects to be developed under the Learning Estate Strategy. The development of plans is likely to generate a high degree of public interest and speculation of future of individual schools and the public relations aspects that may arise as a result
010	Whole Family Wellbeing Fund	Additional funding with requirments to be planned and delivered onpartnership basis and requiring service response and mangement input	Limited staff resources
011	National reviews of SQA, Education Scotland etc.	Typical of many national reviews and policy directives that are major asks	Limited staff resources
012	Management: Advice and Support	Inexperienced new managers within services	Demands on the small central HR Ops team is noticeably higher.
013	Employee Relations: Provision of HR Advice and Support	There are an increased volume of employee relations cases that require HR Adviser support.	Demand on small central HR team reduces capacity for other essential HR work e.g. research, involvement in specific pieces of work such as the recruitment challenges actions, flexible working support, etc
014	Short Term Lets	Create eForm for registration of short term lets. Create Process for registration, Payment, reminders and renewal of licences.	Unexpected work impacting on resources progressing planned work

			APPENDIX 1
Ref	Policy Area	Issue	Pressures and Issues
		Description of what we need to do	*Particular point to highlight*
001	UK Shared Prosperity Fund	Administering and delivering the fund with limited resources	Impacts on limited team resources
002	Town Centre Capital Grant Fund & Start Up Grant Fund	Administering and delivering the fund with limited resources	Impacts on limited team resources
003	Just Transition Fund	Delivery of feasibility studies	High strategic importance, but added workload from current resourcing levels
004	Regeneration Capital Grant Fund	Lead applicant- assist with Stage 2 applications and claims if successful with limited resources	Impacts on limited team resources
005	Tourism - Local Visitor Levy	New initiative needs to be developed	Impacts on limited team resources
006	Planning Bill 2019 roll out	Unsure of future phasing	Deadlines require to be met
007	Workforce Strategy	Professional Competency Framework for Verifiers was published to support the new Competency Assessment System	An additional requirement of the operating framework which requires to be carried out however no change to requirements to meet other performance indicators which still require to be fulfilled.
008	Scottish Veterinary Service	Short response data demands re Animal Health work, possible removal of some of the service to new national agency	Additional demand on management and staff
009	Good Food Nation Bill	Require a food policy for the council	Time to write policy without pressures of other operational requirements/ demands.
010	Deposit Return Scheme	There still appears to be a lot of unanswered questions on this policy.	Difficult to plan for long term strategic developments i.e. vehicle selection & volume of material we'll be handling (impact on kerbside collections). Having to order new vehicles now that won't be ready for 2-3 years.
011	Recycling Improvement Fund	Added pressure on services to build the application & project as a whole.	Ongoing risk that the application is unsuccessful. In which event all time and resources previously allocated will have been wasted. Risk of having to start the process again with an alternative proposal. Continued risks and service limitations associated with the current facility in Chanonry.
012	Energy Efficiency Standard for Social Housing (EESSH) & EESSH2	Complex and changing framework in policy and regulatory terms, significant gap between policy objectives and available funding/availability of technological solutions	Limited staff resources

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Ref	Policy Area	Issue	Pressures and Issues
		Description of what we need to do	*Particular point to highlight*
001	Bairn's Hoose: The establishment of a Scotland-wide network of buildings to meet the needs of children and young people who have been harmed; who are under the age of criminial responsibility (currently 12 moving to 14 years) that need to be interviews, and potentially children and young people that need to be interviewed and potentially children and young people that need to give evidence to court.	Requirement to source partnership building for Moray's Bairn's Hoose	This is still in very early planning stages but will require specific project planning/ implementation time
002	Dr Grays Hospital, Elgin plans for the future	Requirement to undertake the design and delivery of Dr Grays Hospital redevelopment	This is at the stakeholder engagement stage. As the engagement progresses, feedback will inform the plan for the Dr Grays Hospital of the future.
003	Social Work / Social Care: Unmet need	The significant pressure on social work / social care and the inability to meet demand resulting in unmet need and family carers having to shoulder an increased burden, and in turn leading to high demand for carer support, combined with concern from community members at levels of unmet need	The inability to meet care need also impacts on abilty to reduce delays from hospital. The sustained pressure in care staff impacts on the quality of care that some providers can deliver.
004	Social Work Practice	There is a national shortage of experienced social workers with a background in children and families. There is also the imminent retiral of a Service Manager.	Pressures across all area teams and placement services.

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

SUBJECT: REVENUE BUDGET MONITORING TO 31 DECEMBER 2022

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

1. REASON FOR REPORT

1.1 To advise Committee of the revenue budget monitoring position to 31 December 2022 and of the current estimated out-turn for 2022/23.

1.2 This report is submitted to Council in terms of Section III A (2) of the Council's Administrative Scheme relating to monitoring current revenue expenditure against approved budget.
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2. RECOMMENDATION

2.1 It is recommended that Committee considers and notes:

(i) the budget monitoring position of £1,244,000 under budget for 2022/23 as at 31 December 2022;

(ii) that this position consists of an underspend on Devolved School budgets of £1,098,000, an over achievement on Sport and Leisure income of £268,000, an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £1,043,000, and an underspend on other services of £921,000;

(iii) movement of £5,080,000 in the General Revenue Grant, as detailed in paragraph 3.4;

(iv) the current estimated out-turn for 2022/23 of an underspend of £11,967,000 which includes a loans pool holiday, reducing expenditure by £7,583,000, along with further underspends of £4,384,000.

(v) Included in that underspend is budget pressures totalling £2,581,000 which are projected to slip into next year and will result in an increase in Council reserves for 2022/23 but will be required in 2023/24;

(vi) the emerging budget pressures noted in paragraph 6.1; and

(vii)   an additional £2,007,000 funding for the pay award coming as capital grant.

3.   BACKGROUND

3.1   When the revenue budget for 2022/23 was approved by Moray Council on 22 February 2022 (paragraph 4 of the minute refers), General Revenue Grant of £180,723,000 was estimated for the year, based on the latest amount notified to the Council and including estimates for further distributions of grant during the year. Council Tax receipts of £46,555,000 were anticipated. Budgeted expenditure of £240,732,000 was agreed, and included use of financial flexibilities totalling £3,120,000 and required projected use of £10,335,000 of the Council's ear marked reserves to balance the budget. The financial flexibility planned to be used was use of capital receipts to fund Covid-related expenditure. The Treasury has advised Scottish Government that the use of capital receipts to fund Covid-related revenue costs would score against the Scottish Government capital allocation and so this financial flexibility has been withdrawn. To replace this the budgeted use of ear-marked reserves has been increased.

In addition to the Council's core budget, monies allocated to schools through the Devolved School Management (DSM) scheme and not spent are brought forward from previous years. The DSM balance brought forward in 2022/23 is £1,288,000 (2021/22 £1,342,000).

Unused Pupil Equity Fund (PEF) of £1,046,000 received in 2021/22 and £44,000 funding for nursery snacks and fundraising have been carried forward into 2022/23 in accordance with the grant conditions as funding is made on a financial year basis but spent on an academic year basis.
On 29 June 2022 Council approved additional expenditure of £1,449,000 to be funded from the covid ear-marked reserve. The majority of these adjustments (£1,102,000) have been posted to departments. The additional provision of £295,000 approved for the expansion of Universal Free School Meals to Primary 5 (underspend from the 2021/22 allocation) won't be required, due to lower uptake than expected.

3.2   Variations to General Revenue Grant (GRG) amounting to £5,080,000 have been notified. This consists of additional funding for the local government pay award £2,330,000, Teacher Induction Scheme £1,609,000, balance of funding for the Cost of Living Payments £560,000, Whole Family Wellbeing Fund £546,000, and other smaller items of funding of £35,000. Funding has not all been drawn down but will be required for the final quarter.

3.3   With these adjustments the Council's overall General Services revenue budget currently stands at £257,534,000.

3.4   Reconciliation of the movements in the base budget from that which was approved by the Moray Council on 22 February 2022 is shown in **APPENDIX 3** and allocations to departments from the provisions for Inflation and Contingencies, Additional Costs and Savings are listed in **APPENDIX 4**.

4.   BUDGET POSITION

4.1   **APPENDIX 1** summarises the current position for each service area, comparing the actual expenditure for the year to 31 December 2022 with the budget to 31 December 2022.

4.2   Overall the budget position at 31 December 2022 is expenditure under budget to date of £1,244,000 or 0.7% of budget to date (including services delivered on behalf of the Moray Integrated Joint Board (MIJB).

4.3   The principal areas of overspend and underspend across the Council are summarised below.

Devolved School budgets are underspent by £1,098,000 at the end of the third quarter, £298,000 in primary schools and £800,000 in secondary schools. All schools have plans for underspend, within DSM limits with the majority of underspend being used for tenant responsibilities, forecast staffing in secondary schools and resource purchases. The underspend is within the current limit within the DSM scheme for individual schools.   There is also an underspend in Pupil Equity Funding of £439,000. Schools have plans for PEF spend for the remainder of the academic year with committed spend for any underspend arising from posts which have taken time to fill within the school year. Early Learning and Childcare partnership provider payments are £413,000 over budget to date.

4.4   The MIJB is reporting an overspend across both Council and NHS services during quarter 3 of £2,095,000. The figures included in this report relate purely to the services delivered by Moray Council on behalf of the MIJB and amount to an overspend of £1,043,000.

4.5   Environmental and Commercial Services are overspent by £182,000 on fuel costs due to all vehicles having to use white diesel and not red diesel due to changes in legislation. Provision for this pressure was made when the budget was set but has proven to be inadequate, due to rising fuel costs.

4.6   Housing and Property Services are overspent on homeless accommodation by £190,000. There are underspends in repairs and maintenance budgets for corporate planned works of £125,000, shared buildings of £41,000 and school buildings of £16,000. Industrial Estates are showing a £15,000 underspend at quarter 3.

4.7   Income budgets across the Council are showing both positive and negative variances. Sports and leisure facilities were expected to continue to see reduced income in the aftermath of covid restrictions and budgets were adjusted accordingly. Recovery is ahead of forecast with income for quarter 3 £268,000 above the revised target. Income from trade waste is £142,000 below target, continuing the trend which emerged during the pandemic, however, income from the sale of recyclates is currently £200,000 above target. Bulk waste and tipping income are also above target to date, by £22,000 and £53,000 respectively. Fees from building standards and planning applications are in aggregate £225,000 above target. Catering income is £70,000 below budget but this is more than offset by a related underspend of

£243,000 on food and other catering supplies due to lower uptake of free school meals by primary 5 pupils than expected.

5.   BUDGET PRESSURES and ADDITIONS

5.1   Budget pressures recognised when the budget was approved on 22 February 2022 are released when the pressure develops to the extent that it can be accurately quantified. Provisions to meet budget pressures and new duties totalling £3,455,000 have been released in quarter 3 and these are itemised in **APPENDIX 4**.

5.2   Provisions still held centrally at the end of quarter 3 total £5,286,000 and are detailed in **APPENDIX 5** and given a RAG assessment for likelihood of requirement.

5.3   Twenty four provisions are assessed as red, as no longer being required this year. The following provisions balances are not expected to be required until 2023/24 due to timing: Additional funding for teachers balances of £81,000 and £225,000; DSM/ class contact time review £13,000; Moray Growth Deal contribution to STEM £3,000; Development plan scheme transportation appraisals £200,000; Free school meals extension, balance now £256,000, which will depend on uptake from the new school year in August and will be required in 2023/24; clearance of Bilbohall site for housing development £120,000 as work is not expected on site until the end of 2023 and will not be required in this financial year; Economic recovery plan £193,000 with delays in establishing pop-up shops; revised Improvement and Modernisation Programme £533,000 is not expected to be fully required until 2023/24; annual maintenance of automatic bollards for £7,000 which are no longer required this year. Budget has been drawn down for the Levelling Up Fund leaving a balance of £221,000 which may be required for submission of a new bid next year. Lastly, the Whole Family Wellbeing Fund balance of £546,000 has no spend against it in 2022/23 and will require carrying forward - a total of £2,398,000 slippage.

5.4   The following provisions assessed as red are no longer required: £64,000 for removal of music tuition fees and core curriculum charges as funding has been received via redetermination; £69,000 for the removal of curriculum charges and £57,000 removal of music tuition charges being the balance of the redetermination that is not required; £187,000 and £420,000 for Living Wage; £143,000 for the National Insurance increase that was subsequently reversed from November 2022; free school meal holiday provision £48,000 of the £80,000 balance; £30,000 for Moray Growth Deal support as salary costs have been drawn down and no further funding required; £12,000 for free period products, £26,000 for Easter study provision, and £82,000 for the administration element of the Cost of Living Payments funding. £30,000 for the balance of ELC Consultant approved budget that is not required.

5.5   Two provisions are assessed as amber, for uncertainty of requirement £63,000 school real time data, the department is looking into alternative ways of utilising this due to being unable to recruit; and £120,000 for Youth work (Buckie and Forres) engagement has only just started with spend in quarter 3

but full amount will not be required in this financial year.   Any balance not spent will be required to be carried forward

5.6   Two provisions that are classed as green have drawn down more than the original allocation. Health and Social Care Package costs were estimated at £185,000 split over 2021/22 and 2022/23. Due to a delay in the commencement of the package the full amount was not drawn down until 2022/23. The budget pressure for energy costs was estimated at £411,000 however due to the increase in the cost of energy since that estimate was made this was under estimated by £1,224,000. The impact of the National Insurance 1.25% increase was more than provided for but the reversal of NI rates from November has reduced the requirement, with the balance of the provision of £143,000 not required.

5.7   All other provisions are expected to be required in full at this juncture.

6.   EMERGING BUDGET PRESSURES

6.1   Emerging budget pressures are noted throughout the year as they are identified. Pressures that have been identified during quarter 3 are shown in the table below:

	Para Ref	Estimated full year effect £000s
Homeless Accommodation	6.2	230
Waste Management - leachate	6.3	73
Teachers pay offer	6.4	1,470
Total		1,773
		======

6.2   There is an emerging budget pressure for providing homeless accommodation. There is an overspend to quarter 3 of £190,000 with this projected to increase to £230,000 by the end of 2022/23.

6.3   Leachate – the cell has recently been capped which causes increased leachate initially but the rates have also increased under a new contract.

6.4   At present a pay offer for teachers has not yet been accepted for 2022/23. However, it is a substantial budget pressure that will materialise in due course. Using the most recent pay offer figures (February 2023) the estimated minimum cost to the Council, over and above the budget already included this year, is £1,470,000. This assumes additional funding is provided by the Scottish Government to support the revised offer.

6.5   The budget will continue to be reviewed for any emerging pressures.

7.   SAVINGS

7.1   Savings of £1,576,000 were approved when the budget was set on 22 February 2022. These savings comprised one-off savings of £68,000 and other permanent savings of £1,508,000.

7.2   Temporary savings of £68,000 were forecast from the refund of the Grampian Valuation Joint Board (GVJB) surplus. The GVJB audited accounts were approved and signed at the meeting of the Board on 27 January 2023, giving an actual surplus refunded to Moray of £78,000.

7.3   Of the originally approved permanent savings, a balance of £151,000 remains in central provisions as at the end of December. These are detailed in **APPENDIX 6** and given a RAG assessment for anticipated achievement.

7.4   One saving totalling £20,000 is assessed as red. The saving relating to the closure of Auchernack are unlikely to be achieved in 2022/23 because it will only be realised when the building is disposed.

7.5   Three savings totalling £263,000 are assessed as amber. These savings relate to the Improvement and Modernisation programme Stream 2: ICT and Digital – schools admin £94,000, IMP Stream 4: Review and Expansion of Flexible working £44,000 now subsumed into Smarter Working and Lean review £125,000. These will be kept under review.

7.6   The other saving, increase vacancy factor in line with pay awards, is assessed as green as the actual saving was higher than the target.

7.7   In addition to the savings approved when the budget was set, additional savings of £70,000 accrue from the increase in NI threshold. There was a late posting of a vacancy factor increase of £36,000 relating to 2021/22. A further saving of £25,000 relates to a vacant post advised by the service to be no longer required. £3,000 saving following restructure to the janitor service agreed in 2015 and being implemented as planned over a number of years as postholders retire . Additional one-off savings of £600,000 relating to children's services were approved at Council on 28 September 2022 (para 16 of the minute refers) along with a further £50,000 permanent saving in Children's Services, £49,000 saving from home tuition, £3,000 for travel/postages budgets, vacancies in Internal Audit and Benefits of £43,000 each and corporate training saving of £100,000. Further savings approved at that meeting have yet to be posted, totalling £519,000.

8.   ESTIMATED OUT-TURN

8.1   **APPENDIX 2** summarises the estimated out-turn position for each service area, comparing the estimated expenditure to the financial year-end with the budget to 31 March 2023.

8.2   Overall the estimated out-turn position for 2022/23 is expenditure under budget of £11,967,000 or 4.6% of budget for the year (including services delivered on behalf of the Moray Integrated Joint Board).

8.3   The estimated out-turn position for 2022/23 for Health and Social Care is an overspend of £4,222,000 on services provided by the Council to MIJB. The figures included in this report relate purely to the services delivered by Moray Council on behalf of the MIJB and amount to a forecasted overspend of £2,644,000. However, due to additional funding received and reserves brought forward, there is expected to be enough reserves to cover this overspend for 2022/23. The MIJB has a cost sharing agreement between the Council and NHS Grampian, but due to the use of reserves an adjustment to reflect the agreement is not anticipated to be required.

8.4   The principal areas of overspend and underspend across the Council reflect the major variances mentioned in section 4 of this report. Details of projected out-turn variances are summarised below:

8.5   Staff savings from vacancies and appointment below top of scale across all services are anticipated to exceed the overall budget provision by £1,937,000, reflecting difficulties in recruiting and retaining staff. Income budgets across the Council are showing both positive and negative variances, with a projected net effect of £313,000 over achievement. This includes increased leisure income, planning fee income and recyclates but with a reduction in income for libraries, catering income, car parking income and trade waste.

8.6   In Children Services, there is a total projected underspend of £326,000, excluding staff savings from vacancies. This relates primarily to delays in new contracts for services being implemented (£214,000), throughcare/aftercare grants £31,000 under, adoption allowances, legal fees and placements are projected to be underspent by £42,000; fostering fees and allowances projected to be £96,000 underspent; and one-off income received from adoption placement is projected to give an underspend of £33,000. This is being reduced by overspends expected in direct payments of £82,000; and home to school transport £62,000.

8.7   In Education there is an estimated overspend of £324,000 due to increasing costs and the reduction in specific grant for Early Learning and Childcare. A budget pressure of £2 million was recognised when the budget was set, due to current demand for this service. The service has been reviewed with a view to containing costs and the recommendations of the review have been reported to Education, Children's and Leisure Services Committee on 14 December 2022 (paragraph 20 of the Minute refers) and will be subject to further report to that committee.

8.8   General Services Housing are projecting an underspend of £203,000, excluding staff savings, which is a combination of a projected underspend of £329,000 on the Rapid Rehousing Transition Plan the funding for which will be required to be carried forward to fund the revised plan approved by Housing and Community Safety Committee on 6 September 2022 (paragraph 8 of the Minute refers), and Corporate repairs and maintenance underspend of £119,000. Overspends projected in the service are Homeless accommodation of £230,000 and sheltered housing of £22,000.

8.9 Environmental and Commercial Services are projecting a £313,000 overspend overall. The winter maintenance budget is based on the assumption of a very mild winter and with the conditions already experienced up to the end of quarter 3, combined with the increase in salt price which has gone from £35 per tonne to £51 per tonne, there is a forecast overspend of £700,000. Underspends in other services reduce the overall forecast for the department, including additional income and staff vacancy savings which have been mentioned above.

8.10 There are projected underspends in Economic Development totalling £539,000. Underspends include £50,000 for a hydrogen study carried out last year and budget in 2022/23 not required, £75,000 for Local Heat and Energy Efficiency Strategy – new funding on 2022/23 unlikely to be spent due to difficulties in recruiting, £25,000 Climate Change studies which cost less than anticipated, £20,000 Local Development Plan. There has been slippage amounting to £210,000 for Economic Development Projects, the bulk of which relates to pop-up shops and following that slippage to business grants which were anticipated to be made following successful pop-up shops.

8.11 Loans charges are expected to be underspent by £5,801,000 due to a combination of loans pool repayment holiday - £7,583,000 underspend – and increased interest payments of £1,782,000, based on a loans pool rate of 4%.

8.12 Centrally held provisions are expected to underspend by £3,664,000. This is mainly due to slippage, with a number budget pressures and additions, as identified in section 5 and totalling £2,581,000, not being required in this financial year but will require to be carried forward into 2023/24 and to additional savings as itemised in paragraph 7.7.

8.13 The Scottish Government provided additional to support the local government pay offer. The Council's share of the recurring revenue funding is £2,330,000 and funding through capital grant is £2,007,000. The revenue funding is incorporated in the budget. Funding through capital grant will require ministerial consent to route through the Housing Revenue Account and has yet to be incorporated into the budget.

8.14 The estimated actual does not include an estimate of Council Tax receipts against budget. It has been particularly difficult to forecast Council Tax this year, due to the complication of Cost of Living payments. However, indications are that it will be below budget.

9. **RESERVES**

9.1 The balance on free general reserves (I.e., excluding DSM and ear-marked reserves) as at 1 April 2022 was £5,000,000. This is the minimum level of reserves that can be held on free general reserves within the limits of the Council's Reserves Policy.

9.2 Moray Council on 29 June 2022 approved an additional use of covid ear marked reserves totalling £1,449,000, as detailed in paragraph 3.3 (paragraph 14 of the Minute refers). Moray Council on 30 August 2022 approved

additional use of covid ear marked reserves totalling £960,000 for employability (paragraph 8 of the minute refers). The impact of this is an estimated balance of £7,038,000 at 31 December 2022.

9.3   Balances at 31 December 2022 for other ear marked reserves are £4,388,000 for Transformation and £5,888,000 for Council priorities.

10.   **SUMMARY OF IMPLICATIONS**

   (a)   Moray 2026: A Plan for the Future and Moray Corporate Plan
   Effective budget management is an essential component of delivery of council priorities on a sustainable basis.

   (b)   Policy and Legal
   No policy or legal implications arise directly from the contents of this report.

   (c)   Financial implications
   The financial implications are addressed throughout the report. A significant underspend against budget is forecast. This is mainly due to taking a loans pool holiday and to slippage in planned expenditure

   (d)   Risk Implications
   There are no risk implications arising directly from this report. Budget managers are aware of their responsibilities for managing their budgets in accordance with the Council's Financial Regulations. There is a risk to the Council arising from the agreement that if the Moray Integrated Joint Board overspends the Council will meet 37% of the additional costs incurred. Rising inflation presents a risk to the Council's budget.

   (e)   Staffing Implications
   No staffing implications arise directly from this report.

   (f)   Property
   No property implications arise directly from this report.

   (g)   Equalities/Socio Economic Impact
   No equalities implications arise directly from this report.

   (h)   Climate Change and Biodiversity Impacts
   No climate change and biodiversity impacts arise directly from this report.

   (i)   Consultations
   Consultation concerning Revenue Budget Monitoring is an on-going process with budget managers across the Council. CMT and Heads of Service have also been consulted in the preparation of this report and any comments incorporated.

11.   **CONCLUSION**

11.1 The financial position of the Council at the end of December 2022 is an underspend against General Services Revenue Budget of £1,244,000 (including services delivered on behalf of the Moray Integration Joint Board).

11.2 Variations in General Revenue Grant totalling £5,080,000 have been notified to the council.

11.3 The estimated out-turn position consists of an underspend of £11,967,000, to give a net decrease in planned use of reserves of £11,602,000. £7,583,000 arises from taking a loans pool holiday. £2,581,000 is slippage in use of budget provisions.

Author of Report: Susan Souter, Senior Accountant
Background Papers: Held by author
Ref:

MORAY COUNCIL - APPENDIX 1
BUDGET MONITORING REPORT
QUARTER 3 to 31 DEC 2022

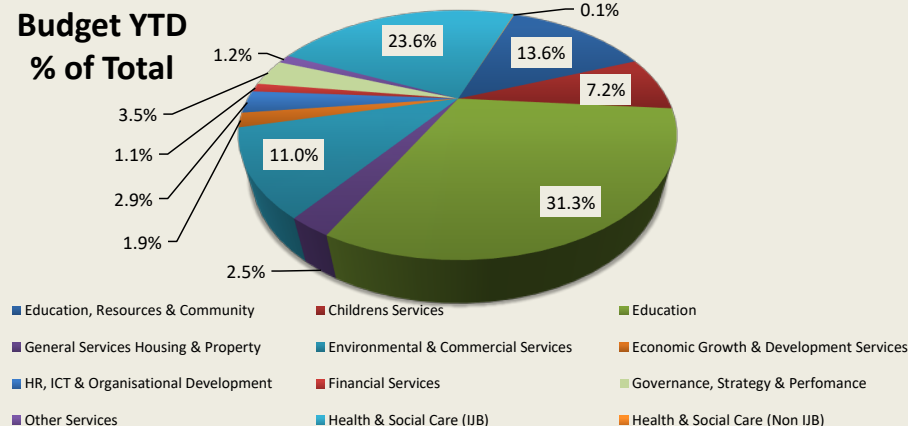| Service	Revised Budget 2022/23 £000s	Budget to 31 Dec 2022 £000s	Actual & Committed to 31 Dec 2022 £000s	Year to date variance £000s
Education, Resources & Community	31,029	23,004	22,618	386
Childrens Services	18,150	12,201	11,932	269
Education	75,653	53,104	51,928	1,176
General Services Housing & Property	5,035	4,246	4,209	37
Environmental & Commercial Services	27,977	18,708	18,606	102
Economic Growth & Development Services	5,229	3,180	2,933	247
HR, ICT & Organisational Development	5,907	4,963	5,029	(66)
Financial Services	2,135	1,925	1,883	42
Governance, Strategy & Perfomance	6,927	6,000	6,035	(35)
Other Services	2,792	1,999	1,988	11
SERVICES excl HEALTH & SOCIAL CARE	**180,834**	**129,330**	**127,161**	**2,169**
Health & Social Care (IJB)	58,491	40,008	41,051	(1,043)
Health & Social Care (Non IJB)	146	109	(9)	118
TOTAL SERVICES incl HEALTH & SOCIAL CARE	**239,471**	**169,447**	**168,203**	**1,244**
Loans Charges	**14,407**	**0**	**0**	**0**
Provision for Contingencies and Inflation	(2,432)	0	0	0
Additional Costs	5,286	0	0	0
Unallocated Savings	802	0	0	0
TOTAL PROVISIONS	**3,656**	**0**	**0**	**0**
TOTAL GENERAL SERVICES EXPENDITURE	**257,534**	**169,447**	**168,203**	**1,244**

Budget YTD % of Total

Actual YTD % of Total

Commentary on Quarter 3 Performance

Education: Devolved School budgets are underspent by £1,098,000 at the end of the third quarter, £298,000 in Primary and £800,000 in Secondary schools.
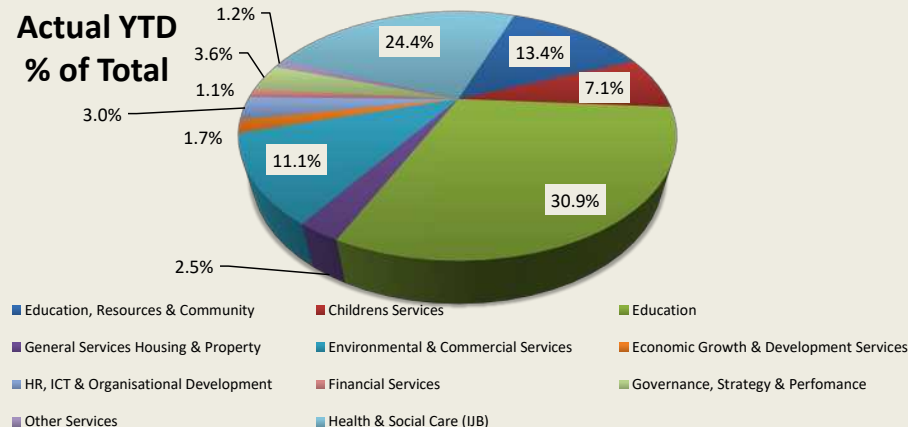
Education, Resources & Communities: underspend of £386,000 primarily due to overachievement on sport and leisure income and the cessation of a speech & language therapy contract

Economic Growth & Development service: underspent by £247,000 primarily due to more income received than anticipated for building standards and planning.
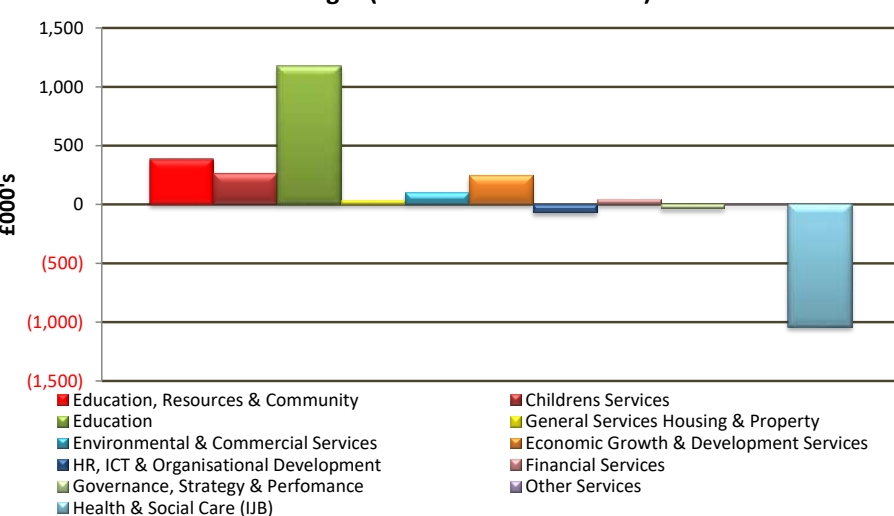

YTD Actual Variance to Budget (excl Loans & Provisions)

MORAY COUNCIL - APPENDIX 2
BUDGET MONITORING REPORT
QUARTER 3 to 31 Dec 2022

| Service	Revised Budget 2022/23 £000s	Estimated Outturn 2023 £000s	Anticpated Variance £000s	Variance vs Base Budget %
Education, Resources & Community	31,029	29,895	1,134	3.7%
Childrens Services	18,150	17,417	733	4.0%
Education	75,653	75,977	(324)	(0.4)%
General Services Housing & Property	5,035	4,902	133	2.6%
Environmental & Commercial Services	27,977	28,290	(313)	(1.1)%
Economic Growth & Development Services	5,229	4,524	705	13.5%
HR, ICT & Organisational Development	5,907	6,015	(108)	(1.8)%
Financial Services	2,135	1,832	303	14.2%
Governance, Strategy & Perfomance	6,927	6,765	162	2.3%
Other Services	2,792	2,782	10	0.4%
SERVICES excl HEALTH & SOCIAL CARE	**180,834**	**178,399**	**2,435**	**1.3%**
Health & Social Care (IJB)	58,491	58,491	0	0.0%
Health & Social Care (Non IJB)	146	79	67	45.9%
TOTAL SERVICES incl HEALTH & SOCIAL CARE	**239,471**	**236,969**	**2,502**	**1.0%**
Loans Charges	**14,407**	**8,606**	**5,801**	**40.3%**
Provision for Contingencies and Inflation	(2,432)	(2,586)	154	(6.3)%
Additional Costs	5,286	1,502	3,784	71.6%
Unallocated Savings	802	1,076	(274)	(34.2)%
TOTAL PROVISIONS	**3,656**	**(8)**	**3,664**	**100%**
TOTAL GENERAL SERVICES EXPENDITURE	**257,534**	**245,567**	**11,967**	**5%**
Funded By:				
Scottish Government Grant	197,698	197,698	0	0.0%
Council Tax	41,587	41,587	0	0.0%
Funded From Reserves:				
Transformation	1,093	1,093	0	0.0%
Covid	13,881	2,811	11,070	79.7%
General	2,378	2,378	0	0.0%
Other	897	0	897	100.0%
TOTAL FUNDING	**257,534**	**245,567**	**11,967**	**4.6%**
OVERALL VARIANCE	**0**	**0**	**0**	

Commentary on Quarter 3 Performance

Loans charges are expected to be underspent by £5,801,000 due to a combination of loans pool repayment holiday and increased interest payments
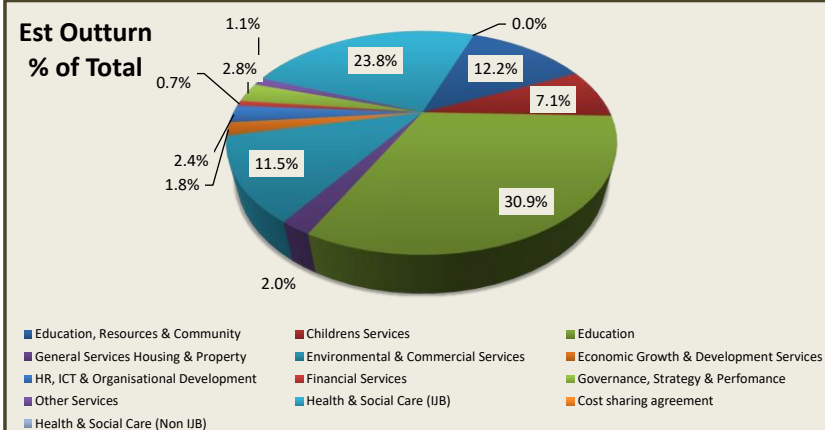
Centrally held provisions are expected to underspend by £3,664,000, this is mainly due to slippage.

Education, Resources & Communities: there is an estimated underspend of £1,134,000 primarily due to staffing vacancies above target and over achievement of Leisure income
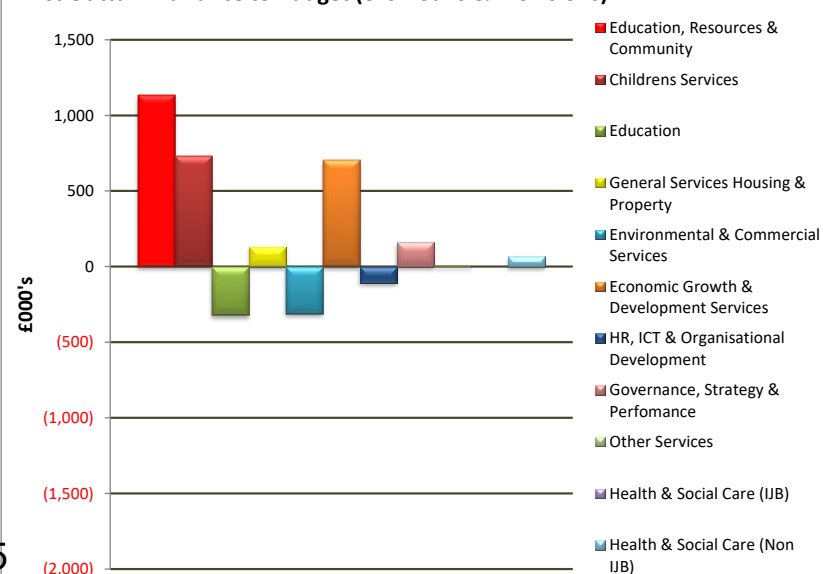
Budget 2022/23 % of Total
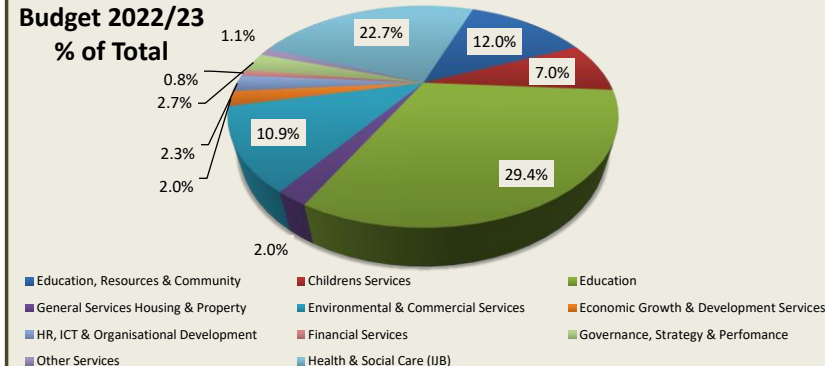
Est Outturn % of Total

Est Outturn Variance to Budget (excl Loans & Provisions)

APPENDIX 3

	Allocated Budget	Provisions for Contingencies and Inflation	Additional costs	Savings	Budget	Loan Charges	Depreciation	Total Budget
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
3 March 2022	204,445	5,281	18,876	(1,576)	227,026	13,707		240,733
School carry forwards	1,288				1,288			1,288
PEF carry forwards	1,046				1,046			1,046
ELC carry forwards	44				44			44
Funded from reserves - approved MC 29/06/20					0			0
Funded from Transformation Earmarked Reserve			55		55			55
Funded from Covid Earmarked Reserves	2,378				2,378			2,378
Additional GRG			6,745		6,745			6,745
Adjustment 1	18,058	(798)	(18,334)	374	(700)	700		0
Funded from reserves - approved MC 30/06/20	0				0			0
Variance review - approved MC 2/09/20	0				0			0
					0			0
Corporate Committee 30/8/22	227,259	4,483	7,342	(1,202)	237,882	14,407	0	252,289
Adjustment 2	2,475	(236)	(3,869)	1,630	0			0
Funded from Covid Earmarked Reserves	130				130			130
Additional GRG			188		188			188
Moray Council 7/12/22	229,864	4,247	3,661	428	238,200	14,407	0	252,607
Adjustment 3	9,760	(6,679)	(3,455)	374	0			0
Additional GRG			5,080		5,080			5,080
Funded from Covid Earmarked Reserves	(153)				(153)			(153)
Moray Council 8/3/23	239,471	(2,432)	5,286	802	243,127	14,407	0	257,534

APPENDIX 3

ALLOCATIONS FROM PROVISIONS SINCE 30 SEPTEMBER 2022		APPENDIX 4	
Provision for Contingencies and Inflation	Committee reference	£000s	£000s
Balance at 30 September 2022			4,247
Pay Award		(6,645)	
Fostering Fees		(72)	
NDR budget adjustment		95	
Maximum Basic Scale (MBS) Primary & Secondary		9	
Insurance budget increase		(87)	
Other amendments		21	
		(6,679)	
Balance at 31 December 2022			**(2,432)**
Additional Costs		£000s	£000s
Balance at 30 September 2022			3,661
Movements in General Revenue Grant			
Additional funding			
£150 Cost of Living Payments final 10%		478	
£150 Cost of Living Payments final 10% Admin		82	
Green Growth Accelerator (GGA)/Climate Change		26	
Whole Family Wellbeing Funding (WFWF)		546	
Teacher Induction Scheme		1,609	
Additional funding for Local Government Pay Deal		2,330	
Educational Psychologists		1	
Council Tax Reduction (CTR) data extract funding		8	5,080
Budget pressures approved when budget set			
School roll numbers		(131)	
Additional teachers		(377)	
Increased rates at new schools		(241)	
ASN Allocations		(222)	
Reversal of National Insurance increase from Nov 22		386	
Revised IMP		(49)	
Moray Leisure Living Wage uplift		(81)	
			(715)
Additional funding allocated			
Free school meals		(247)	
Covid economic recovery fund		(202)	
Removal of curriculum charges		(58)	
Local Heat and Energy Efficiency Strategies		(75)	
Green Growth Accelerator		(26)	
Teacher Induction Scheme		(1,654)	
£150 Cost of Living Payments final 10%		(478)	
			(2,740)
Balance at 31 December 2022			**5,286**
Savings & Charges		£000s	£000s
Balance at 30 September 2022			428
Permanent savings approved when budget set:			
Halls LED lighting		2	
Vacancy Target increase		183	
Savings identified after budget set:			
Travel/ postages in Finance	MC 28/09/22	3	
Internal Audit vacancy	MC 28/09/22	43	
Benefits vacancy	MC 28/09/22	43	
Corporate training	MC 28/09/22	100	374
Balance at 31 December 2022			**802**

BUDGET PRESSURES

Ref	Description	Para Ref	Amount £000s	Status	Cttee ref	Reasons
RECOGNISED WHEN BUDGET SET						
	Social Work					
	H&SC Care Package		(79)			The original budget pressure was split over 2 years, the £79,000 was not drawn down in 2021/22 due to a delay in the package commencing
	Education Resources & Communities					
	Additional funding for teachers etc		81			£134,375 drawn down in Q3 and balance of funding required in 2023/24
	DSM / class contact time review		13			£30,532 drawn - full year effect of £18,319 required in 2023/24 (pre pay award)
	Education					
	School roll numbers		206			£326,988 drawn down - following new roll predictions this figure was reduced from £860k to £533k and the balance transferred to additional teachers ECLS 9/3/22.
	Additional teachers etc		225			£188,090 & £243,404 drawn down and £235,513 required in 2023/24
	Removal of music tuition fees and core curriculum charges		64			Not required due to redetermination in row 64 below.
	Economic Growth & Development					
	Budget Pressures associated with Economic Recovery Plan		193			Town centre pop up shops now operational but won't be spent in full this year. Business start up grants won't be spent in 22-23 as this was to follow from Pop Up shops and there have been delays getting these started. Includes £140k for loans charges for industrial estate development which is being deferred.

	MGD revenue contribution STEM		3		£57,170 drawn down - full year effect of £11,514 required in 2023/24
	Bus Revolution revenue		(2)		£62,282 drawn down. Ongoing budget required for project officer
	Moray Growth Deal support		30		£44,646 drawn down. Recruitment for 0.5 post project support post. Not aware of any other funding required.
	Development Plan Scheme - transportation appraisals		200		Committee paper on Dev Plan submitted in Dec. Won't be required until 23-24 (£100k 23-24, £100k £24-25, £50k 25-26)
	Governance etc				
	Records management		(1)		£45,044 drawn down
	Scottish Disability Assistance		44		H&SC will be drawn down in Q4
	Cross Service				
	Clearance of Bilbohall Site for housing development		120		Per department - hoping for work to start on site by the end of 2022 but that date is not definite so won't be drawn down until start date known. Due to the changes in the calculation of loans charges the first repayment is in the year following the incurring of the expenditure so once the profile of spend is known then this will be amended. Won't be needed this year.
	Consolidation Living Wage		297		£225,656 & 201,945 drawn down
	LW retrospection (one off)		420		
	National Insurance 1.25% increase		143		£939,710 & £2,650 drawn down with £264,572 & £121,034 reduction following reversal in Nov 22
	Revised IMP		533		£48,654,£367,596 and £48,874 drawn down - balance will be required in 2023/24
	Energy costs		(1,224)		£1,634,865 drawn down
	Total		**1,266**		
Funded from Covid Earmarked Reserves					
	Annual maintenance of automatic bollards Elgin High Street		7		Unlikely to be required this year.
	Total		**7**		

Funded from Transformation Earmarked Reserves						
	ELC Consultants			30	🟥		£19,600 drawn down - balance not required
	Renewables Income Fund			5	🟩		To be reviewed for Q4
	Total			**35**			
ADDITIONAL BUDGETS APPROVED						
	Participatory budgeting			(70)	🟩		drawn down
	ASN Review			(120)	🟩		drawn down
	MDF contract re-tender			(5)	🟩		drawn down
	Moray Leisure Centre Living wage uplift			(81)	🟩		drawn down
	NDR Linkwood PS & Lossie HS			(241)	🟩		drawn down
	Total			**(517)**			
FUNDING FOR NEW DUTIES						
	Free School Meals Extension			256	🟥		Budget drawn down for term 1. £37.5k required in 2023/24 for school lunchtime supervisors. £597k drawn down for Catering (£151k rolled from 21-22, £446k drawn down in 22-23). Will need the £597k to roll into 23-24
	Free School Meals holiday provision			80	🟥		£96,600 & £72,962 drawn down. £48k not required.
	School real time data			63	🟧		The department is looking into alternative ways of using this due to being unable to recruit RIO
	Youth Work (Buckie and Forres)			120	🟧		Discussions with young people has just started This will not be spent this year but they are in discussions with the community and have requested it is carried forward to next year.
	Levelling Up Fund			221	🟥		Budget drawn down for commitments agreed to date per MC 29.6.22 Update 31/01: The bid wasn't successful so there shouldn't be any further draw down this year.
	Property Level Flood Protection			5	🟩		PLP has been purchased for £5k, budget to be drawn down in 22/23. Roads will then advertise for sale to the public.

	Cyber Security - Phishing Solution		(1)		drawn down
	Discretionary Housing Payments		29		we will be required to pay back the £79k 2021/22 underspend
	Removal of Curriculum Charges		69		Not required
	Removal of Music Tuition Charges		57		Not required
	National Trauma Training Services		50		H&SC will be drawn down in Q4
	Free Period Products		12		Not required
	Easter Study Provision		26		Not required
	Funding for SNCT		585		To be transferred to Inflation to match where depts have drawn down budget from. Teachers 21/22 pay award
	Whole family wellbeing fund		546		Dept have confirmed that there will be no spend against this in 22/23 and will require to be carried forward to 23/24.
	Teacher induction scheme		(44)		
	Additional Funding for LG pay deal		2,330		To be transferred to Inflation to match drawn down budget
	Educational Psychologists		1		
	Council Tax reduction		8		
	Cost of Living payments admin		82		Not required
	Total		**4,495**		
	Total		**5,286**		

SAVINGS				APPENDIX 6
				Update Qtr2
Ref	Description	Amount £000s	Status	Committee reference	Reason for balance
	Approved for 2022/23 budget:				
	Education Resources & Communities				
	Closure Auchernack	(20)		MC 27/02/2019	Will only be realised when building disposed of, but this is not expected to be this financial year.
	Corporate/Cross Service				
	Increase vacancy factor in line with pay awards (2 years in 2022/23)	132		MC 22/2/2022	Achieved more than target
	Indicative Savings from I&M programme				
	Stream 2: ICT & Digital - Schools Admin	(94)		MC 03/03/2021	Draft CMP to go to ECLS in April
	Stream 4: Review & Expansion of Flexible Working	(44)		MC 03/03/2021	
	Lean review	(125)		MC 3/3/2021	
	Total	**(151)**			
	Temporary Savings	**532**		MC 28/9/2022	GVJB refund still to take after audited accounts approved 27/1/23. £600k Childrens Services temporary saving has been taken.
	Additional Savings Identified :				
	Rev Criminal Justice Insurance Amendment	(1)			
	NI Threshold	70			
	DAR 30.5.22 - Copy Shop Asst	25			
	21/22 Vacancy target inc (posted after budget rolled)	36			
	Janitor restructure	3			
	Childrens services	50			
	Home tuition	49			
	Medium term financial plan - travel/postages Finance	3			
	Medium term financial plan - internal audit vacancy	43			
	Medium term financial plan - Team leader benefits vacancy	43			
	Medium term financial plan -corporate training	100			
		421			
		802			

			APPENDIX 7
General Reserves	**Committee reference**	**Approved** **£000s**	**Budget released** **£000s**
General Reserves @ 1 April 2022		5,000	
Free balance @ 31 December 2022		5,000	
Estimated outturn			
Estimated free balance @ 31 March 2023			
Transformation Ear marked Reserve	**Committee reference**	**Approved** **£000s**	**Budget released** **£000s**
Balance @ 1 April 2022		5,480	
Funding from reserves approved in 2022/23:			
Raising attainment	MC 15/09/21	(998)	
ELC consultants	MC 04/06/22	(50)	(50)
Climate change	MC 05/21	(44)	(44)
		(1,092)	(94)
Free balance @ 31 December 2022		**4,388**	
Covid Ear marked Reserve	**Committee reference**	**Approved** **£000s**	**Budget released** **£000s**
Balance @ 1 April 2022		22,086	
Less commitments against reserves when budget was set:			
To balance budget	MC 22/02/22	(8,190)	
ASN	MC 22/02/22	(250)	
		(8,440)	
Funding from reserves approved in 2022/23:			
Rapid rehousing	MC 29/06/22	(325)	(325)
Day cleaning CORV (posted after budget rolled)		(145)	(145)
Tenant Hardship	MC 29/06/22	(39)	(39)
Flexible Food Fund/SWF	MC 29/06/22	(123)	(123)
Discretionary Housing Payments	MC 29/06/22	(145)	(145)
Community Planning Pship	MC 29/06/22	(21)	(21)
Winter Support Funding	MC 30/11/21	(26)	(26)
Trade Union provision 22-23	Corp 14/06/22	(22)	(22)
Community Wealth Building Officer	MC 29/06/22	(16)	(16)

	Committee reference	Approved £000s	Budget released £000s
Pop up shops	MC 29/06/22	(44)	(44)
Start Up grants	MC 29/06/22	(100)	(100)
Brexit Support	MC 29/06/22	(26)	(26)
Locality planning model across Children's services - pilot	ECOD 03/02/21	(87)	(87)
Education Covid budgets		(1,493)	(1,493)
Replace financial flexibilities		(3,120)	
Renewables Income Fund		(5)	(5)
Whole Family Wellbeing Fund	MC 29/06/22	(37)	(37)
Children &Young People Mental Health COVID	MC 29/06/22	(129)	(129)
Refugee Funding	MC 29/06/22	(10)	(10)
Employability GRG	Corp 30/08/22	(960)	(267)
Temp registrars admin posts	MC 30/11/21	(52)	(52)
Day cleaning cessation		450	450
Trade Union provision 22-23	Corp 14/06/22	(18)	(18)
Employee Assistance programme HR extension		(15)	(15)
Glenlivet Master plan	MC 15.09.21	(20)	(20)
Demolition of Lossiemouth footbridge	MC 12/05/21	(80)	(80)
		(6,608)	(2,795)
Approved use of reserves		(15,048)	
Free balance @ 31 December 2022		**7,038**	
Council Priorities ear marked Reserve	**Committee reference**	**Approved £000s**	**Budget released £000s**
Balance @ 1 April 2022		5,881	
Less commitments against reserves when budget was set:			
Moray Growth Deal cash flow	MC 22/02/22	(193)	
Free balance @ 31 December 2022		**5,688**	

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

SUBJECT: DISCRETIONARY NON-DOMESTIC RATES RELIEF

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

1.   REASON FOR REPORT

1.1   To consider the Council's policy for awarding discretionary relief of Non-Domestic Rates.

1.2   This report is submitted to the Council in terms of Section III (B) (11) of the local authority's Scheme of Administration relating to the administration of the levy, collection, payment and recovery of Non-Domestic Rates.

2.   RECOMMENDATION

2.1   Council is invited to approve:

(i)   that discretionary Non Domestic Rate relief is rescinded, with the following exceptions: buildings used by organisations to directly deliver services on behalf of the Council, as described in paragraphs 3.6 to 3.8; land or buildings used by small, local based charities, as defined in paragraph 3.9;

(ii)   that qualifying organisations must apply for other NDR reliefs when these are available prior to applying for discretionary NDR; and

(iii)   authority is delegated to the Chief Financial Officer to approve applications from charities as described in paragraph 3.19, and to approve applications which fall within the policy approved by members from organisations not recognised as charities where the purpose of the organisation falls with the 16 charitable purposes and the organisation delivers public benefit as defined in the Charity Test as outlined in paragraph 3.20.

3. BACKGROUND

3.1 A Scottish charity which occupies a property in furtherance of its charitable objectives is entitled to a mandatory award of 80% Non-Domestic Rates (NDR) relief. Only charities which are registered with the Office of the Scottish Charity Regulator (OSCR) are entitled to such an award.

3.2 In terms of Section 4(5) of the Local Government (Financial Provisions *etc.*) (Scotland) Act 1962 rating authorities have powers to grant additional discretionary NDR relief in respect of premises:

(a) occupied by charities and used for charitable purposes;

(b) occupied for the purposes of organisations which are not established for profit and whose principal aims are charitable and are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or

(c) occupied for the purposes of a club, society or other organisation not established or conducted for profit and which are wholly used for the purpose of recreation.

3.3 The cost of making any grant of discretionary rates relief falls partly on the Scottish Non-Domestic Rates 'pool' and partly on the Council. The national pool funds 75% of discretionary NDR relief and the remaining 25% is a direct cost to the Council and so effectively met by council tax payers.

3.4 At a meeting of the former Policy and Resources Committee on 12 February 2019 Members decided that Moray Council would no longer make an award of discretionary NDR relief to charity shops. In light of the financial constraints facing the Council, and following debate at council on this subject at its meeting on 29 June 2022, it seems appropriate to consider whether any further exclusions from discretionary NDR relief are now considered appropriate. Restrictions on discretionary NDR agreed by other local authorities have been taken into account. . It is proposed that such relief is restricted in future, with a focus on supporting small local charities.

3.5 At present the Council has awarded discretionary NDR relief in respect of 138 properties, at a total cost to the Council of £72,722 in 2022/23

Provision of Council Services

3.6 Eleven of these premises are occupied by organisations which directly deliver services to the Council from those premises. Ten are occupied by organisations delivering leisure services under a Service Leisure Agreement, contracted adult social care or children's services. The total cost of discretionary NDR for these premises is £16,811, total discretionary relief to the organisations in question being £67,244. There is a risk that the organisations would seek to recover some or all of their increased costs through the charges they make to the Council for their services. It is therefore recommended that the Council continue to award discretionary NDR relief to premises from which organisations are directly delivering services to the Council or on behalf of the Council.

3.7   The eleventh property is one pre-school nursery in receipt of discretionary NDR relief. The Early Learning and Childcare (ELC) service has been attempting to create a level playing field for ELC providers. This one award is anomalous. It is recommended that no award of discretionary rates relief is made to ELC providers.

3.8   Free standing office premises used by national / regional charitable organisations (even when delivering services in Moray) should not be awarded discretionary NDR as office premises as such are not direct costs of charitable activity.

Local Charities

3.9   It is general practice for Scottish local authorities to award discretionary NDR to local charities. Many restrict the award to small local charities, on the grounds of good stewardship of public funds. A variety of definitions are used. It is proposed that in common with Aberdeenshire Council charities with unrestricted reserves in excess of £100,000 are not awarded discretionary NDR. It is also proposed that a limit on annual income is set, and that charities with annual income in excess of £300,000 are not awarded discretionary NDR relief.

Other reliefs

3.10   Some other local authorities make it a condition of application for discretionary NDR that if an organisation would qualify for another form of relief (or specifically Small Business Bonus Scheme (SBBS)) then they must apply for that first. This provides the same level of support for the organisation but minimises the cost to the Council. It is recommended that the Council adopts this condition.

Revised policy

3.11   In summary the following policy is recommended:
       The Council will award discretionary NDR to local charities (except Early Learning and Childcare providers) where:
       - the charity has unrestricted reserves of less than £100,000 and
       - the charity has annual income of less than £300,000 and
       - if the charity would qualify for another form of NDR relief for the premises in question then it has applied for that relief before seeking discretionary NDR.

       The Council will not award discretionary relief to
       - charity shops,
       - national or regional organisations unless for premises from which the organisation directly delivers to national or regional charities
       - free standing office accommodation used by national or regional charities,
       - Early Learning and Childcare providers, even if local.

3.12   If these recommendations are accepted then the following types of organisation would lose discretionary NDR, following one year's notice being given as required by legislation:

Description	No. of properties	Current cost to Council £
Offices of national / regional charities	26	5,185
Licensed premises (Royal British Legion clubs) Note (1)	3	6,630
Army cadet huts / Scout huts Note (2)	5	1,797
Sports facilities	1	10,663
ELC provider	1	859
Other	11	1,978
Total		27,112

Notes

(1) Many local authorities have a policy not to award discretionary NDR to licenced premises, which are ancillary to the charitable purpose of the organisations.

(2) These organisations are part of national organisations and so considered not to be local charities, although would be assessed individually for SBBS.

3.13 Discretionary NDR would continue to be awarded in respect of the following: playing fields, town / community halls, community museums, other community-run facilities, foodbanks, local charities, subject to organisations applying for any other NDR relief to which they are entitled for the properties in question prior to application for discretionary NDR relief.

Delegation

3.14 Members have previously delegated resolution of some applications for discretionary relief to officers. At a meeting of the former Policy and Resources Committee on 23 March 2005 a decision was taken to delegate applications from organisations which promote the welfare of vulnerable persons and applications from groups which benefit the community. As it is 17 years since this delegation was made it seems appropriate to review this aspect of the administration of discretionary NDR relief.

3.15 When delegation was approved OSCR was in its infancy. In order to give a clearer definition of community benefit it is now recommended that delegation is made with reference to the Charity Test which OSCR applies as being an objective and independent measure of community benefit.

3.16 To pass the Charity Test, an organisation must have only charitable purposes and must provide public benefit in Scotland or elsewhere.

3.17 There are 16 charitable purposes, defined in the Charity and Trustees Investment (Scotland) Act 2005:

(a) the prevention or relief of poverty,

(b) the advancement of education,

(c) the advancement of religion,

(d) the advancement of health,

(e) the saving of lives,

(f) the advancement of citizenship or community development,

(g) the advancement of the arts, heritage, culture or science,

(h) the advancement of public participation in sport,

(i) the provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended,

(j) the advancement of human rights, conflict resolution or reconciliation,

(k) the promotion of religious or racial harmony,

(l) the promotion of equality and diversity,

(m) the advancement of environmental protection or improvement,

(n) the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage,

(o) the advancement of animal welfare,

(p) any other purpose that may reasonably be regarded as analogous to any of the preceding purposes.

3.18 Public benefit is also defined in the 2005 Act:

(1) No particular purpose is, for the purposes of establishing whether the charity test has been met, to be presumed to be for the public benefit.

(2) In determining whether a body provides or intends to provide public benefit, regard must be had to—

(a) how any—

(i) benefit gained or likely to be gained by members of the body or any other persons (other than as members of the public), and

(ii) disbenefit incurred or likely to be incurred by the public,

in consequence of the body exercising its functions compares with the benefit gained or likely to be gained by the public in that consequence, and

(b) where benefit is, or is likely to be, provided to a section of the public only, whether any condition on obtaining that benefit (including any charge or fee) is unduly restrictive.

3.19 Although the definition of public benefit lacks the crispness of the definition of charitable purpose, it illustrates that an element of judgement is involved. Validation by OSCR is good evidence that the definition has been met. Consequently it is recommended that the following delegation is approved:

"*Applications from charities which fall within the policy approved by members are delegated to the Chief Financial Officer to approve, providing the Charity Test is met.*"

In practice this would mean that all applications for discretionary NDR relief from charities will be approved unless the properties applied for fall into a category where Council has decided not to award discretionary NDR as summarised in paragraph 3.11.

3.20 The Council has discretion to award NDR relief to organisations which are not registered with OSCR. Not all community organisations are registered as charities but many can be seen as having purposes falling within the sixteen purposes listed in paragraph 3.14 and can clearly be seen as delivering public benefit in their local areas. Consequently it is recommended that if the delegation at paragraph 3.16 is approved the following delegation is also approved:

"Applications which fall within the policy approved by members from organisations not recognised as charities are delegated to the Chief Financial Officer to approve where the purpose of the organisation falls with the 16 charitable purposes and the organisation delivers public benefit as defined in the Charity Test.

4. **SUMMARY OF IMPLICATIONS**

   (a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**
   No council/community planning priority implications for the local authority arise from the content of this report.

   (b) **Policy and Legal**
   The power to award discretionary NDR relief is conferred in the Local Government (Financial Provisions *etc.*) (Scotland) Act 1962.

   It is proposed that the definition of public benefit used by the Council is aligned with the Charity Test, which is enshrined in the Charity and Trustees Investment (Scotland) Act 2005.

   (c) **Financial implications**
   If Members choose to exercise their discretionary powers to make an award of rates relief, this creates an ongoing financial liability which would increase in line with any increase in the rates poundage set by the Scottish Government.

   If the recommended policy is adopted savings of £27,112 would accrue from 2024/25.

   (d) **Risk Implications**
   No risk implications for the local authority arise directly from the content of this report. There is a risk that some organisations would be unable to afford the increased costs. There are two main mitigations against this: the Council is obliged to give a year's notice of any changes in

discretionary NDR relief and many smaller organisations will be entitled to other NDR reliefs.

(e) Staffing Implications
No staffing implications for the local authority arise from the content of this report.

(f) Property
No property implications for the local authority arise from the content of this report.

(g) Equalities/Socio Economic Impact
No equalities implications for the local authority arise directly from the content of this report.

(h) Climate Change and Biodiversity Impacts
No equalities implications for the local authority arise from the content of this report.

(i) Consultations
No consultation has been carried out in the preparation of this report. CMT/SMT have been consulted on the recommendations of the report.

5. <u>CONCLUSION</u>

5.1 Restriction of discretionary NDR to small local charities is recommended.

5.2 Delegation to officers to deal with applications in line with the Charity Test is recommended.

Author of Report: Lorraine Paisey, Chief Financial Officer.
Background Papers:
Ref: SPMAN-1293228629-827

REPORT TO: MORAY COUNCIL ON 8 MARCH 2023

SUBJECT: CAPITAL PLAN 2022/23

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT and FINANCE)

1.   REASON FOR REPORT

1.1   To advise the Council of expenditure to 31 December 2022 under the capital plan for financial year 2022/23 and of estimates of projected expenditure profiled into quarters.

1.2   This report is submitted to Council in terms of Section III (B) 9 of the Council's Scheme of Administration relating to monitoring progress of projects in the approved capital plan including any revisions to the price or phasing on a quarterly basis.

2.   RECOMMENDATION

2.1   It is recommended that Council considers and notes:

(i)   expenditure to 31 December 2022 of £16,682,000;

(ii)   the current projected expenditure of £36,236,000 for 2022/23 profiled into quarters, as set out in APPENDIX 1; and

(iii)   the projected overall expenditure for projects spanning more than one financial year, as set out in APPENDIX 2.

2.2   It is recommended that Council approves amendments to the 2022/23 and 2023/24 capital plan as detailed in paragraph 6.1 of this report.

3.   BACKGROUND

3.1   The capital plan for 2022/23 totalling £51,426,000 was approved by Moray Council on 22 February 2022 (paragraph 4 of the Minute refers). Amendments (largely carry forwards from 2021/22) approved by the Council at its meeting on 23 February 2022 (paragraph 7 of the Minute refers) and 29 June 2022 (paragraph 17 of the minute refers), by the meeting of Corporate Committee on 30 August 2022 (paragraph 9 of the minute refers) and by the Council at its meeting in 7 December (paragraph 11 of the minute

refers) have been incorporated to give a current approved capital plan for 2022/23 totalling £42,867,000. The current projected expenditure is £36,468,000, but this estimate should be treated with caution due to volatile conditions within the construction industry and in supply chains of materials. These issues are resulting in contractors declining to tender for works or increasing prices significantly above estimates and also in delays in construction works and delivery of goods. Consequently, this figure should be treated as the maximum spend expected in year.

3.2 As some sizeable projects span more than one financial year, this report includes a separate **APPENDIX 2,** giving details of expenditure on such projects in order to give a complete financial overview of these projects.

3.3 Due to the impact of construction inflation and increased interest rates, along with staff resource shortages across the Council, the capital plan has recently been reviewed by officers and the revised 10 year indicative plan formed part of the budget package presented to Council on 1 March 2023. A more streamlined plan is considered to be more achievable as well as more affordable.

4. CAPITAL PLAN 2022/23

4.1 A copy of the summary capital plan is included as **APPENDIX 1** showing actual expenditure to 31 December of £16,682,000. This is just over 38% of the currently approved capital plan. General Capital Grant of £8,930,000 has been received from the Scottish Government. Other grants and contributions of £1,399,000 have also been received, the details of which are as follows:

Grant	Amount (£)	Source
Moray Growth Deal – Digital Health Project	£315,000	Scottish Government
Provision of CO_2 monitors in schools and Early Learning and Childcare Settings	£81,000	Scottish Government
Speyside Way Upgrades	£24,000	Low Carbon Travel and Transport Challenge Fund
Lossiemouth Bridge Replacement	£131,000	Scottish Government
Rural Tourism Infrastructure Fund	£53,000	Scottish Government
Timber Traffic Route Improvement	£52,000	Scottish Forestry Commission
Place Based Investment	£668,000	Scottish Government
Buckie High School 3G Synthetic Turf Pitch	£75,000	Sport Scotland
TOTAL	**£1,399,000**	

In addition to this, Developer Obligations of £258,000 have been received up to quarter 3 of this financial year and capital receipts of £1,017,000 for the sale of land and buildings and vehicles.

4.2   Expenditure on land and buildings to 31 December 2022 totals £7,044,000. The main items of expenditure are £2,557,000 on works to improve the school estate, £1,531,000 on Waste Management Projects, including £799,000 for the Council's contribution to the construction of the NESS Energy for Waste Plant, and £759,000 on various Moray Growth Deal Projects.

4.3   Expenditure on infrastructure assets to 31 December 2022 totals £7,045,000. The main items of expenditure were £2,822,000 on roads resurfacing works carried out throughout the council area, and £1,993,000 on various bridge improvement projects.

4.4   Expenditure on vehicles, plant and equipment to 31 December 2022 totals £2,593,000. The main item of expenditure was £1,685,000 on the Vehicle and Plant Replacement Programme, a significant proportion of which is slippage from 2021/22 due to the current lead time for the delivery of vehicles.

5.   **PROJECTED OUTTURN AND PROJECT DEFERRALS**

5.1   Budget managers have been requested to update projected estimates of expenditure on capital projects in 2022/23. Projects are graded for confidence of achieving projected expenditure with high confidence rated as green, medium confidence as amber and low confidence as red. A summary of the ratings is given in the table below.

Risk Status	RAG	No of Projects	Projected Expenditure 2022/23 £000
High confidence of spend to estimate	G	94	19,122
Medium confidence of spend to estimate	A	20	15,340
Low confidence of spend to estimate	R	9	2,006
		123	**36,468**

5.2   The spend projections provided by budget managers are based on the best information available at this time. However, given the uncertainties referred to in paragraph 3.1 a green RAG rating really only indicates that no specific issues have been identified to date.

5.3   **Red rating**
        A red status highlights areas where there is low level of confidence in estimated expenditure. The following have been identified by budget managers as having a red status:

Project	Paragraph	Projected Expenditure 2022/23 £000s
Land and Buildings		
Industrial Portfolio (3 projects)	5.4	-
Infrastructure		
Bridges (2 projects)	5.5	191
A95 Landslip River Isla	5.5	403

Project	Paragraph	Projected Expenditure 2022/23 £000s
Kerb Edge Replacement	5.5	-
Street Lighting – Replacement Columns and Lights	5.5	500
Vehicles, Plant and Equipment		
Replacement Household Waste Recycling Centre (HWRC)	5.6	5
ICT Capital Spend	5.6	907
TOTAL		**2,006**

5.4 Details of the three projects under the Industrial Portfolio heading are as follows:

Project	Capital Plan 2022/23 £000s	Projected Spend 2022/23 £000s	Projected Variance 2022/23 £000s	Reason for Red Status
Industrial Estate Roads	10	-	10	Staffing pressures delayed design
Land Acquisition Speyside	5	-	5	Design work ceased after concluding proposed site is unviable
Condition Surveys	40	-	40	External procurement of service delayed due to staffing pressures
TOTAL	**55**	**-**	**55**	

5.5 Two bridge projects are currently predicting a status of red (Bridge of Slateford and Principal Bridge Inspections). Current construction industry inflation, along with a lack of internal resources to progress tenders has resulted in delays to these projects. Issues around consent has meant that the project at the Meikle Cantlay Landslip has been delayed and will now be competed over two financial years. Lack of resources within the Roads Service means that a programme of works kerb edge replacements and replacement street light columns and lights has seen delays.

5.6 Spend on a replacement Household Waste Recycling Centre (HWRC) cannot be committed until Zero Waste Scotland have given a final decision on the Council's application for grant funding. The requirements for the next phase of the telephony project are dependent on the Smarter Working project, and staff resourcing for the legacy server replacement programme mean there is a degree of uncertainty around the amount of spend against the ICT capital programme.

5.7 **Amber rating**
An amber rating of confidence to spend budget highlights areas where there are issues impacting on the ability to project spend – generally indicating factors out with the budget manager's control. The following have been identified by budget managers as having an amber status:

Project	Paragraph	Projected Expenditure 2022/23 £000s
Land and Buildings		
Findrassie Primary School	5.8	200
Town Centre Initiative Fund	5.8	100
Cemetery Infrastructure	5.8	68
Parks and Open Spaces Infrastructure	5.8	86
NESS Energy for Waste – Construction Phase	5.8	7,777
Refurbishment of Industrial Units	5.8	59
Infrastructure		
Bridges (5 projects)	5.9	2,202
Coastal Change Adaptation	5.9	90
Harbours (2 projects)	5.9	483
Footways	5.9	250
Road Safety – Disability Adaptations	5.9	76
Vehicles, Plant and Equipment		
Moray Leisure Centre	5.10	400
Vehicle and Plant Replacement Programme	5.10	3,296
Children's Play Area Equipment	5.10	253
TOTAL		**15,340**

5.8   Construction of the new Findrassie Primary School has been deferred and spend in 2022/23 is expected to be minimal. Successful applicants to the Town Centre Initiative Fund are not proceeding due to reduced viability of projects and the rise in construction costs and work is currently ongoing to assess how any underspend can be reallocated. Delays in securing statutory consents, contractor availability and capacity issues within the Land and Parks team have seen delays in progressing Land and Parks Infrastructure projects. Spend on the construction phase is dependent on the claiming of milestones by contractors and may be subject to change. Difficulties in securing contractors has meant there are delays in the programme of industrial unit refurbishments.

5.9   Various bridges are classed as Amber based on tender returns and construction industry inflation. Until the works are complete and outcomes are understood expenditure is not able to be fully committed on Coastal Change Adaptation. Potential issues with winter weather and obtaining licences to enable work to be carried out mean that spend on two Harbours projects could be less than budgeted. Staff vacancies within the Roads Department are impacting on plans for footways projects, street light column replacements and disability adaptations works.

5.10   At a special meeting of Education, Children's and Leisure Services Committee on 14 December (paragraph 14 of the minute refers) it was agreed that £275,000 from the £400,000 capital plan allocation for Moray Leisure Centre (MLC) in 2022/23 would be allocated to detailed cost and design phase works in relation to their proposed MLC expansion project. The expansion project is proposed to include an extended fitness room/gym, additional exercise studios, extension to the ice rink and also a general upgrade of the assets

within the facility. These cost and design works are being undertaken by Alliance Leisure and a further committee report on the outcome of these works, a Business Case and the further support requirements requested of the Council to MLC will be considered at ECLS Committee in due course.

5.11 The lead time for vehicle replacements is very long due to issues with the supply of small components to complete vehicles and there is therefore a high degree of uncertainty as to when vehicles will be delivered. There is a similar situation with regards to Play Area Equipment.

5.12 Details of the projected variances as at September 2022 from the current approved capital programme, summarised in **APPENDIX 1,** is set out below:

Description	Ref	Underspend/ (Overspend) £000s
Land and Buildings		
Resurface and Rejuvenate 3G Pitches	5.13	55
Schools Health and Safety – Fire Safety Minor Works	5.14	50
Findrassie Primary School	5.15	82
Leisure Facilities Condition Surveys	5.16	20
ELC Settings	5.17	(371)
Moray Growth Deal	5.18	187
Town Centre Initiative Fund	5.19	737
New Mortuary	5.20	160
Cemetery Infrastructure	5.21	2
Cemetery Provision – New Cemetery in Elgin	5.22	29
Parks and Open Spaces Infrastructure	5.23	54
Industrial Portfolio Projects	5.24	142
Car Parks	5.25	425
Infrastructure		
Bridges	5.26	2,224
Findhorn Flood Alleviation	5.27	(7)
Coastal Change Adaptation	5.28	70
Harbours	5.29	86
A95 Landslip River Isla	5.30	796
Kerb Edge Replacement	5.31	25
Footways	5.32	25
Street Lighting	5.33	400
Ward Road Junction Improvements	5.34	(124)
Vehicles, Plant and Equipment		
Vehicle and Plant Replacement Programme	5.35	235
Gull Proof Bins	5.36	3
Replacement Household Waste Recycling Centre (HWRC)	5.37	795
ICT Capital Spend	5.38	299
TOTAL		**6,399**

Land and Buildings

5.13 **Resurface and Rejuvenate 3G Pitches –** Works under this heading are resurfacing of the 3G pitch in Buckie, along with the replacement of the lights at the facility at Speyside. The costs of these works are anticipated to be less than the budget. Grant funding of £150,000 has been received to fund the works at Buckie.

5.14 **Schools Health and Safety - Fire Safety Works –** Works originally planned under this heading to install CCTV in two schools have been unable to progress due to internal resource issues and have been moved to the Summer Holiday Period to enable safe working to take place. It is requested that the current projected underspend of £50,000 is carried forward to 2023/24 to allow this work to progress, without impacting on the planned programme of works for the next financial year.

5.15 **Findrassie Primary School –** This project has been deferred but there will be consultants' fees in this financial year. Spend is forecasted to be lower than the budget.

5.16 **Leisure Facilities Condition Surveys** – Works instructed as a result of conditions surveys are anticipated to cost £20,000 less than the allowance in the capital plan for 2022/23. It is therefore recommended to reduce the budget by the underspend of £20,000.

5.17 **ELC Settings –** The projected overspend relates to retention and final account payments to contractors for work carried out last year but paid during the current financial year. Design works for other planned projects has been progressed to a suitable stage and these works are programmed to be carried out on site in 2023/24 in order to minimise disruption to these operational nurseries.

5.18 **Moray Growth Deal**
Digital Health – Work is currently ongoing to accelerate procurement activity that will increase spend in the second half of the year. Following this work approval will be sought from the Scottish Government to revise the financial profile. At this stage an underspend of £187,000 is anticipated.

5.19 **Town Centre Initiative Fund –** The projected underspend on this heading is still due to the issues caused by Covid, and now due to the time of the year, with weather playing a big part on the amount of building and public realm works that will be able to be carried out. It is therefore requested that the projected underspend of £737,000 be carried forward to 2023/24 to allow the planned works to be completed.

5.20 **New Mortuary –** The Council has entered into an agreement with Aberdeen City Council to contribute to the cost of construction of a new mortuary in Aberdeen, which will be paid in the form of a capital grant. Construction on the project has commenced but the Council's contribution will not be required until 2023/24 so it is recommended that the full budget of £160,000 be carried forward to 2023/24 to allow payment when due.

5.21 **Cemetery Infrastructure –** Some projects under this heading are subject to statutory consents and contractor availability which may result in some delays. It is currently projected that this line will see a small underspend of £2,000.

5.22 **Cemetery Provision – New Cemetery in Elgin –** This project has been delayed due to negotiations with landowners. Spend in 2022/23 is anticipated to be for project management and development and it is therefore recommended that the current anticipated underspend of £29,000 is carried forward to 2023/24 to allow the project to progress.

5.23 **Parks and Open Spaces Infrastructure –** One of the planned projects under this heading is to upgrade paths in Cooper Park. However, other commitments in the Roads Services has seen this delayed and it is now not going to be undertaken in the current financial year. It is therefore requested to carry forward the projected underspend of £54,000 to 2023/24 to allow this work to progress, without impacting on the planned programme of works for the next financial year.

5.24 **Industrial Portfolio Projects –** Staffing pressures within the Service, along with difficulties in securing contractors to undertake work has resulted in delays to various Industrial Portfolio projects, and it is therefore recommended to carry forward the projected underspend of £142,000 to 2023/24 to allow works to progress. Following the review of the capital plan referred to in paragraph 3.3 of this report, the service have been asked to re-profile their projected spend for 2023/24 and if approved this carry forward will be part of their consideration.

5.25 **Car Parks -** Budget was carried forward from 2021/22 related to concrete repairs and resurfacing works required at Batchen Lane Car Park. However, investigation works took longer than anticipated and the contract will now not be awarded in this financial year. It is recommended that the underspend of £425,000 be carried forward to 2023/24 to allow these works to progress.

Infrastructure

5.26 **Bridges**
A941 New Craigellachie Bridge – Tenders have been returned for this project and were lower than budget. At this stage it is projected that the project will cost £1,846,000, £1,940,000 less than budget. The projected costs are based on the anticipated cost following resolution of the Civil Engineering works, and a risk allowance to cover any risk encountered following the last part of the blasting works.

A941/100 Blackwater Bridge – There is now one project being undertaken at this bridge and the anticipated cost is £300,000. Scottish Government has awarded Lifeline Bridge funding of £230,000 towards the cost of the work. It is requested to carry forward £15,000 of the projected £200,000 underspend to carry out coping stone works, which currently have a long lead in time and will therefore not be complete in the current financial year.

Boat O Brig Bridge Orton – There is a budget of £4,000 for design and preparatory work in 2022/23, with construction planned for 2023/24. An alternative solution has been identified that will cost a total of £15,000, which is significantly less expensive than the original two stage solution.

U118E/10 Shougle Bridge – Due to good weather works on this project are now complete. Final costs were £550,000 against a budget of £589,000.

Knockando Bridges – This project is now complete and with a slight overspend of £14,000 due to remedial works that were required to address a safety issue with the new parapet alignment.

Principal Bridge Inspections – Internal resourcing issues resulted in delays in issuing a tender for the contract to undertake the works. Due to these delays it is not anticipated that the budget will be fully spent and it is therefore recommended that the projected underspend of £70,000 is carried forward to 2023/24.

5.27 **Findhorn Flood Alleviation –** The unbudgeted spend of £7,000 are compensation claims relating to the construction of the scheme. More claims are anticipated but it is unlikely that they will be paid in the current financial year. The balance of the budget for compensation claims is held in future years and it is recommended that that budget is brought forward to cover the expenditure in 2022/23.

5.28 **Coastal Change Adaptation –** This budget, which is fully funded by Scottish Government is currently expected to be underspent by £70,000. Until the first adaptation plan is complete and the outcomes understood the rest of the expenditure cannot be committed.

5.29 **Harbours –** Possible issues with the weather and with obtaining the relevant licences have meant that there is the potential for Harbours projects to be delayed and not fully spent at the end of the financial year. It is currently expected that these projects will be underspend by £86,000.

5.30 **A95 Landslip River Isla –** Issues with obtaining the relevant consent to be able to undertake the work has meant that the start of this project has been delayed and will now span two financial years. It is therefore requested that the current projected underspend of £796,000 be carried forward to 2023/24 to allow completion of the project.

5.31 **Kerb Edge Replacement –** Lack of staff resources within the Roads Service has meant that work to identify locations for kerb replacement works has been unable to be carried out and an underspend of £25,000 is currently projected.

5.32 **Footways –** A footway slurry seal programme was planned for the summer months but this was cancelled due to a lack of operational resources within the Roads Service and an underspend of £25,000 is currently projected.

5.33 **Street Lighting**
Replacement Columns and Lights – Current vacancies and difficulties in recruiting staff has meant that there has been a late start to works in this

programme. It is currently anticipated that there will be an underspend of £300,000 in the current financial year and it is requested that the budget is reduced by this amount.

LED Lighting – The Service is confident that his project will be completed in the current financial year and is currently anticipating an underspend of £100,000 due to the fact that there has been less hard-to-reach lanterns to replace than initially planned for and also the unit cost for purchasing and installing the one off replacements has been lower than anticipated. It is therefore requested that the budget is reduced by this amount.

5.34 **Wards Road Junction Improvements –** Work to improve the junction at the Wards/Edgar Road were predominantly funded by £372,176 of developer obligations. This work was completed in August 2022 at a total cost of £382,982 due to a number of compensation events agreed throughout the contract. As such, none of the developer obligation funding will be returned to the developer.

Vehicles, Plant and Equipment

5.35 **Vehicle and Plant Replacement Programme –** Vehicle and plant manufacture and delivery has been severely impacted by global factors such as the pandemic and the war in Ukraine, and as such delivery dates are an unknown. Spend is committed with orders placed for new vehicles and it is requested that the projected underspend of £235,000 is carried forward to 2023/24 to allow payment upon delivery, without impacting on the planned replacement programme for that year.

5.36 **Gull Proof Bins –** This heading is showing an underspend of £3,000 due to variations in the unit price of the bins purchased.. It is therefore requested that the budget in the current year is reduced by the amount of the underspend.

5.37 **Replacement HWRC Elgin –** The Service is currently unable to commit any of this budget for the acquisition of land for a replacement HWRC until Zero Waste Scotland have given a final decision on the Council's application for grant funding. It is currently projected that there will be minimal spend of £5,000 in relation to commercially sensitive land assessments and an underspend of £795,000 is currently projected.

5.38 **ICT Capital Spend –** It is currently anticipated that expenditure on ICT capital projects is likely to be circa 75% of the approved budget. Establishing the requirements for the next phase of the telephony project, which are dependent on the Smarter Working project and staff resourcing for the legacy server replacement programme mean there is a degree of uncertainty around the amount of spend against the ICT capital programme.

6. AMENDMENTS TO CAPITAL PLAN

6.1 The following amendments to the capital plan are proposed:

Amendments	Para	2022/23 £000s	2023/24 £000s
Land and Buildings			
Schools Health and Safety – Fire Safety Works	5.13	(50)	50
Leisure Facilities Condition Surveys	5.15	(20)	-
Moray Growth Deal	5.18	(187)	187
Town Centre Initiative Fund	5.19	(737)	-
New Mortuary	5.20	(160)	160
New Cemetery Elgin	5.22	(29)	29
Parks and Open Spaces Infrastructure	5.22	(54)	54
Industrial Portfolio	5.24	(142)	142
Car Parks	5.25	(425)	425
Universal Free School Meals	6.2	598	-
Infrastructure			
A941/100 Blackwater Bridge	5.26	(15)	15
Principal Bridge Inspections	5.26	(70)	70
Findhorn Flood Alleviation	5.27	7	(7)
A95 Landslip River Isla	5.30	(796)	796
Street Lighting	5.33	(400)	-
Vehicles, Plant and Equipment			
Vehicle and Plant Replacement Programme	5.35	(235)	235
Gull Proof Bins	5.36	(3)	-
Grant Funding			
Universal Free School Meals	6.2	(598)	-
TOTAL		**(3,316)**	**2,156**

6.2 **Universal Free School Meals –** The Council has received £598,000 to fund the works necessary to meet the Scottish Government policy of Universal Free School Meals. A programme of works is currently being worked on and will be reported to future Committees once finalised.

7. RISK AND EMERGING ISSUES

7.1 Budget managers have been requested to identify any specific areas of risk for the projects in the capital plan for which they are responsible.

7.2 As reported to Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021 (paragraph 7 of the minute refers) a risk to the capital plan is an increase in the cost of materials and scarcity of many materials which are key for the construction industry. Scotland Excel have informed the Council of unavoidable increases to costs on some of their frameworks and some key materials such as concrete, wood and steel are currently difficult to source and costlier if they are available. This is partly a world-wide reaction to the pandemic, and partly due to Brexit, and the war in Ukraine is also having an impact. The construction industry is also over-

heated and some recent procurement exercises have stalled. The Strategic Territory Partnering Board are also monitoring market volatility.

7.3   There is a risk that contract inflation might increase the eventual cost of projects in future years of the capital plan and a risk that any deferment of projects relating to asset condition might result in element failure, potentially incurring unbudgeted costs. The figures in the 10 year plan are based on current costs and are likely to increase by the time the project is undertaken.

7.4   The main risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales and this risk is heightened at this time due to the world-wide shortage of semi-conductors.

7.5   Lack of staff resources and staff turnover can impact on project timescales and other emerging work priorities can impact in scheduled works and this is reflected in delays where work planned to be out-sourced is being brought in-house as a result of poor response to tender requests. Poor responses to tender requests are an increasing phenomenon and work is on-going with organisations such as Hubco to attempt to improve market engagement, as well as support from the Procurement team to engage local suppliers and contractors. Lack of staff resources is a more intractable problem and current recruitment difficulties, coupled with additional funding streams with short time envelopes for spend, which adds pressure to staff workloads, is creating difficulties and therefore slippage in many areas of the capital programme.

7.6   There is a risk that time-limited funding is not spent within time-frame and that the Council therefore loses the opportunity to improve or create assets at no or reduced cost to the Council.

7.7   Projects can be subject to risks which are out with the direct control of the Council, such as poor weather conditions and some assets such as harbours are particularly vulnerable to bad weather events.

7.8   The cost to the Council of borrowing is calculated based on interest rates at that time. The current pattern of interest rate rises is considered likely to continue in the short term and this will have an impact on the cost to the Council and will be taken into account when looking at future capital proposals.

7.9   No other project risks have been specifically identified by budget managers.

8.   **SUMMARY OF IMPLICATIONS**

   (a)   Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))
   Effective budget management is an essential component of delivery of Council priorities on a sustainable basis.

   The capital plan is one of the vehicles through which the Council's priorities can be delivered. The approved capital plan for 2022/23 and the outline ten year plan incorporate measures designed to address the LOIP priorities of building a better future for our children and young

people, empowering and connecting communities and developing a diverse, inclusive and sustainable economy.

(b) Policy and Legal
There are no policy or legal implications arising directly from this report.

(c) Financial implications
The financial implications are highlighted within the report and **Appendices 1 and 2** to the report.

(d) Risk Implications
Budget managers are aware of their responsibilities for managing budget allocations and approval for variance will be sought from Council in line with the financial regulations. Risks specific to items within the capital plan are highlighted in paragraph 7 of this report.

(e) Staffing Implications
There are no staffing implications arising directly from this report.

(f) Property
There are no property implications arising directly from this report.

(g) Equalities/Socio Economic Impact
There are no equalities issues arising directly from this report.

(h) Climate Change and Biodiversity Impacts
There are no climate change or biodiversity issues arising directly from this report.

(i) Consultations
All capital budget managers have been consulted in the development of estimated actuals as part of the preparation of this report. The Corporate Management Team have been consulted and any comments incorporated in the report.

9. CONCLUSION

9.1 Capital expenditure to the end of December 2022 amounts to £16,682,000.

9.2 Capital expenditure is currently projected to be £6,399,000 lower than the approved capital plan for 2022/23 but with a high degree of uncertainty due to current construction industry conditions and other external factors.

9.3 Amendments to the Capital Plan amounting to a decrease (net of additional grant funding) of £3,129,000 in 2022/23 and an increase of £1,969,000 in 2023/24 are requested.

Author of Report: Laurie Milne, Senior Accountant
Background Papers:
Ref: SPMAN-1293228629-813

Moray Council Capital Programme 2022/23
As at 31st December 2022

	Capital Plan 2022/23 £000	Actual £000	Projected Expenditure Q1 £000	Q2 £000	Q3 £000	Q4 £000	Total Projected Expenditure £000
Land and Buildings							
Education, Children's and Leisure Services Committee	4,915	3,623	675	1,346	1,395	1,663	5,079
Economic Development and Infrastructure Committee	15,392	3,409	1,073	1,422	716	10,444	13,655
Corporate Committee	88	12	6	4	16	62	88
Infrastructure							
Economic Development and Infrastructure Committee	15,651	7,045	1,050	1,788	3,129	6,189	12,156
Vehicles Plant and Equipment							
Education, Children's and Leisure Services Committee	460	25	0	1	24	435	460
Economic Development and Infrastructure Committee	4,969	1,960	1,229	334	343	2,030	3,936
Corporate Committee	1,392	608	205	86	318	485	1,094
	42,867	**16,682**	**4,238**	**4,981**	**5,941**	**21,308**	**36,468**
							6,399
Funding							
Prudential Borrowing	25,420	5,079					
General Capital Grant (exc PSHG and CYPA)	11,558	8,930					
Other Grants & Contributions	1,999	1,084					
Developers Contributions	205	257					
Moray Growth Deal	2,985	315					
Receipts	700	1,017					
	42,867	**16,682**					

Major Capital Projects spanning more than 1 financial year (as at 30 September 2022)   **APPENDIX 2**

Description	Approved Total Budget	Total Expenditure in previous financial years	Current Budget 2022-23	Actual spend 2022-23	Remaining Budget 2022-23	Project Life Spend to 31/03/23	Projected Future Years Budget Required	Estimated Final Cost	Projected Variance
	£000	£000	£000	£000	£000	£000	£000	£000	£000
LED Street lighting replacement programme	5,000	3,904	213	30	183	3,934	883	5,000	0
Lossiemouth High School	43,000	43,142	232	232	0	43,374	0	43,374	-374
NESS Energy from Waste	27,224	19,447	7,777	799	6,978	20,246	0	27,224	0
Total	**75,224**	**66,493**	**8,222**	**1,061**	**7,161**	**67,554**	**883**	**75,598**	**-374**

REPORT TO: SPECIAL MEETING MORAY COUNCIL ON 8 MARCH 2023

SUBJECT: MORAY GROWTH DEAL ANNUAL REPORT

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

1.   REASON FOR REPORT

1.1   Each year the Moray Growth Deal is required to produce an annual report providing an overview of work undertaken, with a look ahead to the year ahead. This paper introduces the first draft report, covering the period 20 December 2021 to 31 December 2022.

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

It is recommended that Council:

(i)   consider and note the draft annual report; and

(ii)   delegate authority for the Depute Chief Executive (Economy, Environment and Finance) to approve a final iteration of the report, following engagement with key stakeholders and the Scottish and UK Governments. This will then be submitted to a future Moray Council meeting for noting.

3.   BACKGROUND

3.1   The Moray Growth Deal (MGD) was signed on 20 December 2021 and is a transformative, £100m programme consisting of 8 projects that will drive positive improvements to social and economic challenges faced by citizens and businesses in Moray.

3.2   The production of an annual report is a grant condition associated with funding from the Scottish and UK Governments. This report introduces the MGD's first annual report covering the period 20 December 2021 (when the Full Deal was signed) to 31 December 2022.

3.3   Looking beyond the governance process set out above, the production of an annual report provides an opportunity for the Council to document and publicise progress made implementing the Growth Deal projects, with a look ahead to activity planned for 2023.

4.   PROCESS AHEAD TO DEVELOP A FINAL DRAFT OF THE ANNUAL REPORT

4.1   Outlined in **Appendix 1** is a comprehensive timeline of engagement that has been initiated to develop the MGD's annual report. This includes a range of key stakeholders including the Moray Economic Partnership, Elected Members and the Moray Business Assembly. The first phase of review involves regional partners, along with Council Officers and Elected Members. This culminates with the submission of this report.

4.2   Subsequently, phase 2 will focus on engagement with the Scottish and UK Governments, with the report feeding into the Deal's first annual conversation. Scheduled for 29 March 2023. The annual conversation is an executive level officials meeting to discuss the status of the Deal. This will be attended by senior officials from the Scottish and UK Governments, along with the Moray Council's Chief Executive, Depute Chief Executive (Economy, Environment and Finance) as Moray Growth Deal Senior Responsible Officer, Head of Financial Services, Head of Economic Growth and Development and the Moray Growth Deal Programme Manager.

5.   OVERVIEW OF THE ANNUAL REPORT

5.1   **Appendix 2** contains a draft copy of the MGD's annual report,

5.2   Significant activity has been progressed since the Deal was signed including establishing the Programme Management Office, projects working towards the preparation of their Full Business Cases and one project progressing delivery (Digital Health). The following achievements are noted:

Programme achievements	
Q3 21/22	o Digital Health project receives Moray Growth Deal Board and Government approval for the Full Business Case and enters delivery. o Full Deal document signed by the Moray Council, Scottish Government and UK Government on 20 December 2021.
Q4 21/22	o Recruitment process undertaken for Programme Management Office (PMO) and Project Manager roles, with staff taking up post during Q1 22/23
Q1 22/23	o Full Business Case for Bus Revolution approved by the Moray Growth Deal Board, with the project expected to receive Government clearance in Q4 22/23 to enter delivery. o Ministerial launch of the Digital Health project following completion of their first work package.

Q2 22/23	o Enhancement of programmatic controls relating to risk, assurance and reporting, with the Moray Council carrying out an internal audit of the Moray Growth Deal in the second half of 2022.
Q3 22/23	o Business Enterprise Hub Memorandum of Understanding signed with Moray Council and Robertsons Construction which enables RIBA design stages to be progressed. o Detailed engagement activity commenced for the Cultural Quarter project to collate evidence that will help shape the vision for Elgin Town Hall and Grant Lodge. o Tender for Dallas Dhu Housing Mix Delivery site design work launched. o Offer received from Boeing for how they will support the Moray Aerospace, Advanced Technology Innovation Centre (MAATIC) facility

5.3 Looking ahead to 2023, the pace of Moray Growth Deal activity is expected to increase significantly, with the following areas of focus:

o Programme Benefits Realisation and Monitoring Plan due to be submitted to the MGD Board for approval Q4 22/23.
o Official opening of the Digital Health Demonstration and Simulation Environment Space late Q4 22/23 in the Alexander Graham Bell Building which is part of UHI-Moray.
o Bus Revolution scheduled to commence delivery in Q1 23/24 on the assumption Government clearance of the Full Business Case is received in Q4 22/23.
o The remaining 6 projects are scheduled to submit their Full Business Cases to the MGD Board for approval by Q4 23/24. Of these, it is anticipated that 4 will receive Government clearance and have entered delivery before December, meaning the Deal should finish the next reporting period with 6 of the 8 projects in delivery. Detailed Members Briefings will be held for all projects before they are reported to council which is part of the approval governance process.
o By the end of Q3 23/24, all of the Digital Health project's 5 living labs are expected to have completed their development stage, with 2 expected to reach the evaluation stage.

5.4 As activity scales up during 2023, there are a number of risks being managed by the MGD Programme Management Office that have the potential to affect delivery, specifically:

o **Inflation**: Expected to cause cost projections to increase between OBC and FBC stage. With a fixed funding agreement in place with the Governments, the projects will need to need to drive efficiencies, prioritise deliverables and / or seek additional sources of funding to move into delivery with a sustainable financial model.

- **Management of closely aligned projects**: Moray Aerospace and advanced Technology Innovation Campus (MAATIC), Manufacturing Innovation Centre for Moray (MICM) and the Business Enterprise (BE) Hub are closely aligned in relation to the outcomes they are seeking to achieve. As their full business cases are developed in 2023, it is critical there is clarity on the work each will deliver around research, innovation and work with businesses, ensuring any cross linkages are appropriately managed.
- **Engagement activity**: Significant engagement activity will be required across all projects involving a wide range of stakeholders. This work will need to be effectively co-ordinated to ensure that there is cross-project co-ordination for engagement that affects multiple streams of activity and on key stakeholders.

6. SUMMARY OF IMPLICATIONS

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

The Moray Growth Deal projects will contribute to the Corporate Plan priority of promoting economic development and growth, whilst meeting the LOIP vision of raising aspirations, reducing inequalities in educational attainment, providing access to employment, expanded choices for residents, and improved livelihood and well-being.

(b) Policy and Legal

Each Growth Deal project has been developed to meet local, regional and national policy agendas in line with legal requirements where relevant.

(c) Financial implications

The production of the 2021/22 annual report for the Moray Growth Deal in itself does not present any financial implications, but it does contain a section relating to the finances of the programme.

The Council's Head of Financial Services sits on the monthly Moray Growth Deal Programme Board at which a report is submitted for review setting out spend against budget allocation and takes an overview of the financial implications of the deal for the Council as s95 officer.

(d) Risk Implications

The production of the 2021/22 annual report for the Moray Growth Deal in itself does not present any risk implications, but it does reference risks being managed by the MGD Programme Management Office that have the potential to affect successful delivery.

Risk is a standing item at the monthly Moray Growth Deal Programme Boards and is covered in monthly meetings that the Programme Management Office has with each Project Manager.

(e) Staffing Implications
None

(f) Property
None.

(g) Equalities/Socio Economic Impact
Equalities and Socio Impact Assessments for each project will be updated as part of Full Business Case development.

(h) Climate Change and Biodiversity Impacts
As a requirement of the Moray Growth Deal, all projects will address carbon reduction, improved environmental performance and a just transition to net zero as a central part of their development.

(i) Consultations
Consultation has taken place with the Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, the Legal Services Manager, the Equal Opportunities Officer, the Chief Financial Officer, and Tracey Sutherland (Committee Services Officer) have been consulted and comments received have been incorporated into the report.

A final version of the annual report will be prepared following extensive consultation and review:

- o Moray Growth Deal Programme Board
- o Moray Economic Partnership
- o Business Assembly
- o The Scottish and UK Governments
- o Moray Council Elected Members (briefing on 21/02/23 and Council meeting on 08/03/23)

A final version of the annual report will be provided to council for noting at its meeting on 24 May 2023.

7. CONCLUSION

7.1 This paper provides a draft copy of the Moray Growth Deal's 2021/22 annual report for the Council to review and comment upon.

7.2 The Council is asked to delegate authority for the Depute Chief Executive and Moray Growth Deal Senior Responsible Officer (SRO) to approve a final iteration of the report.

7.3 A final draft of the annual report will be provided to the Council for noting once officer engagement with key stakeholders, including the Scottish and UK Governments has been completed.

Author of the report: Michael Kelly, Moray Growth Deal Programme Manager

Background papers:
- Appendix 1: Timeline of MGD annual report engagement activity
- Appendix 2: Moray Growth Deal Annual Report

Previous MGD Board paper submitted to Council: 30 November 2023 (Item 7)

Appendix 1: Timeline of engagement activity planned to develop the Moray Growth Deal's 21/22 annual report

Phase	Timescale	Activity
1: Regional partners, Council Officers and Elected Members	25th November 2022	MGD Board asked to commission work associated with the annual performance report and SROs will be asked to contribute by providing project level updates.
	Early December 2022	If required, opportunity to schedule 1:1s or a joint session involving the PMO and Project SROs to discuss information required for the annual report.
	13th January 2023	Deadline for SROs to provide their submissions to the PMO and for case studies to be written up.
	End of January MGD Programme Board	MGD board to be given a status update on how the report is developing, flagging any emerging areas of assistance required from SROs.
	10th February 2023	First draft of the Annual Performance Report to be issued to MGD Board Members and the Moray Economic Partnership for review.
	16th February 2023	Briefing for the Moray Business Assembly
	21st February 2023	Briefing for Elected Members
	24th February 2023	Using feedback obtained during February, the MGD Board will be asked to approve a revised version of the annual report.
2: Scottish and UK Governments	8th March 2023	Draft copy of the Annual Report submitted to a Moray Council meeting, with a recommendation to provide delegated authority for the MGD SRO to agree a final version which will be submitted to a subsequent Council meeting for noting.
	10th March 2023	Latest date a draft of the annual report will be submitted to the Scottish and UK Governments for review prior to the annual conversation being held.
	29th March 2023	Annual conversation between the Moray Council, Scottish Government and UK Government to be held.
	End of April 2023	Annual report to be finalised following any final feedback from the Governments.
	24th May 2023	Submission of a final draft of the annual report to Full Council for noting.

Annual Report (20 December 2021 to 31 December 2022)

Version 1.1 (February 2023)

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Document control

Version	Date	Individuals / groups consulted
v0.1	26/01/23	Initial draft circulated for review: - Rhona Gunn (Depute Chief Executive and Programme SRO) - Lorraine Paisey (Head of Financial Services) - Jim Grant (Head of Economic Development & Planning) - Lindsay Lyon (MGD Programme Officer)
v0.2	06/02/23	Updated draft prepared and circulated to the Council's Team for review: - Kirsty Craig (Acting Senior Communications officer)
v0.3	09/02/23	Updated draft annual report circulated to key groups for review: - Moray Growth Deal Programme Board - Moray Economic Partnership
v1.0	21/02/2023	Version being created on an iterative basis as comments received from Moray Growth Deal Programme Board members and the Moray Economic Partnership (issued on 09/02/23, deadline for comments 17/02/23)
v1.1	23/02/2023	Revision made to the MAATIC project update

Contents

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Moray Growth Deal mission statement:

"By the year 2030 Moray is a destination of choice, the area being known and recognised as an outward-facing and ambitious community with a thriving and well connected commercial base, and an environment in which quality of life is valued and supported."

1. Executive Summary

The Moray Growth Deal is a once in a generation, transformative programme that will use £100m of funding to deliver social and economic improvements for challenges faced throughout the region. The eight projects that make up the Deal will deliver…

Infographic 1: What does it mean for Moray?

- Direct and indirect creation of over 3,500 jobs
- 450 of the 3,500 jobs will result directly from the delivery of Growth Deal projects
- 50,000 more tourists will be attracted to Moray
- Over 300 new affordable homes will be constructed
- 450 businesses will be supported to scale up , increasing Moray's GVA by £82m
- Creation of new and improved facilities and services that aim to make Moray a more attractive place to live and do business in (educational, cultural and business innovation facilities coupled with enhanced public transport connectivity and an increase in the number of affordable homes)

Infographic 2: The 8 projects that make up the MGD

Bus Revolution - £4.3m	*Business Enterprise (BE) Hub - £6.4m*	*Cultural Quarter - £31.6m*
Increase the number of people using public transport to get to and from rural areas to work, education and leisure	Provision of education, research and business support functions to support new business start-ups, whilst helping to upscale existing micro businesses.	Investment in key local assets, including the refurbishment of Grant Lodge, the Town Hall, and investment in the region's tourism infrastructure designed to leverage in private sector investment in a new hotel.
Digital Health - £5m	*Early Years (EY) STEM - £4.8m*	*Housing Mix Delivery - £7.5m*
Creation of an anchored demonstration and simulation environment (DSE) and Living Lab testbeds for the Moray region.	To grow interest in science, technology, engineering and maths amongst children aged 3-8	Stimulating housing development in town centres, unlock constrained sites and promote the integration of pilot exemplar sustainable design and construction techniques**.**

Moray Aerospace, Advanced Technology and Innovation Campus (MAATIC) - £24m	Manufacturing and Innovation Centre for Moray (MICM) - £5m
Establishment of a cutting edge commercial and academically supported training and research centre for excellence that will provided advanced skills for the region's industries.	A focal point for businesses to learn best practice and collaborate, stimulating the creation of new and growth of existing micro businesses throughout Moray.

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On 20 December 2021, the UK and Scottish Governments signed the Full Deal Document with Moray Council, kicking off a 10 year period of funding up to £100m. The funding is made up of £32.5m each from the Scottish and UK Governments, along with £38.5m from regional partners.

This annual report covers the period from 20 December 2021 until 31 December 2022. Activity has focused on establishing the Growth Deal Programme Management Office, projects working to prepare their Full Business Cases and one project progressing their delivery phase (Digital Health).

Infographic 3: Timeline of programme achievements	
Q3 21/22	- Digital Health project receives Moray Growth Deal Board and Government approval for the Full Business Case and enters delivery. - Full Deal document signed by the Moray Council, Scottish Government and UK Government on 20 December 2021.
Q4 21/22	- Recruitment process undertaken for Programme Management Office (PMO) and Project Manager roles, with staff taking up post during Q1 22/23.
Q1 22/23	- Full Business Case for Bus Revolution approved by the Moray Growth Deal Board, with the project expected to receive Government clearance in Q4 22/23 to enter delivery. - Ministerial launch of the Digital Health project
Q2 22/23	- Enhancement of programmatic controls relating to risk, assurance and reporting, with the Moray Council carrying out an internal audit of the Moray Growth Deal in the second half of 2022.
Q3 22/23	- Business Enterprise Hub Memorandum of Understanding signed with Moray Council and Robertson Construction which enables RIBA design stages to be progressed. - Detailed engagement activity commenced for the Cultural Quarter project to collate evidence that will help shape the vision for Elgin Town Hall and Grant Lodge. - Tender for Dallas Dhu Housing Mix Delivery site design work launched. - Offer received from Boeing for how they will support the Moray Aerospace, Advanced Technology Innovation Centre (MAATIC) facility

Looking ahead to 2023, the pace of Moray Growth Deal activity is expected to increase significantly:

- Programme Benefits Realisation and Monitoring Plan due to be submitted to the MGD Board for approval Q4 22/23.
- Official opening of the Digital Health Demonstration and Simulation Environment Space late Q4 22/23 in the Alexander Graham Bell Building which is part of UHI-Moray.
- Bus Revolution scheduled to commence delivery in Q1 23/24 in the assumption Government clearance of the Full Business Case is received in Q4 22/23
- The remaining six projects are scheduled to submit their Full Business Cases to the MGD Board for approval by Q3 23/24. Anticipated that four will receive Government clearance and have entered delivery before December, meaning the Deal should finish the next reporting period with six of the eight projects in delivery.
- By the end of Q3 23/24, all of the Digital Health project's five living labs are expected to have completed their development stage, with two expected to reach the evaluation stage.

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A strong foundation has been created for the Growth Deal during 2022, which will be instrumental in increasing the pace of activity during 2023. There are several factors being managed that could impact delivery, including:

- Financial projections for project outline business cases were developed in 2021 and these set the funding envelope within which the Deal needs to operate. Subsequently, the inflationary rate means projects are returning higher costs as they develop their full business cases. With a fixed level of funding, during 2023 projects will need to consider efficiencies, review and reprioritise and / or seek additional sources of funding to move into delivery with a sustainable financial model.
- Three projects (MAATIC, MICM and BE Hub) are closely aligned in relation to the outcomes they are seeking to achieve. As their full business cases are developed in 2023, it is critical there is clarity on the work each will deliver around research, innovation and work with businesses, ensuring any links are appropriately managed.
- Significant engagement activity will be required across all projects involving a wide range of stakeholders. This work will need to be effectively co-ordinated to ensure that there is cross-project co-ordination for engagement that affects multiple streams of activity and on key stakeholders.

This report is an overview of the governance and audit framework in place to manage MGD activity. The Moray Growth Deal Programme Board meets monthly to scrutinise activity and involves representatives from a wide range of organisations including the Scottish and UK Governments. It is recognised that regular audit activity can provide constructive advice for how delivery should be progressed. During 2022 Moray Council undertook an Internal Audit, as detailed in this report, with more organisations expected to add Growth Deal activity to their audit plans as projects secure approval to enter delivery.

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2. Statement from Cllr Marc Macrae, Moray Council's Growth Deal Lead

Moray's £100m Growth Deal gives significant opportunities for Moray, allowing us to focus on delivering solutions to specific issues that affect local people and businesses. I want to pay tribute to the Council officers and many partners who worked hard to collaboratively reach this agreement at the end of 2021.

The Council is providing support relating to the current cost of living and energy crises we currently face and the Growth Deal builds on that work. In the medium to long term it will help provide solutions to some of the challenges we face, including:

- Expansion of Council operated bus services - helping reduce transport related barriers to accessing employment and education
- The construction of new, affordable net zero housing
- Innovation space and assistance that will enable businesses to start up and scale up, increasing jobs, the turnover of businesses and the economic productivity of Moray
- An expansion in skills through the promotion of Early Years STEM and the opening of a new Aerospace and Advanced Technology Innovation Campus

It is clear what a difference the Growth Deal can make and I am excited by the opportunity it presents.

During 2022 we've seen:

- Recruitment of the delivery teams for projects
- Approval of programme governance
- Progress with the Digital Health project that entered delivering during Q3 21/22
- All other projects working to move from their outline to full business cases.

Building on this foundation, all projects are scheduled to secure approval for their full business cases by early 2024. To achieve this, there will be a significant amount of engagement with a variety of audiences. It is important to flag that this is a key area of focus, as these relationships will be critical to maximise the positive impact generated as activity moves into delivery.

We are confident that this Deal can deliver strong social and economic improvements and we are on track to deliver these for Moray. While still at an early stage, by the time of the next annual report the growth deal will have come to life and the delivery teams will be able to report significant 'on the ground activity' that will be starting to make a real difference to Moray.

Cllr Marc Macrae

3.1 Programme overview

The Moray Growth Deal was signed on 20 December 2021 by Iain Stewart MP (UK Government), Cllr Graham Leadbitter (Moray Council) and Kate Forbes MSP (Scottish Government).

(Left to right: Iain Stewart MP, Cllr Graham Leadbitter, Kate Forbes MSP)

Workshops undertaken as the Deal was developed during 2021 indicated that activity should relate to four key pillars:

- Connections
- Business support, skills and employability
- Moray, the brand and place
- Moray's key business sectors

These pillars helped focus activity that saw the development of eight distinct but interconnected projects that tackle barriers to growth and capitalise on significant opportunities to create jobs and prosperity. Key impacts expected for the region include:

- Retaining and attracting young people / families (16-29 yrs) to live and work in the area
- Addressing occupational segregation and gender inequality in employment, including the significant gender pay gap and under-employment issues for women
- The creation of new high quality jobs in existing sectors and diversify the region's economy into new high value areas
- The creation of opportunities across Moray which help secure the future prosperity of its many communities

Specifically, the Deal will deliver the following outcomes for the region:

Direct and indirect creation of over 3,500 jobs	450 of the 3,500 jobs will result directly from Growth Deal projects	50,000 more tourists will be attracted to Moray
Over 300 new affordable homes will be constructed	450 businesses will be supported to scale, increasing Moray's economic productivity by £82m	Creation of new and improved educational, cultural and business innovation facilities

In accordance with the financial profile which spans 10 years, the projects are entering delivery in a phased approach up to early 2024.

High level phases of the lifecycle of projects:								
SOC		*OBC*		*FBC*		*Delivery*		*Closure*
Strategic outline case in development	→	Outline business case in development	→	Full business case in development	→	Project in delivery	→	Project complete and being closed

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Project	Lifecycle stage				
	SOC	**OBC**	**FBC**	**Delivery**	**Closure**
Bus Revolution	*Complete*	*Complete*	Expected imminently*		
Business Enterprise (BE) Hub	*Complete*	*Complete*	Expected Jun 23		
Cultural Quarter	*Complete*	*Complete*	Expected Nov 23		
Digital Health	*Complete*	*Complete*	*Complete*	In progress	
Early Years (EY) STEM	*Complete*	*Complete*	Expected Oct 23		
Housing Mix Delivery	*Complete*	*Complete*	Expected Jun 23		
MAATIC	*Complete*	*Complete*	Expected Feb 23		
MICM	*Complete*	*Complete*	Expected May 23		

* The project FBC has been approved by the MGD Board. This is now being reviewed by the Governments with a view to securing clearance to commence delivery. This is expected late Q4 22/23, with the project planning to enter delivery early Q1 23/24,

As further detail is provided on each of the Moray Growth Deal projects, it is important to highlight that success can only be achieved through collaboration across a number of different national, regional and local partners. The Moray Growth Deal Board brings together representatives from these organisations and works to ensure strategic and operational alignment.

Key partners involved in the delivery of the Moray Growth Deal programme and associated projects are:

- The Moray Council
- University of the Highlands and Islands
- Highlands and Islands Enterprise
- Rural Centre of Excellence for Digital Health and Care Innovation
- Scottish Government
- UK Government
- Developing the Young Workforce (DYW) Moray
- Representatives of Moray business and community groups

3.2 Project updates

3.2.1 Bus Revolution

Value	£4.3m
Lead Body	The Moray Council
Current status	Project Full Business Case has been approved by the MGD Board and is expected to be signed off by the Government during Q4 22/23, enabling the project to enter delivery in Q1 23/24.
Project vision	Increase the number of people using public transport to get to and from rural areas for work, education and leisure

Project summary
Bus Revolution is an innovative project that aims to increase the number of people using public transport to get to and from rural areas to places of work, education and leisure, providing a step change in availability of public transport right across rural Moray.

The project will provide a flexible demand responsive service, operating when and where needed in an easy to use way, utilising app based technology that will allow real time journey bookings 'uber' style.

Bus Revolution will receive £4.3m in funding. This will be used to cover the capital investment required to:

- Set-up operational systems
- Provide branding and marketing
- Purchase of electric vehicles
- Provision of associated charging infrastructure to deliver an efficient and robust transport network.

Headline achievements

The main focus of activity during 2022 has been the preparation of the project Full Business Case. This was completed and approved by the Moray Growth Deal programme board in May 2022. Subsequently, this document has been revised following feedback from several rounds of review by the Scottish and UK Governments including a number of workshops with Transport Scotland. The project is working with the Governments to complete work on the FBC during Q4 22/23, so that delivery can commence in Q1 23/24.

The project team have also been preparing for go live by progressing several key work streams:

- Procurement of six electric buses
- Procurement of charging infrastructure for electric buses
- Design of a new livery for vehicles that will be rolled out early 2023
- Development of an app that can support the 'Uber' style aspirations of the new service
- Procurement of a company to support marketing activities for rebranding the service and the expansion in the routes operated

Key milestones

Milestone	Due Date
Scottish and UK Governments to provide approval for the project FBC	Q4 22/23
Project to enter delivery, with on demand services to commence	Q1 23/24

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Risk	Effects	Mitigation
Risk: Expanded service does not generate demand as projected.	Lower demand will impact the financial model through reduced revenue income from fares.	- Regular analysis of user data - Mitigating actions to be taken if demand lower than expected (for example: route timings or areas covered could be adjusted, fare model could be reviewed, marketing could be more targeted).
Risk: Inability to raise private sector funding to support the financial model (e.g. Company purchased season tickets).	Revenue projections lower than projected.	- Continued discussions with service providers and large employers to secure not just income but an increase in passenger volumes.

Case study

Brand renovation and marketing:

The base service that this project builds on is well respected by existing customers, but has a dated identity and lacks understanding and familiarity amongst the wider community. Flourish marketing agency were appointed following competitive tender process to build on some previous work on a new brand identity. The existing brand is "Dial M" and as well as having an 'analogue' rather than 'digital' connotation that does not have cross-appeal to a wider audience, the brand has a dated image.

M-connect has been created to capture a more future-focussed brand identity, with a flexible visual identity that links well to the environment and heritage of Moray, whilst presenting a fresh and imaginative imagery to a wide audience. The brand name conveys the connectivity of bus travel, as well as social and economic connections, a strong link with the geography of Moray, and inferences towards digital society.

Full vehicle wraps for the new bus fleet, and partial wraps for the existing vehicles have been designed to best utilise the most visible product of the project – the buses themselves.

This brand will be at the core of carefully planned marketing activity, staged over the project life, with clear target audiences and measurable outcomes to ensure best return on investment.

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App technology

The project is working in partnership with HITRANS the Regional Transport Partnership to introduce app-based booking technology for demand responsive transport services. This partnership approach has enabled effective testing of MaaS project solutions and identification of both technical need and the most appropriate solutions. This has resulted in the Bus Revolution project both acting as trailblazer and beneficiary of emerging technology solutions for rural demand responsive transport in the Highlands & Islands, currently using the Liftango platform. Preparatory, testing and development work is underway prior to full launch in line with the formal project commencement.

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3.2.2 Business Enterprise Hub (BE Hub)

Value	£6.3m
Lead Body	University of Highlands and Islands, Moray College
Current status	Working to submit project Full Business Case to the MGD Board in June 2023 with a view to securing Government approval by September 2023.
Project vision	Provision of education, research and business support functions to support new business start-ups, whilst helping to upscale existing micro businesses.

Project summary

A key characteristic of Moray is that it has over 3,000 small and medium sized enterprises. This represents a considerable growth potential if these businesses can be equipped to scale-up. Supporting the upskilling and growth of these businesses, the Business Enterprise Hub (BE Hub) will be a flexible space for business innovation that is accessible to businesses and students alike, providing an inspirational environment that encourages entrepreneurial thinking.

It will be a learning environment where learning spaces and real work environments coincide, where flexibility of usage allows students, lecturers, researchers and practitioners to share the same space, and where business support functions can be located with teaching and research skills to develop and support Moray's future entrepreneurs and their workforce.

There are synergies between the BE Hub and other projects including Moray Aerospace, Advanced Technology and Innovation Campus (MAATIC) and the Manufacturing Innovation Centre for Moray (MICM) as the BE Hub supports the development and strengthening of Moray's business supply chain as well as the development of new products, prototypes and services through research and innovation, some of which may be appropriate for further development through the MICM Hub.

Headline achievements

- Outline Business Case (OBC) was agreed in 2021, followed by a full appraisal of potential sites in and around Elgin town centre. Discussions followed with Moray Council's Housing Mix Delivery project on the potential for a shared site (part of the site appraisal exercise) in the centre of Elgin, with the aim of supporting the regeneration of Elgin town centre. This was identified as the preferred site option.
- Memorandum of Understanding signed in November 2022 with Moray Council and Robertson Construction which enables RIBA design stages to be progressed, with stage 2 to be signed off in January 2023.

Key milestones

In order to progress the aims of the project, the following key milestones are identified for 2023 and into early 2024. These include milestones for the building construction as well as the function of the Hub.

Milestone	Due Date
RIBA Stage 2 (designs approved)	January 2023
Redeveloped short course programme	June 2023
Submission of FBC for MGD Board approval	June 2023
Projected date by when Government clearance of the FBC will be secured	September 2023
Planning submission	September 2023
Accredited course proposals/research and innovation programme further developed	September 2023
Planning approval	January 2024
Construction commences	April 2024

In the expectation that FBC and planning permission approval stages proceed as planned, construction will commence in April 2024 and last for approximately 20 months. That said, the Hub "working" model will be developed ahead of construction so that smooth integration will be possible upon building opening/launch.

A programme of accredited CPD and short courses to be developed over 2023 into early 2024 along with progression of research and innovation base. In the background regular project board and stakeholder meetings are ongoing to support the development of the Hub function.

Risks and issues that require management by the project team during 2023

Risk	Effects	Mitigation
Inflation results in increased materials costs	Project budget likely to increase, with a high likelihood this will be higher than funding available.	- Cost mitigation to be achieved through design specification and realisation of efficiencies due to co-location with a Housing Mix Delivery site - Exploration of alternative sources of funding to cover any potential overspend.
It takes longer than expected to secure planning consent.	If this occurred, it could delay construction activity.	- Process to be planned and initiated early.
Potential site issues e.g. ground works and protection / integration of existing heritage (as yet unknown)	Could result in delays to construction activity or the need to revise the vision for the site, both of which could affect time, quality and cost project parameters.	- Detailed site survey work to be progressed as soon as possible. - Contingency to be integrated into the budget to offset any potential issues identified.

Case study

The Business Enterprise Hub will support skills development to help businesses grow. With this in mind, in 2019, the University of the Highlands and Islands (UHI), approved its first fully accredited CPD course. Created as a flagship course for the Business Enterprise hub, it was designed to support upskilling of business leaders in responsible leadership and management practice. Since its creation it has supported 4 cohorts of business leaders in Moray, even through the COVID-19 pandemic. Complementing an established programme of short courses supporting business development, this course is the first of its kind offering valuable module accreditation in a CPD format. It is anticipated that it will offer a structure for similar courses to be developed that can be flexibly studied and joined together to form recognised qualifications.

As well as skills development, the Hub will support research and innovation to support business scale up and growth. In 2021 UHI Moray successfully achieved its first Knowledge Transfer Project (KTP) with Moray craft brewer, Windswept Brewing. This is a research and innovation project designed to support the innovative growth of this small but established business through sustainable energy development, responsible management practices and brand development. This is the first innovation project to be developed under the remit of the Business Enterprise Hub and is a collaboration between UHI Moray, the Environmental Research Institute and the Institute for Northern Studies. It paves the way for further KTP development in the Hub as the project progresses.

3.2.3 Cultural Quarter

Value	£31.6m	
Lead Body	The Moray Council	
Current status	Working to submit project Full Business Case to the MGD Board in November 2023 with a view to securing Government approval by February 2024.	
Project vision	Investment in key local assets, including the refurbishment of Grant Lodge, the Town Hall, and investment in the region's tourism infrastructure designed to leverage in private sector investment in a new hotel.	

Project summary
The Cultural Quarter Project underpins the overall Growth Deal Vision through the development of accessible, public facing community assets in the centre of Elgin. Significant investment from five partners (£12.7m The Scottish Government, £3.5m The UK Government, £3.9m The Moray Council and £2m Highlands and Islands Enterprise) will redevelop two important historic buildings to provide an enhanced cultural offering which supports increased City Centre activities day and night, and highlights the Region as an inspirational destination of choice. The project will also be working to leverage private sector investment to enhance facilities in Elgin further through the construction of a hotel. Each element will be linked together by improved public spaces and road traffic reconfiguration, ensuring easy and safe walking and cycling connections to the town centre and creating a vibrant space in the heart of Elgin that will support inclusive economic growth and cultural expansion within the city and wider region, helping to attract and retain talent whilst increasing tourism region wide. The project will work with key stakeholders throughout Moray to establish a vision for the Cultural Quarter which is more than the sum of its parts. As such, physical transformation in Elgin City Centre can underpin the ambitions of the Growth Deal whilst supporting the creative, heritage and tourism sectors in Moray to collaborate, thrive and grow. Work to encourage private sector investment in a new hotel at a complementary site, will help meet a longstanding requirement for additional, quality, hotel accommodation in Elgin.

Headline achievements
- Cultural Quarter Project Manager appointed August 2022 and Cultural Quarter Project Board reconvened with additional members (including Creative Scotland, Visit Scotland and Historic Environment Scotland) in October 2022.   - Discussions progressed with direct user groups for Elgin Town Hall and Grant Lodge to establish baseline requirements and key aspirations for the redevelopment projects.   - Stakeholder Map for the project widened to include all key local and regional creative, cultural, heritage, tourism and community organisations, including collaboration with other MGD projects.   - Individual meetings held with widened stakeholder groups, potential users and beneficiaries to progress the project vision in line with current needs and maximise this opportunity the Region.   - Procurement Strategy for capital projects reviewed with Moray Council Property Team and revised to dovetail Design Team Brief Development with Stakeholder engagement.   - Outline Engagement plan to Full Business Case completed.

Key milestones
The next stage of the project will require the following tasks and milestones to be completed to ensure we can achieve the overall project aims and deliver a robust Full Business Case:

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Milestone	Due Date
A series of targeted, themed, sectoral based workshops with key stakeholders working across Moray planned to consider the project vision and aims alongside practical requirements for new spaces and facilities, ensuring they complement existing and planned provision without displacement	Feb 2023
Appointment of early stage survey, design and planning work for capital projects and public spaces	March 2023
Appointment of specialist business case support for cultural venues	April 2023
Cultural Quarter operational plan revised options appraisal	June 2023
Elgin Town Hall Design Team and Cost Consultants appointed	June 2023
Draft Full Business Case submitted for approval by the Moray Growth Deal Programme Board	Nov 2023
Grant Lodge Design Team and Cost Consultants appointed	Dec 2023
Full Business Case approved	February 2024

Risks and issues that require management by the project team during 2023

Risk	Effects	Mitigation
Inflation in construction costs means overall project costs are greater than budget allocation	Impact on deliverability of the project which will in turn could affect outcomes and benefits.	- Careful planning to ensure designs deliver on objectives - Use internal support to develop project brief and reduce risk of abortive costs - Explore additional funding routes - Appoint cost consultants early - Engage with private sector and construction industry to stay abreast of challenges.
Continued pressure on construction industry leads to difficulties making appointments	Problems appointing suitable consultants leads to project delays and cost rises.	- Early and continual engagement with sector - Attractive and well developed project brief which highlights profile and benefits of the projects - Share info and learn from other MGD projects.
Preferred option for Grant Lodge does not comply with Deed of Gift or Common Land Use requirements.	Plans could not legally progress, or process to gain approval is lengthy and costly.	- Familiarise all partners with obligations at an early stage - Pursue options which are complementary to MGD aims and Deed - As vision and operational options are developed consider compliance - Community support for proposal and legal changes to the Trust as necessary.
Timescales and risk mean that construction costs for capital works cannot be market tested for FBC approval	Investment partners cannot approve FBC based on cost estimates	- Appoint cost consultants early - Estimates informed by up to date market information - Project vision is well defined and correlates with proposed use - Users' needs and proposed designs to give comfort no major design changes will be required

Case study

To update our vision for the Cultural Quarter in the context of significant world events since the deal was signed, during 2022-23 the team has embarked on a series of workshops and collaboration with local stakeholders in the creative, heritage, tourism and community sectors. Enabling us to build on the wealth of knowledge and activity already taking place in the region, these consultation events will ensure we can

provide inspiring facilities which create new and enhanced cultural opportunities, recognising current challenges and working together to maximise the opportunity the growth deal investment presents.

Since 2018 the Charity Elgin Town Hall for the Community has been operating Elgin Town Hall as a vibrant events and performance venue, the largest performance space in Moray. Despite the team regularly hosting sold out events, limitations to the layout of the B-listed building impede growth, and make the venue unsuitable for some touring companies which you'd expect to see in a building of its significance. Cultural Quarter Development Workshops kicked off with internal and customer workshops at Elgin Town Hall, establishing what improvement must be made to support an expanded programme, growing audiences, and critically, new job opportunities.

After these sessions, we opened out the discussions and held targeted workshops with representatives from the creative industries, performing arts, heritage and local tourism across the region, plus Moray's iconic industries and brands. Participants discussed how capital works at Elgin Town Hall and Grant Lodge could support their existing operations in Moray and nationally/internationally, address gaps in provision and boost the attractiveness of the region as a place to visit, work and live for the benefit of the sector, the economy and the public. Over 100 individuals and organisations working across these sectors in Moray were invited to take part. In 2023-24 the outcomes from these critical discussions will inform the architectural brief for each project, enabling us to appoint experienced design teams to develop the building plans during the coming financial year.

We'll use these emerging partnerships to support opportunity throughout the development of the Cultural Quarter as well as on completion. For example, building on what we've learnt so far and to understand the full extent of the cultural workforce, we plan to collaborate with a Moray based arts development agency and a moray based heritage consultancy to carry out an up to date mapping of the sector in Moray. We're also hoping to collaborate with the region's whisky festival and trial ideas to improve festival goers' visitor experience which could be further developed and supported by the refurbishment of Grant Lodge.

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3.2.4 Digital Health

Value	£5m
Lead Body	Rural Centre of Excellence (RCE) for Digital Health and Care Innovation
Current status	Achieved approval for the project Full Business Case in Q3 21/22 and is now in delivery
Project vision	Creation of an anchored demonstration and simulation environment (DSE) and Living Lab testbeds for the Moray region.

Project summary
The Rural Centre of Excellence (RCE) for Digital Health and Care Innovation is led by Scotland's National Digital Health & Care Innovation Centre (DHI) and while the centre is focussed on the Moray local authority area, the initiative plans on becoming a key driver of the country-wide Health for Wealth agenda being promoted in Scotland as a critical component of the remobilisation and economic recovery strategy.

The RCE will develop and host a state-of-the-art Demonstration Simulation Environment (DSE) - a physical immersive facility anchored in the Alexander Graham Bell building in Elgin along with technical assets with which simulations can be developed at pace, leading to a range of demand-led 'Living Labs' with participation from the Moray community across the region. The Living Lab concept puts users at the heart and drives co-design and co-production methodologies to be accelerated in the innovation process, in order to develop innovative digital solutions at pace to enhance health, care, and wellbeing and attract economic development to the region. The cutting-edge participatory techniques used by DHI to drive innovation ensure that citizen needs are considered within the innovation development process and, importantly, lead to co-designed solutions that meet the needs of the main stakeholders.

The following five Living Lab themes have been progressed (at different rates over the last 12-18 months) after consultation and engagement with key practitioners and local residents:

- Healthy living and weight management
- Care planning and Care in Place
- Smart housing and smart communities
- Co-managing longer term conditions
- Mental wellbeing

The RCE enables partners to co-create, test and commercialise digital health and care innovations within Moray. As a launch pad for scale, the innovations will address both local and global challenges and will be developed to allow for rapid transferability to other regions across the UK. In addition, a workforce development, future skills and research support programme has been progressed to build capacity and capability to continue to develop, implement and scale up digital innovations that can be transferred across Scotland and the rest of the UK. As the digital transformation of the economy continues, the centre's long-term vision includes developing commercial opportunities, by building a thriving local digital health cluster.

As a region with huge potential, the RCE hopes to attract further private-sector investment, new jobs to the area, and development of new digital care opportunities enabled by the adoption of successful pilot-tests within the Living Labs. One of the key objectives of the centre is to create a dynamic and creative digital health and care cluster in Moray, while building on a wider ecosystem of digital, health, rural, and care networks across Scotland. As a region with a wealth of resources, relevant complementary initiatives and local partners committed to addressing significant health and care delivery challenges, Moray is an ideal location for the centre.

In summary, the centre aims to:

- Provide a unique rural environment to co-design digital health solutions through simulations and Living Labs (test bed)

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- Attract commercial interest in digital health to the Moray area and improve economic development as a result
- Create additional education opportunities to support the primary objective through development and provision of courses and skills to support Living Lab methodology and technical testing

The RCE DHI will be operating at the interface of different domains: health, social care, industry, academia, third sector and other public sector organisations always with a citizen-focussed operating model.

The first year of the project was an initiation phase for a complex project relating to advancing innovation in the region, along with research and development (R&D). As a result, the achievements can be described as mostly putting in place the digital enabling infrastructure that allows simulation for all living labs to commence.

To celebrate the project entering delivery and completion of the first project work package relating to key mobilisation activities, a Ministerial launch took place on 10th June 2022 involving Iain Stewart MP, Parliamentary Under Secretary of State for Scotland and Richard Lochhead MSP.

(Left to right: Irema McAra-McWilliam, Richard Lockhead MSP, Chaloner Chute, Reece Moyes, Iain Stewart MP, Janette Hughes and George Crooks)

The main achievements are:

- Securing a physical location for the Demonstration and Simulation Environment (DSE), Alexander Graham Bell Building in UHI-Moray.
- Recruiting a complement of Specialist Innovation Staff to enable the specific work activities to progress
- Procurement activities including:
    o Putting in place technical enabling infrastructure to support all the Living Labs R&D simulations and adoption of integrated digital tools and scale (e.g. personal data store)
    o Commissioning specialist services including:
        ▪ DHI applications accreditation from Organisation for the Review of Health Care Apps (ORCHA)
        ▪ Contribution Analysis activities including a framework for evaluation from Matter of Focus

- Set up of key management systems and processes
    o Benefits realisation mapping/planning activity
    o Governance structures for the Living Labs, procurement, and other R&D aspects, including drafting Terms of Reference for all groups
- Initiation of Living Lab workstreams focused on 'Weight management' and 'Care in Place' with a range of co-design workshops, 1-on-1 interviews, meetings and engagements to scope further this Living Lab requirements and needs.

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Key milestones

Milestone	Due Date
Phase 1 of developing the Demonstration and Simulation Environment (DSE) to be completed	February 2023
Official opening of the DSE space	Late Q4 22/23
Living Labs 1 and 3 to reach evaluation stages	Q3 23/24
All remaining living labs to have completed their development stage (simulations and real world evidence)	Q3 23/24

Risks and issues that require management by the project team during 2023

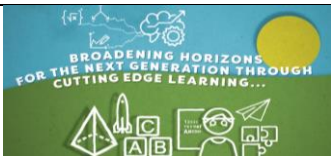| Risk / issue	Effects	Mitigation
Risk: Delay to delivery due to slower than expected engagement of Health and Social Care Sector	Limited capacity within the pressurised H&C sector to attend project steering and co-design activities has contributed to delays in reaching projected milestones and delayed R&D procurement/spend in year two.	- Living Lab activity to be run in parallel instead of parallel in an effort to identify early if a stream is going to be subject to delay, but to have a sufficient pipeline of work in progress that means the overall pace of the project can be progressed. - Early and ongoing engagement with key stakeholders to forecast engagement requirements associated with DHI, with a view to securing timely support for work.

Case studies

Supported self-management living lab

Over the first year, Living Lab 1 (Supported Self-Management) has completed design and simulation stages.

This has included extensive clinical engagement, design of future state service delivery models and then prototype development for the required technologies. The specification for this informed the procurement of the Personal Health & Care Record application from Sitekit. The team has secured permission to host this software in NHS Grampian's cloud hosting environment.

Now the focus is on developing the initial prototypes into full products ready for governance, live use and evaluation during the summer of 2023. The first focus within this Living Lab theme is lifestyle and weight management. Engagement work is underway to confirm several different pathways of services that can adapt the common set of digital tools for their purposes, deploy and evaluate as per the Living Lab model.

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3.2.5 Early Years Science, Technology, Engineering and Mathematics (STEM)

Value	£4.8m
Lead Body	The Moray Council
Current status	Working to submit project Full Business Case to the MGD Board in October 2023 with a view to securing Government approval by January 2024.
Project vision	To grow interest in science amongst children aged 3-8

Project summary
The Early Years STEM project will see investment of £4.8 million of capital funding from both the Scottish Government and the Moray Council. The Scottish Government will commit up to £3.5m and the Moray Council £1.3m. The Moray Council will meet revenue requirements which includes a dedicated STEM Officer post for the duration of the project. The nature of work is changing, and where Moray has historically relied upon traditional manufacturing and retail business, in the future there will be more high level, technology based occupations. Creating more appeal for STEM related jobs is important to facilitate the evolution of skills required by the future jobs market, and to ensure Moray is resilient in the future. The Early Years STEM project aims to raise the STEM aspirations of children beginning with those in their early stages of learning, and seeks to continue this engagement through primary and secondary levels. The focus on early year's intervention is a unique feature of this STEM initiative. The project will see investment in STEM training and resources, as well as the development of specialist facilities and learning environments across Moray. These Hubs will aim to inspire and enhance the STEM learning experience of children and staff through age appropriate leading edge, industry related STEM experiences. It is also important that these hubs are accessible to the wider community, thereby allowing inter-generational learning to take place. The aspiration of this strategy is to close the equity gaps in participation and attainment in STEM, and ultimately lead to more young people choosing STEM occupations at a later stage in their lives.

Headline achievements
Since receiving outline business case approval in December 2021, there has been significant progress in refining the overall vision for the project. The Project Manager, recruited in June 2022, has implemented an extensive stakeholder engagement campaign to develop an evidence base to support the overall strategy. 2022 has also seen significant progress in developing a delivery model for this initiative, with particular focus on inter-disciplinary working between practitioners and partner organisations. Site identification will continue into 2023 with a number of suitable options available for appraisal.

Key milestones
As we head towards completion of the Full Business Case, 2023 will see significant progress on a number of elements:

Milestone	Due Date
Site identification and selection	February 2023
Appoint design team and implement stakeholder co-design workshops	April 2023
Full Business Case submitted to Moray Growth Deal Programme Board	October 2023
Anticipated Full Business Case Approval from Scottish Government	Dec 2023

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Risks and issues that require management by the project team during 2023		
Risk	**Effects**	**Mitigation**
Rising construction costs	Impact on deliverability of the project which will in turn could affect outcomes and benefits.	- Re-develop existing space where possible to reduce costs. - Where construction is required, an experienced quantity surveyor will prepare the provisional budget with optimism bias and contingencies put in place. - A phased approach to implementation of facilities that will identify rising costs, capture lessons learned and make early interventions
Availability of suitable host locations	Lack of coverage in each Associated School Group (ASG)	- Early engagement with stakeholders to identify opportunities and spaces for development. - Where existing space is not available, new build facilities will be explored.
Limited revenue funding	Preferred approach will need to be success with limited dedicated staffing provision	- The Moray Council has committed revenue funding for a dedicated STEM Officer post for the duration of the project, responsible for curriculum and workforce development. - The project team will explore additional funding opportunities to enhance the staffing provision. - Strategic partnerships formed with local employers, STEM providers, community ambassadors and UHI's STEM outreach programme (recently expanded for a further three years thanks to funding from offshore wind project developers). - A partnership approach to STEM delivery and a network of upskilled practitioners and industry ambassadors will ensure sustainability past the life of the project.
Project facilities are not utilised as planned	Improvements in STEM attainment levels not realised	- An extensive community engagement campaign undertaken to ensure the project satisfies a need within the user groups. Consultations with education staff and young people throughout the design process. - Engagement with partner STEM providers, utilising expertise and ensuring experiences are inspiring and age appropriate. - The project will seek to remove barriers to participation where possible. Where transportation is a barrier, the project will seek funding opportunities and provide outreach.

Case study

The Early Years STEM project will see the development of inspirational learning environments across Moray, increasing STEM opportunities for young people and families across the region, and delivering quality learning experiences to serve as a catalyst for STEM learning at home or in their school or ELC setting. The past year has seen significant engagement with schools, pupils and stakeholder groups, as we refine our vision for how these spaces will be delivered, and how they can be supported by outreach activities.

The preferred option focuses on STEM learning centres across the region including fixed sites, a mobile solution and an outreach model. Outreach will include a centrally managed lending resource with STEM

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activities linked to the Curriculum for Excellence. The Early Years STEM Project Manager is in communication with UHI about expanding their Lend a Lab initiative into Moray, with two schools scheduled to pilot the offer in early 2023.

Sustainability is fundamental to the project and co-locating within an established organisation is a priority for site selection. The EY STEM project is pleased to collaborate with the libraries service to host a STEM centre in one of their locations. This will be a flexible learning space with core learning equipment accessible to an inclusive group of learners. Embedding STEM learning within the library service ensures sustainability of the project, utilising the expertise of the learning centre staff, and enhancing the offer currently offered by the service.

As site identification continues, the project will prioritise sustainability through collaboration and will seek to reduce the carbon footprint through the re-development of existing space where possible.

3.2.6 Housing Mix Delivery

Value	£7.5m
Lead Body	The Moray Council
Current status	Working to submit project Full Business Case to the MGD Board in June 2023 with a view to securing Government approval by September 2023.
Project vision	Stimulating housing development in town centres, unlock constrained sites and promote the integration of pilot exemplar sustainable design and construction techniques**.**

Project summary
The Scottish Government has committed £5m and Moray Council £2.5m towards the Housing Mix Delivery project. The project aims to support and accelerate the delivery of 360 affordable houses and plots and to stimulate the private housebuilding sector to deliver a further 500 market houses, supporting town centre regeneration of brownfield sites and provision of housing in rural towns and villages. The project has the principles of innovative and sustainable design and construction, digital health and care, health and well-being, carbon neutral, simplified consenting processes and quality place making firmly embedded within its investment objectives, with each development site being carefully planned to deliver these objectives. The project links closely with the Digital Health and Business Enterprise Hub projects in the Moray Growth Deal.

Headline achievements

- Dallas Dhu project out to tender for design works December 2022. Working closely with Digital Health project team.
- South Street, Elgin regeneration project- design work reaching RIBA stage 2, working closely with UHI Moray Business Enterprise Hub project team to deliver a comprehensive town centre redevelopment project.
- Discussions with landowners in Speyside and other sites progressed.
- Long list of sites updated and re-evaluated.
- Pilot work on heat network and establishing a Moray Growth Deal "carbon" standard progressing.

Key milestones

The project is working to deliver the following milestones:

Dallas Dhu award design tender	February 2023
Submission of the FBC for MGD approval	June 2023
South Street legal agreements between partners to be concluded	June 2023
Submission of planning consent for South Street	July 2023

Risks and issues that require management by the project team during 2023

Risk	Effects	Mitigation
Inflation and construction costs continue to rise and material shortages	Reduced impact of project. Impacts upon objectives and outputs.	Review objectives and outcomes to reflect costs. Cost consultants involved in key projects to inform decisions.
Lack of knowledge and understanding of carbon targets to be achieved	Inconsistent approach to carbon calculations throughout projects and in particular the housing	"Moray" standards and process being developed by Strategic Planning and Development section in Moray Council,

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| | proposals do not achieve level of innovation aspired to. | procedure, minimum requirements and principles to be adhered to. |
| South Street, Elgin-funding gap not met through Levelling Up Fund application | Insufficient funding to achieve the comprehensive redevelopment proposed. | Re-scope project and remove elements, seek other external funding sources or increase contribution from the Housing Mix Delivery project. |

Case study

Dallas Dhu, Forres

This site is located to the south of Forres and is identified for residential development in the Moray Local Development Plan 2020. The Council is working in partnership with Altyre Estate and a Registered Social Landlord to deliver a high quality, innovative housing development.

An open tender process is underway to appoint a design team in early 2023 to design the first phase of affordable homes and an innovative housing development which acts as an exemplar for net zero, provides a living lab for the Digital Health project and for health and well-being. The project will open up the rest of the site for further affordable homes and private sector development.

3.2.7 Moray Aerospace, Advanced Technology and Innovation Campus (MAATIC)

Value	£24m
Lead Body	University of Highlands and Islands, Moray College
Current status	Working to submit project Full Business Case to the MGD Board in February 2023 with a view to securing Government approval by May 2023.
Project vision	Establishment of a cutting edge commercial and academically supported training and research centre for excellence that will provide advanced skills for the region's industries.

Project summary

This project will use the once-in-a-generation combination of the Moray Growth Deal, strategic aerospace developments and a partnership with Boeing to provide a genuinely transformational opportunity for the region and its people.

Moray is a region of underemployment, demographic challenge, and gender opportunity gaps with traditional industries facing an uncertain economic future. The Moray Aerospace, Advanced Technology, and Innovation Campus (MAATIC) will harness the opportunities presented by emerging technologies in aerospace, advanced manufacturing, and decarbonisation to tackle the issues outlined above. MAATIC will be Moray's contribution and gateway to the national network of centres of excellence and knowledge exchange making a future which is environmentally, socially, and economically sustainable.

Specifically, with UHI reaching agreement with Boeing in late 2022 regarding how they will support the MAATIC facility, the project team is working to develop a Full Business Case that focuses on 5 streams of activity:

1) Boeing /Civil Aviation Authority(CAA) / Air Services Training (AST - Existing skills and training vehicle of UHI Perth) condensed part 66 and type approved training (aerospace and aviation)
2) Immersive training centre for safety critical systems (immersive technologies and synthetic training)
3) Delivery of a suite of integrated programmes of education covering aerospace, aviation, immersive technologies, advanced manufacturing and innovation
4) Centre for research in aerospace and sustainable fuels (aviation, aerospace and innovation)
5) Innovation and development space

The MAATIC building itself will house commercial and academic leading-edge research on these emerging technologies, will be a training facility to support the skills required to underpin and deliver these technologies, and will have a communal space for the promotion of STEM developments and opportunities to the community and to the next generation of technologists. Given synergies between the projects, there is the potential that the MAATIC facility will also host the Manufacturing Innovation Centre for Moray (MICM) facility run by the Highlands and Islands Enterprise (HIE).

Headline achievements

Since the MAATIC Outline Business Case was developed, there have been several significant changes in the aerospace and aviation sectors, most notably changes in the aircraft market due to the periods when aircraft were grounded/in less use due to the pandemic meant provision of a surplus 737 was no longer economically viable for Boeing and also precipitated a desire to move training from physical to more virtual environments. This has in turn reopened the issue of the ideal site for MAATIC and a number of options are under consideration

In light of this, MAATIC secured approval from the MGD Board in June 2022 for a change request that delayed the FBC submission date to February 2023, allowing the project team to review the vision to be realised and secure a more future proofed offering from Boeing. As this work has progressed, the following achievements have been made:

- Significant engagement between UHI and Boeing that resulted in a revised offering being received from Boeing in November 2022 that was subsequently approved in principle by the MGD Board.
- Workshop held with both the Scottish and UK Governments regarding the revised offer and the emerging project vision.
- In late 2022 a consultant was appointed to develop the project FBC for February 2023.

Key milestones

Milestone	Due Date
Project presentation to UHI Chair of Court	February 2023
Submission of draft FBC to MAATIC Project Board	February 2023
FBC to be submitted by MGD Board	February 2023
FBC to undergo Government review	Q1 23/24
MAATIC project to enter delivery	Q2 23/24

Risks and issues that require management by the project team during 2023

Risk	Effects	Mitigation
Disparity between actual v projected targets around student numbers, research and innovation	Potential to undermine the project delivery model and long term sustainability of the project	Robust planning during the implementation phase and regular reviews of data so the project and Business As Usual teams can take action as needed to realise targets set.
Loss of a key project partner	Inability to realise some or all of the project objectives.	Regular and ongoing engagement with project partners to ensure an FBC is developed that can achieve common goals for everyone involved.

Case study

Consistent with UHI's modular ethos on further and higher education, MAATIC will ultimately teach and train almost 700 students per year across four key curriculum streams offering about 40 programmes ranging from foundation apprenticeships to Research Degrees and MBAs.

The four key curriculum streams are:

1. Aerospace Engineering
2. Sustainability Engineering
3. Immersive Technologies
4. Design and Innovation

Students will be attracted to MAATIC by:

1. The potential Boeing collaboration
2. The curriculum
3. The credibility and authority of leading academics
4. Moray's cultural, socio-economic and well-being offering as destination of choice

Consistent with UHI's student journey experience, a school-leaver with minimal academic credits could begin studying at MAATIC and progress from highers and or apprenticeship to PhD.

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3.2.8 Manufacturing and Innovation Centre for Moray (MICM)

Value	£5m
Lead Body	Highlands and Islands Enterprise
Current status	Working to submit project Full Business Case to the MGD Board in March 2023 with a view to securing Government approval by June 2023.
Project vision	A focal point for businesses to learn best practice and collaborate, stimulating the creation of new and growth of existing micro businesses throughout Moray.

Project summary
The key driver for this project is to achieve a grass roots cultural shift in how Moray businesses gain insight into the latest process and production efficiencies that are available, and how they can use them to undertake product and process innovation.

The Manufacturing Innovation Centre for Moray (MICM) will act as a local focal point for business to access best practice and, crucially, identify how they can collaborate with universities and other research institutes, and be quickly supported to access the relevant support from organisations such as Highlands and Islands Enterprise (HIE), National Manufacturing Institute Scotland (NMIS), Scottish Manufacturing Advisory Service (SMAS), Interface (the knowledge connection for business), Business Gateway and other service providers to meet their needs.

It is important to emphasise that while MICM will seek to provide services that are customised to the needs of rural manufacturing business, it will also act as a vital access point for local businesses to engage with the National Manufacturing Institute for Scotland.

Much has changed since the OBC was agreed with increased pressures due to global economic conditions, a tightened labour market and working practices altered forever by the pandemic but the core need to support a vital sector to improve and innovate has not and MICM's mission is more relevant than it was in 2019.

Headline achievements

The focus for the MICM team during 2022 has been to revise the OBC and prepare for the development of the FBC in early 2023. This has resulted in the project providing further detail on and securing approval for a number of changes to the original project vision, namely:

- Change in location from RAF Lossiemouth to Forres Enterprise Park
- Revised construction plan
- Adoption of phased approach to establishment of MICM to mitigate against the construction delays and allow the service element to be provided at the earliest practical date.

The proposed phases were:

- Phase 1 – Service development within a temporary facility including development and approval of a Full Business Case, staff recruitment and development and launch of the initial MICM service offering. This offering will be located in Building 10 at the Enterprise Park at Forres.

- Phase 2 – build of incubator units: Completion of the initial 4 incubator units on Site 3a at Forres Enterprise Park

- Phase 3 – build of MICM within MAATIC: Construction of joint MICM and MAATIC facility at Site 3b or other at FEP. Final formats are to be determined and will be dependent on the rescoping of the MAATIC project including its siting.

The Board agreed in October 2022 to unconditionally approve phase 1 and to conditionally approve phases 2 and 3, subject to a MAATIC change request being submitted and approved regarding the location of their facility.

Key milestones

Due to significant dependencies between the MICM and MAATIC projects (the current intention is that they co-locate when the MAATIC facility is constructed),

Milestone	Due Date
Work on the FBC to be procured	January 2023
Project board reconstituted	February 2023
FBC to be completed	May 2023
HIE Board approval	June 2023

Risks and issues that require management by the project team during 2023

MICM Is currently managing the following major risks:

Risk	Effects	Mitigation
MAATIC rescoping activity	Could impact the viability of MICM	Monitor. Ensure HIE are kept informed and that MAATIC team are updated in MICM
Cost inflation	Compromises what MICM can deliver	Monitor. Include contingency. Propose cost savings. Explore additional funding
Lack of engagement from NMIS, SMAS, Interface, Business Gateway and others	Vision for MICM diverges from what key stakeholders would like to see	Initial consultation work directly through MICM business planning or through UHI's development of the MAATIC proposal to ensure they are sighted on, and supportive of the proposals being made
Lack of co-ordination on design for facility for MAATIC and MICM	The facility does not meet the needs of one or both projects	Close co-ordination between HIE and UHI on the design and procurement process for MAATIC featuring MICM
Lack of productive engagement with the business community	Vision for MICM diverges from what the business community would like to see	Consultation events with the Moray Growth Deal, Business Assembly and Chamber of Commerce, as well as a broader business survey. Ensure involvement with Project Board
Competing demands for resources across Growth Deal projects, particularly the three complementary projects of MAATIC, MICM and BE Hub	FBC development and subsequent transition into delivery is curtailed.	Good co-ordination between the projects in order to ensure no duplication and maximise synergies

Case study

The ambition for MICM is to create a grass roots cultural shift in efficiency and innovation for Moray's manufacturing businesses. HIE work with manufacturing businesses across our region to support their development and we see a clear and growing need for local support to access the best practice required to make the leap to the next level.

Some recent examples include:

- A manufacturer developing lighter components using composites is looking for support in development of validation and testing of components from NMIS and the national Lightweight Manufacturing Centre. This will require at least two week's travel to the central belt for key personnel who are currently in the middle of a demanding scale-up project. The company is currently weighing the benefits of continuing with the project. With MICM in place they could access a local venue for both equipment and project support reducing costs and disruption and bringing the test equipment closer to their processes.
- A Caithness based engineering company has been affected by a shortage of skilled labour. Having analysed their manufacturing processes, they believe that automation of their production line might help. With support from HIE, the company attended a demonstration event held in Thurso by the North Lanarkshire SmartHub to explore the use of cobots (collaborative robots) to improve their welding processes. During the event the company met with an equipment vendor and have gone on to develop a project to install and evaluate a small cobot at their Caithness site. The potential prize for the company is an expansion of working hours, reduced order fulfilment times and securing further orders. This is a great example of the type of project that we want MICM to work for Moray businesses - providing the links and opportunities for SMEs to access best practice in manufacturing and supporting them to evaluate how it could benefit their business.

Cobot demonstration at SmartHub

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4.1 Projects set to enter delivery during 2023

When the Moray Growth Deal was signed in December 2021, the Digital Health project had secured approval for its Full Business Case and entered delivery. This was followed by Bus Revolution who had their Full Business Case approved by the MGD Board in May 2022, with Government clearance to enter delivery expected early 2023.

Significant progress is expected during 2023 with the remaining six projects - all are expected to seek MGD Board approval for their Full Business Cases and it is hoped that at least four of these will receive Government approval and have entered delivery.

The review process undertaken by the Scottish and UK Governments involves consultation with a large number of different departments. Whilst each project has set aside a three month window for this, there is a risk of it going beyond this timeframe. The PMO will work collaboratively with the Governments to manage this, including running sessions throughout 2023 for different Government departments so they are familiar with the content of project FBCs before they are formally submitted.

▓	FBC submitted to MGD Board for approval
░	Window allocated for SG and UKG review

Project	J	F	M	A	M	J	J	A	S	O	N	D
MAATIC		▓	░	░	░							
MICM					▓	░	░	░				
BE Hub						▓	░	░	░			
Housing Mix Delivery						▓	░	░	░			
EY STEM*										▓	░	░
Cultural Quarter*											▓	░

* Government review process likely to extend into 2024, with window for EY STEM extending to January and Cultural Quarter February.

4.2 Milestones to be achieved

During the course of 2023, the Moray Growth Deal PMO is working to achieve the following milestones:

Milestones	Target date
Approval of a first iteration of the MGD Benefits Realisation and Monitoring Plan	Q4 22/23
2023/24 grant offer letter to be agreed with the Scottish Government	Q1 23/24
Final version of the annual report to be completed following the Deal's annual conversation with the Scottish and UK Governments	Q1 23/24
Bus Revolution project to start delivery	Q1 23/24
All of the remaining 6 projects to have submitted their Full Business Cases to the MGD Board for approval	Q3 23/24

4.3 Future delivery impacts

At both a programme and project level there are a number of risks and issues being managed that could affect the ability for the Growth Deal to successfully delivery its objectives. Looking into 2023, it is expected that the following will need to be closely controlled by the Programme Management Office (PMO) and Project Managers.

- As FBCs are developed during 2023, there is a need to ensure MAATIC, MICM and BE Hub complement each other and do not cross over on areas of activity relating to innovation, work with businesses and research.
- All project FBCs being developed will need to ensure they remain compliant with subsidy control regulations.
- The sustainability and viability of project deliverables is paramount and FBCs will need to demonstrate how ongoing activity can be funded within the revenue budgets available.
- Inflationary pressures are increasing costs so this needs to be mitigated, either by driving efficiencies during procurement, reviewing and reprioritising the deliverables required and / or securing additional streams of funding.
- Recruitment to programme and project roles during 2022 provided a step change in capacity, but retention and continuity will be key going forward to ensure delivery can continue to progress as planned.
- Effective and aligned engagement activity throughout all Growth Deal activity is needed to ensure that key stakeholders are consulted and informed as FBCs are finalised and as an increasing amount of activity moves into delivery.

4.4 Benefits realisation and monitoring plan

Regional partners, along with the Scottish and UK Governments, are providing Growth Deal funding on the basis that the programme and projects make positive improvements to social and economic challenges being faced in Moray. A key condition of funding is that the PMO quantifies, monitors and, where appropriate, takes action to provide confidence that the defined improvements and targets are on track to be achieved.

During 2022 work started to develop a first iteration of the MGD Benefits Realisation and Monitoring plan. This will be presented to the MGD Board in February for approval, with the plan setting out how it will evolve during 2023 and into 2024 as projects secure approval for their FBCs.

With only one project in delivery during 2022, the remaining seven projects have been working to generate detail around the exact targets and timescales associated with benefits to be realised. This makes it difficult at this stage to definitively confirm the total impact the Growth Deal will make and whether projections set out in the full deal documents remain valid.

As a result, the following tables set out the current status of benefits information and how this will be strengthened during 2023 into early 2024:

This initial version of the MGD Benefits Realisation Plan seeks to:
- Define the approach to be taken to manage benefits and the associated governance arrangements.   - Map how projects will contribute to each Inclusive Growth Indicator and realise a specific programme level benefit.   - Introduce a template for the Monitoring Plan, populated by SMART targets for the first project to enter delivery (Digital Health).

Expectations for how this plan will be revised during 2023:
- With more projects due to submit their FBCs during 2023, further work will be undertaken to expand the monitoring plan, ensuring SMART targets are applied to all project level benefits.   - Project level benefit targets will be aggregated to create programme level targets.   - Analysis of the projected programme level targets will to take place to determine if they align with the original aspiration of the MGD (if not, work will then be initiated to mitigate any shortfall).   - Generate clarity on the mechanism that will be used by Project Managers to provide benefits updates (for example by using a cloud based portal or by using traditional spreadsheets).

The Benefits Realisation and Monitoring Plan will pull together activity, moving away from individual project reporting to activity being monitored against six indicators.

Productivity	Keeping businesses competitive and delivering economic growth that is resilient and sustainable.
Population	Ensure Scotland has a sustainable working age population.
Participation	Reducing inequality of opportunity to access to work and ensuring jobs are fulfilling, secure and well-paid.
People	Help keep Scotland's population healthy and skilled, spreading economic benefits more widely with lower levels of inequality.
Place	Improve resiliency of Scottish communities by ensuring they have the natural and physical resources to ensure they are strong and sustainable.
Fairer Scotland duty	Reducing inequality caused by socio-economic disadvantage.

Looking ahead into 2023 and 2024, the following milestones have been identified relating to Benefits realisation work:

February 2023	Submission of a first draft of the MGD Benefits Realisation and Monitoring Plan to the MGD Board for approval.
Throughout 2023	Monitoring plan to be updated with SMART information associated with project benefit targets as approval of the individual FBCs is secured.
Early 2024	Second iteration of the Benefits Realisation and Monitoring Plan to be submitted to the MGD Board once all projects have secured approval for their FBCs. This will be accompanied with analysis as to whether the confirmed project benefits are sufficient to achieve programme outcomes defined when the deal was signed or if mitigating action is required (project benefit targets to be enhanced or programme aspirations revised).

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5.1 Project funding

When the Moray Growth Deal was signed in December 2021, the following financial commitments for projects were made. Organisations contributing under 'Local partner investment' includes Moray Council, University of Highlands and Islands, Highlands and Islands Enterprise and the private sector.

Project	Scottish Government investment (£'000)	UK Government investment (£'000)	Local partner investment (£'000)	Total investment (£'000)
Capital				
Bus Revolution	4,000	-	300	4,300
Business Enterprise Hub (BE Hub)	3,300	-	1,000	4,300
Cultural Quarter	12,700	3,500	15,400	31,600
Digital Health	-	5,000	-	5,000
Early Years STEM	3,500	-	1,300	4,800
Housing Mix Delivery	5,000	-	2,500	7,500
MAATIC*	-	21,000	3,390	24,390
MICM	750	3,000	3,140	6,890
TOTAL	29,250	32,500	27,030	88,780
Revenue				
Bus Revolution	-	-	63	63
Business Enterprise Hub (BE Hub)	2,000	-	2,000	4,000
Cultural Quarter			700	
Early Years STEM	-	-	1,575	1,575
MAATIC*	-	-	-	-
MICM	1,250	-	110	1,360
TOTAL	3,250	-	3,748	6,998

* Total level of funding expected to be higher due to private sector benefit in kind contribution and revenue support from HIE

5.2 Funding drawn down from the Scottish and UK Governments Q3 21/22 to Q3 22/23

In December 2021 when the Full Deal was signed, both the Scottish and UK Governments made a commitment to provide the above funding. The trigger for the projects to be able to draw this down is approval of their Full Business Case. In Q3 21/22 the Digital Health Full Business Case was approved and this is the sole project in delivery during the term covered by this annual report.

Focusing on the Digital Health project, the following Government funding has been drawn down:

Project	Government investment (£'000)	Funding drawn down Q3 21/22 to Q3 22/23
Digital Health	5,000	558

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6.1 Structure of Moray Growth Deal activity and officers involved

By the summer of 2022 recruitment to the majority of MGD programme and project level positions had been completed. At the time of writing this report (January 2023) there are currently two vacancies: Bus Revolution and MAATIC PM posts (the latter is being filled on an interim basis by UHI Executive Office's Business Transformation Team).

Covering Moray Council and key project delivery partners, the following structure and resources are in place:

Executive oversight of the Moray Growth Deal
• Rhona Gunn, Depute Chief Executive and Moray Growth Deal Senior Responsible Officer (SRO) (Moray Council) • Jim Grant, Head of Development Services (Moray Council) – day to day oversight Architects of the Growth Deal, with the SRO chairing the Moray Growth Deal Board and the Head of Development Services providing day to day oversight.

Programme Management Office
• Michael Kelly, Programme Manager (Moray Council) • Lindsay Lyon, Programme Officer (Moray Council) Responsible for overall delivery of the programme, working closely with the MGD Board, all project delivery teams and the Scottish and UK Governments.

Project Delivery
Teams in place within different organisations working to deliver the eight projects that make up the Moray Growth Deal.

Bus Revolution (led by Moray Council) • *PM:* Post currently vacant • *SRO:* Nicola Moss, Head of Environmental and Commercial Services	**Business Enterprise Hub (led by UHI-Moray)** • *PM:* Allane Hay, Deputy Head of Academic Partnerships • *SRO:* David Patterson, UHI-Moray Principal
Cultural Quarter (led by Moray Council) • *PM:* Claire English, Senior Project Manager • *SRO:* Jim Grant, Head of Economic Development Services	**Digital Health (led by the Digital Health Institute)** • Marie Simpson, Programme Manager • Janette Hughes, Director of Planning and Performance
Early Years STEM (led by Moray Council) • *PM:* Sarah Barnes, Senior Project Manager • *SRO:* Hazel Sly, Early Years Service Manager	**Housing Mix Delivery (led by Moray Council)** • *PM:* Emma Gordon, Senior Project Manager • *SRO:* Gary Templeton, Principal Planning Officer
MAATIC (led by UHI- Moray) • *PM:* Post currently vacant. Being filled on an interim basis by Kenny MacDonald, Project Manager at UHI Executive Office • *SRO:* David Patterson, UHI-Moray Principal	**MICM (led by HIE)** • *PM:* David Howie, Head of Strategic Projects • *SRO:* David Reid, Area Manager (Moray)

6.2 Summary of assurance activity progressed up to December 2022

In July 2022 the MGD Board approved an enhanced procedure for managing assurance activity. The key changes introduced include:

- A series of checkpoints or 'gates' that when reached trigger the need for Project Managers to make submissions to the board for approval.
- Development and introduction of a cover sheet to accompany assurance activity that draws out pertinent information relating to assurance activity
- A step by step procedure for how assurance requests should be handled

During 2022, the following assurance activity was progressed through the MGD Board:

Project	Assurance ask	Description	Date	Status
MAATIC	Issues report	Cost inflation causing projections of capital construction costs to increase higher than budget available.	Jan 22	For awareness. Board assistance sought to help mitigate it.
DHI	*Gate E;* Change	Minor extension of delivery window into 25/26 FY and reprofile of budget.	May 22	Approved by MGD Board and Governments.
Bus Revolution	*Gate C;* FBC approval	Submission of project FBC.	May 22	Approved by MGD Board, Government approval expected early 2023
MAATIC	*Gate E;* Change	Submission date of FBC delayed to Feb 23, allowing time for delivery options to be reviewed.	Jun 22	Approved by MGD Board and Governments.
MAATIC	Issues report	Update on negotiations with Boeing regarding how they will support the facility, specifically a move away from the provision of a plane to a more virtual learning environment.	Jun 22	For awareness. Board assistance sought to help mitigate it.
Early Years STEM	Issues report	Revenue budget allocation likely to be exceeded by preferred delivery model so revised approach being developed.	Jul 22	For awareness. Board assistance sought to help mitigate it.
MICM	*Gate E;* Change	In light of delays to MAATIC, the project sought to change approach by establishing a temporary facility before co-locating with MAATIC.	Oct 22	Approved by MGD Board. Government confirmed their approval not required.
DHI	*Gate E;* Change	More detail on the provision of grants and permission sought to fill 2 part time posts with 1 consultancy role.	Nov 22	Approved by MGD Board and Governments.
DHI	Issues report	Projected 22/23 underspend highlighted with mitigating actions to be progressed outllined	Nov 22	For awareness. Board assistance sought to help mitigate it.

6.3 Audit activity undertaken during 2022

The Moray Growth Deal fully recognises that it is a condition of the grant funding being provided to demonstrate that proportionate and regular audit activity is taking place.

In the summer of 2022 the Moray Council's Internal Audit Team undertook an audit, in accordance with Internal Audit Standard PSIAS, with the following scope:

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'To provide assurance that the governance and administrative arrangements that have been established by the Council in supporting the delivery of the Moray Growth Deal are adequate and proportionate'.

A rating, based on a four point scale, is provided for both 'system' and 'testing' aspects of the audit. The audit with the above scope received the second highest rating, substantial for both 'system' and 'testing'. A copy of the audit report can be found in appendix A, with the following recommendations having been made that are being progressed by the Programme Management Office.

Audit recommendation	Timescale for implication	Current status
A formalised monitoring framework should be agreed to measure and record the benefits achieved for each project against their respective business plans.	June 2023	Benefits and Monitoring Plans drafted and due to be presented to the MGD Board for approval in Q4 22/23, with the monitoring plan 'going live' in Q1 23/24.
In accordance with the Stakeholder Engagement Plan, ongoing communication should be undertaken to highlight the actions undertaken within the Moray Growth Deal. This should also include updating the Communications Plan to reflect planned activity beyond September 2022.	March 2023	Several actions have been taken to ensure a more co-ordinated approach to communications and engagement: - All projects submitting their stakeholder engagement plans to the PMO - Quarterly PM meeting will focus on engagement activity (understanding forward plans, identifying areas for collaboration between projects and understanding significant entries that need escalated into programme communications tracker). - Cycle of joint comms meeting to be established for 2023, sequenced after quarterly PM meeting that focuses on engagement.
Guidelines should be developed to ensure consistent practices can be followed in the saving of documents and naming conventions within the SharePoint document management system.	March 2023	- New SharePoint filing structure developed and implemented. - Document prepared that provides guidance on naming documents and how version control should be managed.
Consideration should be given to providing elected members with a briefing session regarding the Scrutiny Checklist detailed within the Audit Scotland published report on Scotland's City Region and Growth Deals of January 2020.	March 2023	Engagement with members in February 2023 regarding the annual report and this requirement will be integrated into this session.
Each partner organisation should provide their annual audit plans to the Moray Council of planned internal audit activity regarding Moray Growth Deal activities. These plans should then be forwarded to the Audit and Risk Manager for review.	December 2022	Engagement with UHI, HIE, and DHI has indicated strong support for activity to be internally audited in a way that is compliant with Government grant conditions. Due to the emerging nature of Growth Deal activity, Moray projects do not currently feature on any partners forward look audit plans, but during 2023 work will be progressed to define the scope and timings of future activity.

Moray Council

Internal Audit Section

Moray Growth Deal

Final Report
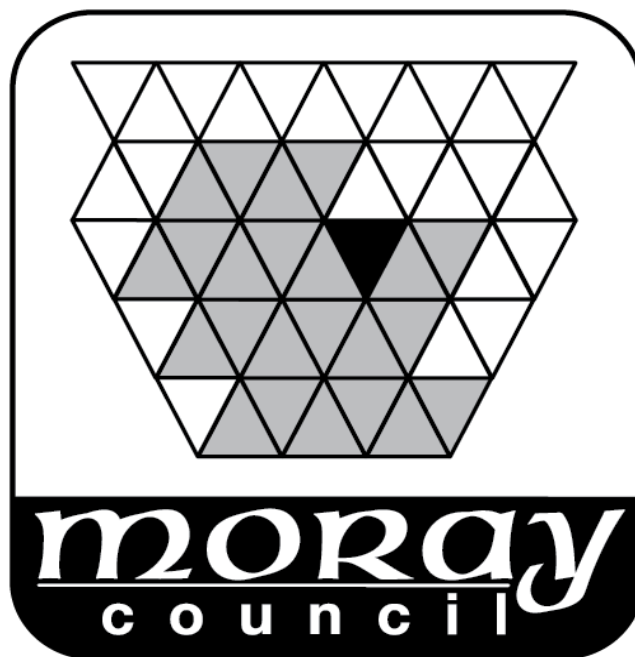
Moray Council

Internal Audit Section

DEPARTMENT: **Economy, Environment and Finance**

SUBJECT: **Moray Growth Deal**

REPORT REF: **23'013**

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Internal Audit Section

1. Executive Summary

The annual audit plan for 2022/23 provides for a review of the governance and administrative arrangements that the Council has established to support the delivery of the Moray Growth Deal.

The Moray Growth Deal (the Deal) is a transformational investment of over £100 million in the next 10 years for eight strategic projects intended to maximise regional economic competitiveness and boost economic growth across the Moray area. The Deal provides an opportunity to build on the existing strengths of Moray's culture, tourism, and manufacturing sectors whilst also addressing transport and housing challenges to facilitate economic growth that is sustainable, fair and inclusive. The Deal will also support major new developments in key sectors of health and aerospace, as well as early years education, all of which will expand Moray's Science, Technology, Engineering and Mathematics (STEM) skills base to enable local people to develop the skills needed to access high quality jobs and tackle gender imbalances in key sectors of our economy.

The Deal brings together the Scottish and UK Governments, Moray Council, partners from across the public and third sector and businesses to work collaboratively in delivering the Deal's vision for the area. Moray Council is the accountable body for the Deal and has the responsibility to hold to account any partner organisation in the delivery of the overall programme.

The Moray Council and each partner organisation will be separately responsible for allocating internal audit resources for the Deal's activities. However, Moray Council's Internal Audit Section will reserve the right to review programme and project activities and request information from all partners regarding these activities. It is appreciated the Deal is still at an early stage of implementation. The scope of this audit has therefore been limited to a review of the processes established for governance, administration, finance, risk, engagement and performance management.

The audit was carried out in accordance with Public Sector Internal Audit Standards (PSIAS).

The audit noted the following areas for management consideration:-

- Each of the eight projects are intended to achieve economic benefits. A requirement of the Deal Agreement is to monitor the progress in the implementation of these projects and evidence the delivery of these economic benefits. A monitoring framework should be established and implemented to measure and record the benefits achieved for each project against their respective business plans.

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- During the audit difficulties were experienced in locating requested information. Documents are saved within the Council's document management system called SharePoint. However, inconsistencies were found in the naming and location of where information had been saved. The recently appointed Programme Manager has recognised this and is working towards resolving the situation. Clear guidelines should be developed to ensure consistent practices are followed in the saving of documents.

- A requirement of the Financial Plan of the Deal is for each Partner Organisation to be separately responsible for allocating internal audit resources. However, the Audit and Risk Manager of the Council is responsible for reviewing the audit activities for each Partner Organisation. The Annual Audit Plan for each Partner Organisation detailing the internal audit work planned regarding the Moray Growth Deal should be forwarded to the Moray Council as the Accountable Body every year. This will then provide the opportunity for the Audit and Risk Manager to review planned activity and to request any additional information

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2. Introduction

The Annual Audit Plan for 2022/23 provides for a review to be undertaken of the governance and administrative arrangements in place for the management of the Moray Growth Deal. In August 2014, the UK and Scottish Governments jointly announced the first City Region Deal in Scotland. All deals are different and are intended to be based on local circumstances and priorities. In Scotland, all signed deals are agreements between the UK Government, the Scottish Government, councils and sometimes other partners, such as local business representatives and universities.

The Moray Growth Deal Agreement was signed by Moray Council and the UK and Scottish Governments in December 2021, endorsing a £100 million investment in eight strategic projects over a 10 year period.

3. Audit Scope

The scope of this audit was to provide assurance that the governance and administrative arrangements that have been established by the Council in supporting the delivery of the Moray Growth Deal are adequate and proportionate.

4. Summary Assessment

The Internal Audit Section will provide Management with an opinion on the internal control environment based on four categories of classification:

Assurance Level	System and Testing Conclusion
Full	The controls tested are being consistently applied
Substantial	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	The level of non-compliance puts the system objectives at risk.

None	Significant non-compliance with basic controls leaves the system open to error or abuse.

Our assessment in terms of the design of, and the compliance with the system of internal controls for the Moray Growth Deal as limited by the scope of audit is set out below:

System Assessment	Testing Assessment
Substantial	Substantial

5. Findings

The main issues raised for management consideration are:

5.01   The outline business plans for each of the 8 projects contain information relating to benefits realisation. A requirement of the Deal Agreement is to monitor the progress in the implementation of each of these projects and the expected benefits. This is being addressed at Programme Board level in the development of a monitoring framework to ensure the recording of progress and the measurement of benefits achieved for each project against their respective business plans.

5.02   The approved Governance Framework highlights the importance of community engagement.   However, since the signing of the Deal, limited evidence was found of any communication undertaken detailing progress within the Deal. In accordance with the Governance Framework, it is important that communication and engagement retain a strong focus and is resourced adequately.

5.03   During the audit difficulties were experienced in locating requested documents saved within the document management system, SharePoint. It is noted that over the development and early operation of the Deal, there have been several changes in personnel which has undoubtedly been a contributing factor, resulting in filing inconsistencies.   The recently appointed Programme Manager has recognised this and is working towards resolving the situation. The efficient retrieval of saved documents

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is essential given the level of scrutiny and inspection that will be required over the lifetime of the Deal.

5.04   In January 2020, Audit Scotland published a report on Scotland's City Region and Growth Deals. The report was designed to provide an early assessment review of deals in Scotland, looking at progress to date and considered governance and accountability arrangements. Published alongside this report was a scrutiny checklist for elected members, designed to provide examples of questions that may be asked to provide a better understanding and support the scrutiny of performance. It is pleasing to note that elected member briefings have been held regarding the Deal, however this has not included the requirements of this scrutiny checklist.

5.05   In accordance with the Financial Plan, each Partner Organisation is separately responsible for allocating internal audit resources for Moray Growth Deal Activities. The Annual Audit Plan for each Partner Organisation detailing the internal audit work planned regarding the Moray Growth Deal should be forwarded to the Moray Council as the Accountable Body every year. This will then provide the opportunity for the Audit and Risk Manager to review planned activity and to request any additional information.

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Moray Council

Internal Audit Section

6. Recommendations

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
Key Control: Ensuring the governance arrangements supporting the delivery of the Growth Deal are adequate and proportionate						
5.01	A formalised monitoring framework should be agreed to measure and record the benefits achieved for each project against their respective business plans.	High	Yes	This will be a key output that is part of wider work initiated in August 22 to develop a Benefits Realisation Plan for the MGD	Programme Manager	30/06/2023
5.02	In accordance with the Stakeholder Engagement Plan, ongoing communication should be undertaken to highlight the actions undertaken within the	Medium	Yes	A robust stakeholder plan will be created covering	Programme Manager	31/03/2023

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Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
	Moray Growth Deal. This should also include the updating of the Communications Plan to reflect planned activity beyond September 2022.			planned communication and engagement activity that will be led by the Project Managers		
5.03	Guidelines should be developed to ensure consistent practices can be followed in the saving of documents and naming conventions within the SharePoint document management system.	Medium	Yes	The MGD Programme Team will develop a new SharePoint site to store and archive documents	Programme Manager	31/03/2023
5.04	Consideration should be given to providing elected members with a briefing session regarding the Scrutiny Checklist detailed within	High	Yes	A briefing on the scrutiny checklist will be	Programme Manager	31/03/2023

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Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
	the Audit Scotland published report on Scotland's City Region and Growth Deals of January 2020.			incorporated into a wider MGD Elected Member engagement event that will take place in early 2023		
5.05	Each Partner Organisation should provide their Annual Audit Plan to the Moray Council of planned internal audit activity regarding Moray Growth Deal Activities. These Plans should then be forwarded to the Audit and Risk Manager for review.	Medium	Yes	Plans for how Highlands and Islands Enterprise (HIE), the University of the Highlands and Islands (UHI) and the University of Strathclyde intend to audit	Programme Manager	31/12/2022

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Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
				MGD activity led by them will be obtained and provided to the Audit and Risk Manager		

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 with 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. <u>CONCLUSION</u>

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
Reference: SPMAN-524642768-864

Moray Growth Deal
Full Business Case

PROJECT REF/NAME	Bus Revolution
PROJECT SPONSOR	Nicola Moss
COMPLETED BY	Nicola Moss
DATE	06/12/22 15/02/23 v1.4
Project Category (Choose from drop down list)	Strategic

The following is to be completed by High Level Governance Board

Approved By/Date		
Approval		
Comments	V1.0 Submitted to Scottish Government 14-06-2022 V1.1 Submitted to Scottish Government 23-10-2022 V1.2 Submitted to Scottish Government 09-12-22 V1.3 Submitted to Scottish Government 16-02-23 V1.4 In progress - *redacted*	

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1. Executive Summary

Bus Revolution is an innovative development built on established experience with clear aims to increase the number of people using public transport to get to and from rural areas to places of work, education and leisure, providing a step change in availability of public transport right across rural Moray.

Bus Revolution will achieve this step change by providing a flexible demand responsive service, operating when and where needed in an easy to use way; built upon an innovative platform to create app based technology that will allow real time journey bookings 'uber' style.

Bus Revolution will cost £4.3 million, this covering the capital investment required to set-up operational systems, branding and marketing, the purchase of electric vehicles, and the provision of associated charging infrastructure to deliver an efficient and robust transport network.

What are Moray's challenges?

To enhance inclusive growth and tackle inequality by removing barriers to employment and access to services in an environmentally sustainable manner.

It is an integral part of a whole-system approach to inclusive growth, providing the physical infrastructure to connect people to quality jobs as per the Inclusive Growth Commission's recommendations. There is substantial evidence that 'those lacking the resources and transport options required for being able to move become deprived from interacting with the opportunities offered by society'. This is through the effects of those who have financial resources moving to areas that are 'resource rich' meaning that jobs, services and transport provision become detached from lower income households (spatial mismatch and entrapment). Further it is compounded by the social exclusion that transport deprivation creates.

In rural communities in Scotland the accessibility and connectivity challenges are exacerbated – people in rural areas drive more frequently than those in urban areas[1]. The issue of 'forced' car ownership has been identified in both rural and urban areas, but is particularly pronounced in rural areas where lack of public transport means that people can be forced into running a car even if it puts real pressures on their budget[2]. Household expenditure on transport is approximately 1/3 higher in rural areas than urban areas, and furthermore, the travel of people on low incomes may not reflect their actual travel needs. They may have to restrict their activities, limiting opportunities for work, education, training or leisure activities, because they cannot afford transport.

As commercial bus routes are not viable for many parts of Moray the Council set up Dial M for Moray, which is our award-winning accessible door-to-door bus service for those unable to use existing forms of transport, or who do not have a regular scheduled bus service. This service is for everyone, regardless of age or disability. Unfortunately at

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[1] Transport Scotland (2019) Scottish Transport Statistics, No 37, 2018 edition
https://www.transport.gov.scot/publication/scottish-transport-statistics-no-37-2018- edition/

[2] Lucas, K., Mattioli, G., Verlinghieri, E. & Guzman, A. (2016) 'Transport and Its Adverse Social Consequences' Transport http://eprints.whiterose.ac.uk/94663/1/ICE%20paper%202016%20Symplectic.pdf

present routes are still limited, with service provision only available when vehicles are not being used for other local authority purposes (school and social care transport) and demand far exceeding supply in many areas.

The recent community engagement online survey identified Public Transport as one of the key areas people would most like to see improved in Moray, and this statistic was reinforced by students at the local college, who took part in workshops relating to their post-college plans, where issues with rural transport were cited as causing difficulties in job accessibility and studying locally.

The global climate emergency, and the specific targets to address it in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 mean that we need to do something radical to change the reliance on private cars in our rural areas and drive down carbon emissions by increasing the availability of greener travel solutions.

How will we meet these challenges?

By building on the existing innovative on-demand bus services to provide comprehensive and cohesive public transport links tailored to the region's largely rural economy, but also to convert the extended fleet to non-fossil fuel vehicles.

The purpose is not to compete with scheduled services but to fill the gaps in provision in rural areas and to encourage more people to use public transport rather than use private cars in line with the Scottish Government priority to reduce carbon emissions.

To meet this need the Bus Revolution was identified as a project within the Growth Deal with three clear aims:

1. Increase the number of people using public transport to get to and from rural areas to places of work, education, etc.

2. Reduce the environmental impact of transport in the area

3. Reduce the number of people facing transport barriers to employment, education or recreation.

These outcomes have specific targets and timescales set against them as set out in section 2.4.

Who is involved?

In order to develop the Outline Business Case a stakeholder analysis was undertaken to identify the key groups and individuals to form a project board to direct this work. The board consists of representatives from Moray Council, Highlands and Islands Enterprise, Community Representative, Moray Chamber of Commerce, Highlands and Islands Transport Partnership (HITRANS), and Walkers Shortbread Ltd. The board membership was selected to be representative of passenger types, stakeholders, and organisations with strong knowledge of user aspirations.

How did we identify the solution?

The rationale for this project is underpinned by a range of business needs, which are expressed as issues and opportunities, particularly transport barriers to participation in society, and the adverse environmental impact of transport, as well as opportunities to green the public transport fleet.

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A benefits identification and mapping workshop was held in May 2020 to serve three purposes;

- to align stakeholder views and ensure that everyone was working to the same aim;

- to identify inputs, activities, outputs, outcomes and impacts to enable the logic model to be developed;

- to identify the key benefits to be measured in order to demonstrate success.

Following on from these a number of options appraisal workshops were undertaken with a wider range of stakeholders to identify the options to be appraised during the economic case.

The results of economic appraisal were considered by the board who made the final decision on the preferred option in October 2020.

What is the solution?

The Bus Revolution project proposes to:

- Increase the fleet of vehicles to enable bus services to operate an on-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area, and upgrade the fleet quality in line with the brand development set out below – including consideration of facilities such as on board Wi-Fi

- Provide a flexible demand responsive service, operating when and where needed in an easy to use way

- Innovate to create app based technology that will allow real time journey bookings 'uber' style, ensuring technology is accessible, and maintaining the existing telephone booking system (office hours)

- Embrace low carbon technology, ideally with fully electric vehicles to provide an environmentally sustainable service. The Project will introduce five additional electric vehicles (one per operational zone) in year one, and then introduce further vehicles on a phased basis in future years integrated with the fleet renewal programme

- Build on the existing brand identity of Dial M to create an engaging and responsive public transport identity for all customer groups, and use intelligence led marketing to generate business and communicate with customers

- Have excellent customer service at the heart of the operation

- Retain the current customer base which has a large proportion of elderly customers, but use the above principles to target the youth and working populations of Moray to provide a real rural alternative to the private car and to make a step change in independence within the rural community

- Create a demand responsive bus network which has long term sustainable operations at its heart

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The project has 2 key elements:

1. The development of an "uber-style" app to enable customers to track the position of buses and book journeys within a reasonable response time (max. 1 hour).

2. An investment in quality green fleet (electric buses), to increase the flexibility and hours of operation of on-demand bus provision across Moray, with additional facilities such as on board Wi-Fi, charging facilities etc.

The project is a build on the council's existing Dial M demand responsive bus service which operates up to 12 vehicles each weekday between 0930h and 1430h – utilising vehicles that are also used for school and social care transport. Bus Revolution sees this fleet size increase over the lifespan of the project, initially with the injection of an additional five operational vehicles enabling the service to operate in the peak hours where existing vehicles are currently fully utilised. As the project builds up over time additional vehicles will be introduced to cater for growth in service provision. It is anticipated that a total of 20 additional vehicles will be introduced over the life of the project. There is flexibility in the project remit to adapt – i.e. more smaller vehicles or fewer larger vehicles to adapt to the emerging demand profile.

How much will it cost?

The project is currently estimated to cost £4.3 million. This covers the capital investment required to set-up operational systems, branding and marketing, the purchase of electric vehicles, and provision of charging infrastructure.

How will it be delivered?

Implementation will be phased, with additional vehicles being introduced and existing vehicles being replaced / rebranded in line with fleet renewal programme. This will allow lessons learned from each phased implementation to be applied to planning of forthcoming phases and maximise the impact of the project.

It is intended that Moray Council will work collaboratively with other providers in the area to ensure comprehensive coverage and a seamless service from the customer's perspective. This partnership will recognise the existing timetabled 'fixed links' in the bus network, and provide additional timetabled fixed links to create a skeleton structure, around which flexible demand responsive services will operate.

The development of new technology will allow a customer to plan a door-to-door journey, even if this involves changing from one bus service to another, so that the network can operate as efficiently as possible.

How will the benefits accrue?

By increasing the number of passengers on local buses the number of journeys by private vehicle will reduce. This will result in savings in carbon emissions as the new fleet will be non-polluting.

Longer operating hours (including peak hours) will increase mobility and access to work, education and recreation for all residents regardless of economic status, geography, age or ability. This will also contribute to reducing social isolation. This will offer particular benefits to groups who are otherwise isolate, notably people who are older, people who are younger, those at home with young children and lower income households.

Is it financially sustainable?

The financial case projections were prepared on the basis that costs were estimated at the highest level and benefits generally understated to ensure that results were realistic and achievable.

Discussions are ongoing with some of the larger employers in the area regarding workplace transport partnerships and potential for season ticket employee benefits.

There is evidence, which is set out in the financial case and Appendix 10 that demonstrates the financial sustainability of the project.

What demand is there for the solution?

An online survey conducted in autumn 2020 gathered Moray residents'[3] views on the proposals finding that a significant percentage (40%) of respondents would be interested in using the service on a regular basis, and a further 29% would be likely to use the service occasionally.

The community engagement survey cited above (p4) showed that transport is perceived as a significant barrier to education and employment.

Public transport, particularly bus is a suppressed demand given the lack of provision in rural areas, and journeys are either not undertaken or alternative solutions (particularly use of private car) are utilised. The purpose of this project is to unlock that suppressed demand and also to encourage and deliver mode shift in line with transport and environmental policy.

How does the project fit in the strategic landscape?

The project is in line with growth strategies guidance and will enable the delivery of a number of key regional growth priorities including:

- Industrial Strategy

- Scotland's National Strategy for Economic Transformation

- Moray Economic Strategy

- Local Outcomes Improvement Plan

- National Transport Strategy (NTS)the objectives of the project have a clear alignment with the NTS vision to have a sustainable, inclusive, safe and accessible

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[3] Sample size 316 residents

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transport system, helping deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors.

- Protecting Scotland's Future: the Government's Programme for Scotland 2019-2020 "Rural Scotland makes a vital contribution to our national economy. We know that more young people want to stay in the areas where they grew up, but we need to do more to stem rural depopulation and attract more people to live and work in rural and island communities."

- Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 with Moray Council leading by example to provide green bus services and encourage residents to migrate from private car use.

- Securing a green recovery on a path to net zero: climate change plan 2018–2032[4]

- Scotland Outlook 2030 contribute towards the aims for Scotland to become a world leader in 21st century tourism by proactively investing in the right transport to improve connectivity.

- The Moray Local Development Plan 2020 sets out that well planned transportation infrastructure supports economic growth by connecting Moray to markets and services, promotes use of public transport and encourages active travel in preference to the private car, bringing health and environmental benefits.

- Draft National Planning Framework 4 sets out a spatial framework aiming to ensure that each part of Scotland can be planned and developed to create sustainable places where we reduce emissions.

The project has clear links to this, as reflected in the overall Growth Deal vision that By the year 2030 Moray is a destination of choice, the area being known and recognised as an outward facing and ambitious community with a thriving and well connected commercial base and an environment in which quality of life is valued and supported. These ambitions link in with local and national economic strategy, development planning aims and the imperative to make climate change plans.

In particular the project has a strong relevance to the aim of retaining and attracting young people/families (16-29yrs) to live and work in the area, and addressing occupational segregation and gender imbalance.

There are cross project linkages, for example, by

- facilitating access to the aerospace campus as part of the MAATIC project,

- enabling sustainable transport solutions for new housing in the Housing Mix Delivery project

- using the Cultural Quarter as a key destination encouraging tourists to use sustainable transport modesand these synergies will be built on through the development of all the projects.

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[4] Securing a green recovery on a path to net zero: climate change plan 2018–2032 – update
https://www.gov.scot/publications/securing-green-recovery-path-net-zero-update-climate-change-plan-20182032/

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What else is happening in the region?

In general scheduled bus services have been in decline regionally and nationally for a number of years and public satisfaction with local transport has decreased mainly due to the lack of service in many areas.

What has been the impact of the Covid-19 pandemic?

Along with the rest of the world the project will be affected by the global coronavirus pandemic. The full business case details specific mitigations to address the situation during the delivery phase but current considerations include;

- Impacts on customer confidence, travelling on public transport
- Potential for changed ways of working altering the need for travel

In order to address these issues the full business case details specific marketing to ensure it addresses the issue of customer confidence and a follow-up survey will be conducted to ascertain the impact on demand.

The 'smart' element of the project will enable consideration of highlighting to prospective users how busy any particular services might be, in order that intending passengers can determine when to travel, for example, identifying the quietest times of travel.

What are the implications of Brexit for the project?

There have been no material impacts of Brexit on the project, however the situation will continue to be monitored particularly focused on any effects relating to:

- visitor economy
- international supply chain disruption
- the impact on EU migrant workforce.

Project solution summary

The *Bus Revolution* project will innovate to create a step change in the availability, efficacy, awareness and acceptability of bus as an option for everyday travel across Moray, providing new travel opportunities and creating accessibility where there has previously been isolation.

The project is fundamental to Moray Growth Deal's four pillars of:

- Connections;
- Business Support, Skills and Employability;
- Moray the Place/Brand;
- and Moray's Priority Business Sectors.

and has a strong relevance to the aim of retaining and attracting young people/families (16-29yrs) to live and work in the area, and addressing occupational segregation and gender imbalance.

The project will provide a comprehensive demand responsive bus network across Moray, utilising fully electric vehicles, and modern app based booking technology to increase the overall number of journeys made by public transport, reduce carbon emissions and reduce the impact of transport as a barrier to employment.

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2. Strategic case

Organisational Overview

The case has been developed by Moray Council, Highlands and Islands Enterprise, University for the Highlands and Islands, Moray Chamber of Commerce, Highlands and Islands Transport Partnership (HITRANS), and local business representatives including Walkers Shortbread Ltd.

The Strategic Context Introduction

The strategic drivers for this investment and associated strategies, programmes, and plans are contained in the vision for the Moray Growth Deal which is:

"*By the year 2030 Moray is a destination of choice, the area being known and recognised as an outward facing and ambitious community with a thriving and well connected commercial base and an environment in which quality of life is valued and supported.*"

The project aims to enhance inclusive growth and tackle inequality by removing barriers to employment and access to services in an environmentally sustainable manner.

Providing the physical infrastructure to connect people to quality jobs is an integral part of a whole-system approach to inclusive growth as per the Inclusive Growth Commission's recommendations. There is substantial evidence that 'those lacking the resources and transport options required for being able to move become deprived from interacting with the opportunities offered by society'. This is through the effects of those who have financial resources moving to areas that are 'resource rich' meaning that jobs, services and transport provision become detached from lower income households (spatial mismatch and entrapment). Further it is compounded by the social exclusion that transport deprivation creates.

This links closely to the overall inclusive growth aims of the whole Moray Growth Deal in retaining and attracting young people/families (16-29yrs) to live and work in the area, and addressing occupational segregation and gender imbalance.

Rural transport challenges are recognised in the National Transport Strategy which states "Rural Scotland accounts for 98% of the land mass of Scotland and only 17% of the population are resident there. Those living in remote and rural areas face many different transport challenges when carrying out their daily lives compared to, for example, those living in less rural areas of the mainland and urban areas. People in rural areas usually have to travel further to access services and tend to have more limited choices when it comes to public transport, the latter meaning that rural households tend to drive more frequently than urban households. It is also more difficult to integrate services in rural areas given the dispersed residents and low population densities. Adding to this, demand can be relatively low in many rural areas due to the tendency to drive more, which can lead to high fares for users and/or need for subsidy." "There are urban and rural locations within Scotland where the current level of public transport provision, including accessible transport, and connectivity issues can act as barriers to accessing healthcare,

employment, education, or training opportunities. Satisfaction with public transport in large urban areas was 77%, compared to only 44% in accessible rural areas. A particular issue for rural areas is the lack of public transport acting as a barrier for young people accessing education, training and employment. This can result in long term out-migration and impact on the sustainability of remote and rural communities."

The National Transport Strategy has four key priorities; to reduce inequalities, take climate action, help deliver inclusive economic growth, and improve our health and wellbeing, all of which are at the heart of this project, and reflected in the project's objectives.

In rural communities the accessibility and connectivity challenges are exacerbated – people in rural areas drive more frequently than those in urban areas[5]. The issue of 'forced' car ownership has been identified in both rural and urban areas, but is particularly pronounced in rural areas where lack of public transport means that people can be forced into running a car even if it puts real pressures on their budget[6]. Household expenditure on transport is approximately 1/3 higher in rural areas than urban areas, and furthermore, the travel of people on low incomes may not reflect their actual travel needs. They may have to restrict their activities, limiting opportunities for work, education, training or leisure activities, because they cannot afford transport. A state of the area summary of relevant data in terms of population and transport and travel in Moray is presented at Appendix 8, which also provides comparisons to Scotland-level data. These data having been used to inform the Outline and Full Business Case.

Notably, Moray has an increasing population, between 1998 and 2019 the population has increased by 10.4%, with in 2019 with an additional 9,020 persons.. The population from the most recent mid-year population estimates is 95,710 people in Moray. [7]

From the 2019 Transport and Travel in Scotland (TATIS) data from the Scottish Household Survey, 14% of households in Moray do not have a car/van available to them. This is lower than the national rate of 27% of households, but to be expected with large rural areas, and even so means more than 6,000 households across the area that do not have access to a car/van.

In terms of local bus services, the Scottish Household Survey shows a very high proportion of Moray respondents that had not used a local bus service in the past month – 81%, which compares to a national rate of just 61.5%. In terms of satisfaction with public transport, only six per cent of Moray respondents reported being very satisfied, compared to 21% when considered at a national level.

From the 2018 *Young People and the Highlands and Islands: Maximising Opportunities: Moray* report[8] published by Highlands and Islands Enterprise highlighted a number of key salient points:

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[5] Transport Scotland (2019) Scottish Transport Statistics, No 37, 2018 edition https://www.transport.gov.scot/publication/scottish-transport-statistics-no-37-2018- edition/
[6] Lucas, K., Mattioli, G., Verlinghieri, E. & Guzman, A. (2016) 'Transport and Its Adverse Social Consequences' Transport http://eprints.whiterose.ac.uk/94663/1/ICE%20paper%202016%20Symplectic.pdf
[7] National Records of Scotland (NRS) Mid-Year Population Estimates for Scotland, mid-2021: Time series data

[8] https://www.hie.co.uk/media/6488/2018-young-people-maximising-opportunities-moray.pdf

- Lack of affordable transport (and childcare) were particular barriers for those in West Moray, cited by 17% of respondents, which compares to nine per cent for Elgin residents and seven percent for those in East Moray.

- Young people in Moray see compromises as a necessary feature of life in the Highlands and Islands (87% agree, matching the regional average). The key compromises that young people report relate to: more difficult and expensive transport (77% in Moray and 79% in the region overall); limited job opportunities (76% for both); and limited access to events, services, amenities and leisure facilities (72% vs 65% regionally).

- Young people in Moray have similar views to those across the region overall on the economic and social factors required to make the Highlands and Islands an attractive place to live, work and study. Good pay levels (69%), high quality jobs (68%), opportunities for career progression (68%) and affordable, reliable, well-scheduled transport (66%) were see as the most essential economic factors.

These data set out the Moray context, which lays the platform for the Project's development, and present the environment for the Project's success in terms of delivering against the Transport Planning Objectives, which are introduced and validated in the following sections.

Problems / Challenges

Dispersed Rural Population

The Moray Council geographical area covers 864 sq. mi (2,238km.sq) and of 32 Local Authorities, Moray is ranked the 8th largest area. With a relatively small population of 95,510 Moray is ranked 26th (7th smallest) area in terms of population.

The average **population density is low** at just 39 people per square kilometre, compared with 67 people per square kilometre nationally, presenting particular challenges for operating a local bus service network.

Rurality is a known issue that can cause people difficulty in accessing services. Access to services, which is based upon travel time by car and public transport to essential services shows up as the main area of deprivation in Moray with over 20% of its population living in the most deprived 10% for this domain.

Specifically in Moray *Transport and Travel in Scotland 2018 Scottish Household Survey Local Authority Results* show that only 34 per cent of Moray-based adults could use public transport for their journey to work. This is comparable to the 32 per cent level across the whole of the Highlands and Islands, but given that this region includes many remote and island areas, the Moray level seems to be somewhat high, and is significantly below the national rate of 44 per cent would state that they could use public transport for their journey to work.

In Moray in 2018 five per cent of adults travelled to work by bus, which is half the national rate. In terms of all use of bus services, 82 per cent of adults in Moray have <u>not</u> used the bus in the past month compared to only 58 per cent in Scotland, and only six per cent of adults in Moray report that they are using the bus once a week or more frequently, with only two per cent using the bus every day or almost every day. This compares to a little over 27 per cent in Scotland as a whole that use the bus at least once per week.

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These gaps in usage and potential usage (in terms of those that could use the bus for the journey to work) suggests that there is significant potential in Moray, with the right availability of services to match the geographical spread of the population, to claw back some of the mismatch between Moray and national levels of bus suitability and bus usage.

Furthermore, the mid-2020 population estimates give an overview of the distribution of the population across the main settlements of Moray. There are 19 recognised settlements of localities in Moray, ranging from the smallest two Garmouth and South Forres, with populations of 540 each at the mid-2020 population estimates, to the largest Elgin with 25,040 people.

Table 1 lists the Moray localities together with their mid-2020 population estimates and additionally sets out the distances to two key employment sites at Fochabers and Forres – this gives a flavour of the dispersal of populations across the area and infers the complexity then of providing meaningful public transport to multiple major manufacturing bases across the area. As described in more detail in subsequent sections, Moray is home to more than 6,500 jobs in manufacturing across these and other sites, which rely upon a travelling workforce from across the area. Greater mobility means both that the talents and experience of all people are recognised and nurtured, and that the barriers to some jobs are reduced – barriers can exist because of biases in recruitment processes or inequality of educational opportunity, but in striving for a more physically (in terms of transport) and socially mobile society, it is more likely that a job will be filled by someone with the highest level of potential to perform well in that job, rather than someone who may be less well suited but, for example, better connected.

Table 1 Moray Locality Populations and Distances to Key Employment Sites at Fochabers and Forres

Locality / Settlement	Population – mid-2020 population estimates	Distance to Fochabers, e.g. Baxters (Miles)	Distance to Enterprise Park Forres (Miles)
Burghead	1840	16.6	9
Cullen	1390	13	31.6
Dufftown	1590	16.4	27.7
Elgin	25040	8.5	10.8
Findhorn	1030	21	4.4
Findochty	1130	11.7	30.3
Fochabers	1770	0.8	19.4
Forres	9900	20.5	2.7
Garmouth	540	3.6	19
Hopeman	1710	15.3	10.2
Keith	4610	8.7	27.4
Kinloss	1440	18.5	2.3
Lhanbryde	1830	4.9	14.8
Lossiemouth	6840	12.4	15.5
Mosstodloch	980	0.8	18.1
Portgordon	790	5.3	24
Portknockie	1230	12.5	31.2
Rothes	1160	8.8	20.3
South Forres	540	20.1	2.2

If is further highlighted that more than two-thirds of the Moray population live within these settlements and localities – 68 per cent or 65,360 – while the remaining 32 per cent of people live beyond the settlements in more rural and dispersed areas, again which presents a particular challenge for providing a meaningful, accessible public transport offer.

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The current public transport offer is not able to match this dispersed population as has been described in Table 1 above to employment and other key local, health and social etc. destinations, and through the appreciation that a further near one-third of the population live more rural and remote than these settlements further demonstrates the gap between the current public transport offer and the geography-driven needs of this dispersed population.

Young People

Moray has a deficit of young people, a trend that parallels in neighbouring Highlands and Islands, and there has traditionally been an outflow of young people from the region. Moray has a smaller proportion of 16-29 year olds (16%) compared to Scotland (19%). There are a wide range of factors that impact on the choices and aspirations of young people, including educational and employment opportunities, the cost of living, transport, housing, cultural and connectivity issues. There are also strong local factors affecting decision-making, including close community ties for many young people in the region. The lower proportion of young people also suggests that the area is not attracting people in this age group to move from other areas.

Despite young people in Moray having a strong attachment to the area, 45 per cent describe themselves as 'committed leavers' and plan to settle and work away from the area, or to move away to study. This is higher than the Scottish average of 40 per cent.[9]

From the City Regional Deal Baseline Economic Assessment there was general agreement that one of the reasons for leaving Moray was for young people to broaden their worldview. A further 10 per cent wanted to stay but did not think they would be able to given the limited employment opportunities available in Moray, and the narrow employment base especially in the rural settlements.

Good access to housing and affordable public transport links were also seen as important in keeping young people in the area.

Tourism

The strategic case includes the aspiration for Moray to become 'a destination of choice'. The lack of affordable and sustainable transport solutions present currently will also impact visitors and tourists to the area, who will be key to achieving the ambition. Scotland's Outlook 2030[10] sets out a commitment to ensure Scotland is an inclusive and accessible destination, enabling all visitors to travel widely and enjoy the full range of the country's visitor experiences.

Public transport links to local airports

The Inverness-Aberdeen rail service currently offers access near to Aberdeen Airport, accessed via Dyce. Dyce Railway station is 2.7 miles to Aberdeen Airport and accessible via Bus or Taxi.

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[9] HIE Young People in Moray Attitudes and Aspirations 2015
[10] Scotland 2030, Scottish Tourism Alliance

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Plans are confirmed and work has begun on the new Railway station at Inverness Airport providing direct pedestrian access from the railway station to Inverness Airport[11].
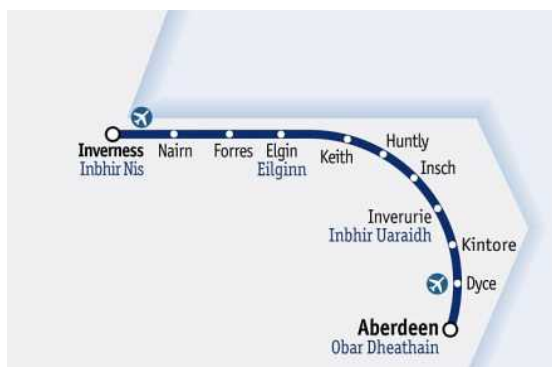
Railway services

There are three existing railway stations within Moray; Forres Railway Station, Elgin Railway Station and Keith Railway station connected via the Inverness-Aberdeen services. The current timetable offers 11 end to end journeys from Inverness to Aberdeen and 10 end to end journeys from Aberdeen to Inverness, Monday to Saturday. These journeys cover all three Moray railway stations at Forres, Elgin and Keith. There are additionally 6 "short" journeys in each direction Monday to Saturday between Inverness and Elgin which service Forres and Elgin railway stations. The Sunday timetable offers 5 end to end journeys in each direction between Inverness and Aberdeen.

In terms of access, Elgin Railway Station is situated around half a mile from the town centre and can be accessed for much of the day by a half hourly commercial bus service. However the evening and Sunday service is infrequent and a demand responsive bus service will improve connectivity at these times, or through the day should the passenger require to travel outside Elgin

Forres Railway Station is situated about a third of a mile from Forres High Street but is separated from the town by the A96 which is seen by many as a barrier to access. There is an island crossing but no Toucan type crossing to stop traffic which can deter less confident individuals from walking. The current Dial M demand responsive service is the only public transport access to Forres station and enhancing that provision will improve accessibility to the rail network for Forres area residents.

Keith Railway Station is situated half a mile from Fife Keith town centre and one and a half miles from Keith Town centre. It should be explained that the greater area of Keith town is made up of two constituent parts, Fife Keith to the West and Keith to the East. The current Dial M demand responsive service is the only public transport access to Keith station and enhancing that provision will improve accessibility to the rail network for Keith area residents and to the nearby village of Newmill as well as the greater hinterland. In particular, there is awareness of demand for transport links between the coastal area around Buckie requiring access to Keith Railway Station, there being no rail service along the Coast.

Source: Scotrail timetable Inverness-Aberdeen May 2022

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[11] https://scotlandsrailway.com/projects/inverness-airport-dalcross-area-enhancements

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Bus Services

As **commercial bus routes are not viable for many parts of Moray** the Council set up Dial M for Moray, which is our award-winning accessible door-to-door bus service for those unable to use existing forms of transport, or who do not have a regular scheduled bus service. This service is for everyone, regardless of age or disability. Unfortunately, at present **routes are still limited, with service provision only available when vehicles are not being used for other local authority purposes** (school and social care transport) and demand for vehicles far exceeding supply in many areas.

The Strategic Outline Business Case for Bus Revolution recognised this position, noting that research by Citizens Advice Scotland showed that **those living in Moray are more than three times less likely than the national average to be able to reach a supermarket by bus**[12], and overall Moray was one of the three local authorities which had the **greatest difficulty in reaching key services by bus**. It was felt that it was unlikely that the provision of public transport in rural areas would achieve full commercial sustainability without ongoing public subsidy, however, this was an opportunity to provide the best possible access solutions in the most efficient manner, with commercial principles guiding decisions around delivery and growth.

The specific problems reference in the Strategic Outline Case were summarised as:

- Lack of reliable rural transport to access employment;
- Difficulties accessing key services, public spaces and retail centres; and
- A declining working age population.

The Project Board reviewed the Strategic Case and found that the issues and context set out in the Strategic Case remained, and if anything were being exacerbated with continued reduction in the use of conventional bus services even prior to the impact of the coronavirus pandemic.

In general, **scheduled bus services have been in decline locally, regionally and nationally for a number of years**, and public satisfaction with local transport has decreased mainly due to the lack of service in many areas.

In Moray there are 1,559 kilometres of local authority roads, which given a population of 95,710 (2020 mid-year population estimate) gives an indication of the challenge associated with providing meaningful public transport suitable for a majority of households.

Specifically, local bus services across Scotland have been in sharp decline for the last 15 years or so. Much of rural Scotland continues to rely on supported local bus services, and communities are dealing with the reduction and demise of many routes in their areas.

In 2019, 39 per cent of survey respondents to the Scottish Household Survey had used the bus in the past month. Only eight per cent used the bus ever day or almost every day. These are the lowest figures since comparable records began in 2002. Bus service kilometres in the Highlands and Islands (including Shetland) have fallen by 11% in the five years to 2015/16. There is ongoing concern about the continued pressures on public

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[12] Citizens Advice Scotland (2018) Creating Better Journeys – Findings from the Citizens Advice Scotland bus users survey p14

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funding and hence pressure placed upon local bus services – predominantly subsidised services, which are most common in rural Scotland.

The Moray Economic Strategy highlights that access to key services, public spaces and retail centres is poorer than Scotland generally and is a barrier to growth. This is possibly due to uneven public transport connections across Moray, with limited public transport restricting access to employment and to opportunities to spend on retail and leisure. The Strategy further highlights that local public transport is a significant issue for people living in rural parts of Moray, and cost effective provision is an essential part of enabling people to travel to work across the area.

In Moray, reflecting the geography of the area, 79 per cent of respondents to the Scottish Household Survey in 2019 reported that the car / van was their usual method of travel to work, which compares to 68 per cent nationally, and while 12 per cent walk to work in Moray compared to a similar number nationally, only five per cent take the bus to work in Moray, compared to 10 per cent across Scotland as a whole.

For all adults, zero per cent of respondents (8% nationally) to the Scottish Household Survey reported using the bus every day or almost every day in Moray, while two per cent (9%) reported using the bus two or three times per week, four per cent (7%) about once per week, 12 per cent (14%) above once a fortnight, or about once a month, and a staggering 81 per cent (62%) had not used the bus in the past month.

In Moray, six per cent of respondents (21% nationally) reported being very satisfied with public transport, 45 per cent (47%) fairly satisfied, 21 per cent (16%) neither satisfied or dissatisfied, 17 per cent (9%) dissatisfied and 11 per cent (7%) very dissatisfied.

The above evidence from the Moray Economic Strategy and from a review of the most recent data from the Scottish Household Survey described above makes clear the issues associated with access to employment and wider access to services in Moray, particularly in terms of the rural areas of Moray which at present have identified gaps in terms of public transport accessibility, which in turn creates access barriers to employment, learning and social and health opportunities. These barriers being felt hardest amongst those without or with limited access to their own vehicle, younger people, older people, those on low incomes to name a few groups with similar characteristics.

In Moray, while car ownership is generally high – 51 per cent of households have one car available and 35 per cent of households have two or more cars available – this still leaves 14 per cent of households with no car available, in real terms around 5,600 households across the area. Furthermore, and particularly in rural areas and with poor public transport availability, a single car available does not equal wholesale household accessibility or inclusion for all within that household, as often a single car may be required for one member of the household to travel to work, which then leaves others in the household isolated, or unable to access employment or learning for example, during the working hours of the household member making use of that single car.

In summary, there is a gap derived from the geography, business growth projections and existing provision of local bus services across rural Moray that generates a real and sizeable need and opportunity for the project.

Commercial Bus Services and DRT

As **commercial bus routes are not viable for many parts of Moray** as set out in earlier sections, the Council set up Dial M for Moray, which is the award-winning accessible door-to-door bus service for those unable to use existing forms of transport, or who do not have a regular scheduled bus service. This service is for everyone, regardless of age or disability. Unfortunately, at present routes are still limited, with demand far exceeding supply in many areas.

The current Dial M service is resourced from the authority's vehicles for school and social care transport, which provides an efficient use of resources but means that the service provision is limited to weekdays in between the school and social care transport times. The knock on effect is that without additional capital investment in vehicles (as well as the required revenue resources) it is not possible to provide a service at peak times, which would expand the appeal of the service to more potential passengers. The current booking system is reliable, but the schedules have to be finalised and distributed to drivers by the close of the previous operating day, which does not allow for close-to-real time bookings to support a modern and flexible transport system. Prior to the pandemic the service averaged c.50k journeys p.a.

A user survey (in the same form as the national Bus Passenger Survey) of the existing Dial M customer base indicates high satisfaction levels with the service. It is also clear that the overwhelming majority of users have no other regular form of transport available to them, highlighting the importance of providing transport services in rural areas. This in turn presents the evidence to support the present project in terms of expanding this type of flexible and tailored service to meet the wider needs of those living across the area that require, or could require (if they are able to take up employment opportunities for example), transport during peak times, or early or late to support access to jobs and other opportunities. This also provides the confidence that the *project* continues to offer the best option for Moray.

In terms of consultation, the recent community engagement online survey identified Public Transport as one of the key areas people would most like to see improved in Moray, and this data was reinforced by students at the local college, who took part in workshops relating to their post-college plans, where issues with rural transport were cited as causing difficulties in job accessibility and studying locally.

The survey had a good representation from all demographic groupings particularly those in the 16-29 year age group, and covered all Moray residents – not just existing customers (see section 4.1).

Transport isn't an isolated topic – people need to get about to work, to access services, for shopping and leisure activities. Economic development is a key priority for Moray, and transport connectivity is a vital part of that development.

Transport Emissions

Moray Council has formally adopted their **Climate Change Strategy**. The strategy and action plan follows the Climate Emergency declared in June 2019 and aims to make the council carbon neutral by 2030. In terms of transport, the strategy sets out that **transport is the fastest-growing contributor to greenhouse gas emissions**, and that moving away from carbon-intensive, private transport towards decarbonised, more efficient, more

active forms of travel offers a wide variety of benefits environmentally, socially and economically.

> **" Transition to non-fossil fuel transport system. Promote, develop and encourage active travel. "**

Poverty

Moray has a **sizeable minority of the population experiencing poverty**. The economy comprises a low wage structure with a reliance on a small number of industries, reducing economic diversity. There is a noticeable variation in attainment at school, and as described above, young people who leave for higher education often don't return. There are less favourable outcomes in some smaller communities in Moray, and challenges in making all services accessible due to the areas rurality.

Specific issues in terms of poverty exist around the core issue of the high cost of living in Moray, costs associated with food, fuel, housing and transport. The Moray Child Poverty Action Plan calls for a positive change in the availability of affordable accessible transport.

Upon further review through the FBC, the international *cost of living* crisis exacerbates further the well documented cost of living differential for the Highlands & Islands[13] and makes the case for intervention in terms of providing more affordable transport options for people, particularly in rural areas, reducing the pressure on the household budget associated with transport for those that have no option other than travel to their employment, e,g, in manufacturing and associated roles.

Summary

To summarise, the issues that have been identified are validated and reinforced through a multitude of sources, primary and secondary, to the project. From consultation, the community engagement survey and student workshops referred to above highlighted the key issues for rural transport in Moray, the barriers that this generates, and the consequences of, for example, young people choosing to move away and people living in poverty, for example as they are *forced* into car ownership. The Moray Local Outcomes Improvement Plan, the Moray Local Child Poverty Action Report and the Moray Economic Strategy further highlight these key issues which require action through the matched Transport Planning Objectives to deliver the opportunities for all of Moray in a fair, sustainable and equitable manner.

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[13] HIE, A Minimum Income Standard for Remote Rural Scotland: A Policy Update, 2016

Opportunities

In general terms, reducing the dominance of private cars offers significant benefits both to individuals and wider society, **including improved health and wellbeing**, **reduced inequalities** and **more inclusive economic prosperity**. Reducing car use will also improve our public places, making them more attractive, safer and healthier spaces in which to live, work and spend leisure time.

The community engagement online survey **identified Public Transport as one of the key areas people would most like to see improved in Moray**, and this statistic was reinforced by students at the local college, who took part in workshops relating to their post-college plans, where issues with rural transport were cited as causing difficulties in job accessibility and studying locally.

The global climate emergency, and the specific targets to address it in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 mean that we need to **do something radical to change the reliance on private cars in our rural areas** and drive down carbon emissions by increasing the availability of greener travel solutions.

Thus supporting "A route map to achieve a 20 per cent reduction in car kilometres by 2030[14] – leading to "a healthier, fairer, and greener Scotland". This case supports progress towards the actions that the Moray Council can lead in how they will make it easier for people to reduce their car kilometres through the four key sustainable travel behaviours set out in the (draft) route map:

- to make use of sustainable online options to reduce your need to travel;
- to choose local destinations to reduce the distance you travel;
- **switch to walk, wheel, cycle or public transport where possible;**
- combine a trip or share a journey to reduce the number of individual car trips you make, if car remains the only feasible option.

The Strategic Case concluded that the *project* can make a real difference to the lives of those living in, working in, or visiting Moray with:

- Increased mobility and access for all regardless of economic status, geography, age or ability;
- A proposition that tackles social isolation;
- The potential to reduce single occupancy car use and its cost & environmental impacts; and
- Improved access to iconic tourist destinations.

Specifically, identifying the strategic drivers for this investment and associated strategies, programmes and plans that are contained in the vision for the Moray Growth Deal which is:

"**By the year 2030 Moray is a destination of choice, the area being known and recognised as an outward facing and ambitious community with a thriving and well**

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[14] Consultation on the 20% Reduction in Car Km Route Map (transport.gov.scot)

connected commercial base and an environment in which quality of life is valued and supported."

There is potential to benefit from community involvement on the back of the strength of the community response through the Covid experience – growth in, and growth of, Community Anchor Organisations with a will to shape and deliver change and services within their communities. In the *project* is set out the approach to working with communities and employers to shape the detailed design and delivery of the Project on an ongoing basis. When the project *goes live*, i.e. when it is funded and proceeding towards delivery, a network of Community Anchor Organisations and other interested parties, such as employers, will be drawn together and will be engaged in locality-based planning around the detailed design of the service – timetabling, operating principles and priorities etc. This will allow the project team to test different ideas and concepts in an open way with representatives of the communities that will be served. This open approach to planning and delivery, and on an open and ongoing basis with regular review has been found to be a successful model and approach to ensure services best match user needs.

This community and business involvement in the detailed design and to inform ongoing service development will be approached from a person-centred perspective, what the people and communities need and see as important in meeting their needs and access requirements. This approach is congruous with the Community Wealth Building (CWB) people-centred approach to local economic development, which aims to redirect wealth back into the local economy, and places control and benefits in the hands of local people. The *project* is a key tool for Moray in delivering these aims, ensuring that all opportunities are equitably available to all people right across the area.

Community Consultation to Inform Project Development

Following on from initial comments received during wide-scale community engagement exercises during late 2017, and workshops held with students at Moray College UHI (based in Elgin) to identify issues influencing their decision to leave the area for further education or jobs, an online survey was launched in the autumn of 2020 to seek the views of the Moray population regarding their attitudes to public transport, and to assess their views on the *project* context and ideas.

It should be noted that Moray College is a further education college based in Elgin. It is the area's further and higher education institute with 1,500 full-time students and 8,100 part-time students. It employs approximately 370 staff and is a college of the University of the Highlands and Islands. Consequently, Moray Collage is an important destination in the area both for access to learning and in terms of employment.

The survey respondents covered a wide range of age groups. The survey did however comprise 19% of respondents in the 16-29-year-old age bracket, a key target group for the *project.* The 16-29-year-old age bracket currently make-up around 15% of the population in Moray. This is seen as a good indication of the level of interest in public transport and particularly environmental issues for this age group.

Highlights from the survey results are:

Modes of transport used regularly:

- 67% car (driver),
- 35% car (passenger),

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- 27% bus.

Reasons for not using local bus services currently:

- 58% Buses are not frequent enough/do not run when I need them,
- 49% It's easier/more convenient by car,
- 37% It's quicker by car,
- 33% Bus fares are too high.

Factors that would encourage you to use a local on-demand bus service (top 4 rated):

1. Reasonable journey times,
2. Comfort/cleanliness,
3. Safety,
4. Guaranteed response times.

Forty per cent of respondents who currently do not use local bus services indicated that they would use a service as described in the proposal on a regular basis and a further 29 per cent said that they would use the service occasionally.

Economic Context and Issues

The *project* builds on **Moray Economic Strategy**'s objectives of ensuring population growth and diversification to create less reliance on the Public Sector in Moray, build on sectors that are under performing, and ensure the local economy is resilient to economic change.

The Moray Economic Partnership was established to boost economic growth in the region and create opportunities for our people and our businesses. The vision is to see Moray as:

A place that is thriving because of an increasingly diverse economy and a growing population that celebrates success, and values both education and training.

A distinctive and ambitious place that generates opportunities for everyone which in turn helps to drive up average earnings, retain balanced demographics, and encourages strong communities to flourish.

Moray Council is committed to the Place Principle and to a collaborative, place-based approach with a shared purpose to support a clear way forward for all services, assets and investments which will maximise the impact of their combined resources. This project will invest additionally in public transport, planned with local communities in order to improve the lives of people, support inclusive and sustainable economic growth and create more successful places.

The Economic Strategy highlights that 'access to key services, public spaces and retail centres is poorer than Scotland generally, possibly due to uneven public transport

connections across Moray. Limited public transport restricts access to employment and to opportunities to spend on retail and leisure'.

As highlighted in the appraisal in Section 2.2 above, the *project* programme also strongly supports the priorities of the **Local Outcome Improvement Plan** for Moray which are:

- Growing, diverse and sustainable economy;
- Building a better future for our children and young people in Moray;
- Empowering & connecting communities; and
- Changing our relationship with alcohol.

There is a strong strategic fit with the **UK Governments Industrial Strategy**, which has the following 5 foundations:

- Ideas: the world's most innovative economy
- People: good jobs and greater earning power for all
- Infrastructure: a major upgrade to the UK's infrastructure
- Business Environment: the best place to start and grow a business
- Places: prosperous communities across the UK.

and **Scotland's National Strategy for Economic Transformation**, which has the vision of a wellbeing economy, and the ambition of a fairer, wealthier and greener country,

- Enduring the work pays for everyone through better wages and fair work, reducing poverty and improving life choices
- Driving an increase in productivity by building an internationally competitive economy founded on entrepreneurship and innovation
- Demonstrating global leadership in delivering a just transition to a net zero, nature-positive economy, and rebuilding natural capital.

notably being a country where economic power and opportunity are distributed fairly across our regions, cities and towns, rural and island communities.

Economic Base

The **principal centre of population and business is Elgin**, which also has the area's main concentration of retail, commercial and leisure provision. Economically, the relationship between Elgin, the rural area of Speyside, and other main Moray towns (Forres, Keith, Buckie and Lossiemouth) is critical. There are mutually supporting roles that complement the special attributes of each location, and help to create a diverse economic base serving all of Moray.

Business stakeholders through the *Project* Steering Group report that the employment base is likely to remain broadly based around manufacturing, which, including with growth that is expected, will increase the number of staff needing to travel to the production sites within Moray. These are typically lower paid jobs, and will match with those in lower income households for whom the avoidance of *needing* to own their own vehicle could be welcome, and particularly in the context of the emerging crisis in the cost of living.

At present there is more than 6,500 jobs in the manufacturing industries across Moray. This includes more than half of the country's whisky distilleries and some of its best-known food producers. Leading Scottish brands such as Walkers Shortbread and Baxter's Food Group, makers of the popular Baxter's soups, have their headquarters in Moray. The food and drinks industry is a major employer. In Moray there are more manufacturing jobs per head of population than any other part of Scotland. It is also home to French IT contractors Atos, a growing band of digi-tech businesses as well as luxury cashmere clothing suppliers Johnstons of Elgin.

Currently some 73.8% of the population are in employment, which is in line with the national figure – but **wages remain lower**, with gross weekly pay at £498, or almost 10% below the Scottish average. Moray also has a higher percentage of older people, particularly in more rural and coastal locations, and in keeping with the rest of the Highlands and Islands, there is significant outward migration of young people. The areas of people leave home to complete further and higher education in other parts of the country, and there is then a low rate of return. Overall, this creates an imbalance in the working age population in Moray.

There is significant **gender inequality in Moray's economy**. The National Performance Indicator defines the gender pay gap as the difference in the median hourly earnings (excluding overtime) between men and women working full-time in Scotland. This estimates the gender pay gap in Moray at 9.6%, which is more than double the average across Scotland, at 3.6%. However, this indicator masks the real issue in that it does not account for the significant proportion of women who work in low-paid part time roles. When including both full-time and part-time employment, the gender pay gap in Moray is far higher 22.6%, well above that national average of 11.5% for Scotland. This imbalance means that a significant proportion of the population is not currently reaching its full economic potential. It is important to note that the data is for this metric is taken from the ONS annual survey of hours and earnings and at a Moray level is considered of lower quality.

Key growth sectors in Moray are:

- **Aerospace and defence:** accounting for 8% of total employment, or some 2,750 employees. There is optimism for the future of this sector driven the strategic importance of Moray to the defence of the UK and its allies.

- **Tourism:** Moray's Tourism Strategy recognises that the sector generates over 10% of Moray's total employment and 3.8% of the total turnover of businesses. Currently tourism, including accommodation and food services, is the sixth largest sector in Moray, with visitors to the area supporting more than 2,846 full-time equivalent jobs.

- **Food and Drink:** The food and drink industry in Moray employs 17.1% of the workforce – the highest per head of population in Scotland. Moray is home to almost 50% of Scotland's whisky distilleries, which contribute directly to both skilled employment and to the tourism sector. However, with product manufacturing becoming increasingly automated, employment in the food and drink sector is currently forecast to decline by 11% by 2027.

- **Creative Industries and Digital:** The creative industries and digital sector is incredibly diverse and ranges from arts-based organisations to the small cluster of technology businesses that are growing quickly from bases in Elgin and Forres. The

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sector remains the UKs fastest growing sector, and in Scotland employment increased by 15% to 84,000 between 2015 and 2016. The sector's GDP is rising steadily.

- **Engineering and Construction:** Moray is an established base for light and heavy engineering – with a significant number of people employed in the offshore oil & gas industry, as well as in house building and in large infrastructure developments. With 8% of all employment in this sector, Moray is the headquarters location for a group of large businesses who are committed to workforce development and to apprenticeships, which underpin the predicted total employment rise of at least 300 jobs in skilled construction professionals in the area.

- **Life Sciences and Technology:** Moray is emerging as a strong location for research and development in life sciences and technology, with a number of different strands of activity energising the sector. In particular, the area has a growing reputation in the development of digital technologies designed to help improve service delivery and efficiency in the social care and health sector.

Moray is home to 5 of the 25 oldest family businesses in Scotland, each of which is widely recognised for the high quality of their offering at an international level. However most of these businesses are traditionally based in rural locations, which present logistical issues for their workforce. Meanwhile, a large proportion of local businesses have less than nine employees (81.5%) with only 2.3% having more than 50 employees. Much of Moray's economy as described above comprises multiple shifts working from the various plants, stretching the operating day far beyond the typical 9-5 of a more office-based economy, and thus generating accessibility needs over an extended day of operation. This extended accessibility is essential to ensuring inclusive availability of job opportunities across the economy.

Moray however has a more traditional industrial make up, with smaller businesses, slower business growth, and fewer opportunities for young people to go into their preferred sectors and a less developed infrastructure to support business.

The location of Moray and its rural nature has particular consequences for the economic growth of the area. At a national level, the north of Scotland competes with the central belt to attract new business and inward investment. Situated between the Highlands and Islands and Aberdeen City / Aberdeenshire council areas, Moray also has competition at a local level from its neighbours.

Two key factors are seen as having a major impact on the Moray economy: the missing generation of 16-29 year olds, and the issue of fair work for women, with evidence of occupational segregation, a significant gender pay gap, and additional under-employment issues for women.

Moray has a smaller proportion of 15-30 year olds (18%) compared to Scotland (20%). This is slightly higher than the Highlands and Islands overall level of 16%, but notably between 2011 and 2018, the number of 15-30 years olds living in Moray fell by 3.3% while the total population increased by 2.2%. A wide range of factors impact on choices and aspirations, which includes transport accessibility, but also aspirations in terms of preferred employment sectors. The young people of Moray have little interest in working in the food and drink sectors that dominate Moray's economy, due to weaker career progression opportunities and perceptions of low pay. The Moray economy is not currently

able to provide opportunities to fully match aspirations to enter the more sought after key industries of creative (including digital), energy (including renewables) and financial and business sectors.[15]

There is a very noticeable inequality in pay between men and women in Moray. In Moray the gender pay gap is more than double the Scottish average (9.6% vs 3.6% in 2021. The gap has closed in Moray in recent years, however it is still within the 10 poorest performing Council's against this metric. That said, Scottish Government analysis has been reported that the COVID-19 pandemic could exacerbate existing labour market inequalities for protected groups including women and overall the fallout from the COVID-19 pandemic, as well as Brexit, may put pressure on both the gender employment gap and the gender pay gap in coming years[16].

Taken from the 2021 ONS annual survey of hours and earnings, gross weekly pay for full-time workers in Moray was £668 for men (Scotland £650) and £491 for women (Scotland £577). Factors driving gender pay-gap include part-time employees being paid less than full-time employees, and with more women working part-time in Moray than men

The provision of accessible rural transport in Moray will be necessary to facilitate access to the jobs market for women and young people living in rural areas as many of them have no access to private vehicles. Other factors affecting economic growth include:

- Moray has a small number of large enterprises with more than 250 employees, but over 3,000 micro (0-9 employees), small (10-49 employees), and medium sized (50-249) enterprises, with micro enterprises forming over 88% of all Moray businesses. With support, this represents a massive potential for business growth. **The provision of reliable rural transport is important for many larger employers, a situation which may be exacerbated post-Brexit.**

- Access to key services, public spaces and retail centres is poorer in Moray than Scotland generally, possibly due to poorer public transport connections. **The provision of an enhanced rural transport network will promote inclusive access across the region.**

- Moray faces a declining working age population, while the number of residents of pensionable age and over is projected to increase by 33% by 2039. Initiatives that aim to reverse the trend in working age population decline could help deliver a more sustainable economic and fiscal model for Moray in the future. **The provision of an enhanced rural transport network will help to persuade more young people to remain in the area.**

Although Dial M for Moray is available for those unable to use existing forms of transport, or who do not have a regular scheduled bus service, this service availability is limited. The *project* will seek to expand the provision by using low-cost electric vehicles or other ultra-low carbon alternatives.

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[15] HIE Young People in Moray Attitudes and Aspirations 2018

[16] Gender pay gap action plan: annual report, 8 March 2021, https://www.gov.scot/publications/gender-pay-gap-action-plan-annual-report/

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Main Benefits Opportunities

Satisfying the potential scope for the *project* will deliver the opportunity for the following high-level strategic and operational benefits. These are set out as a scoping exercise here as part of the Strategic Case, which will then be developed further and evidenced in later stages of the Business Case.

Table 2: Benefits Opportunities Scoping

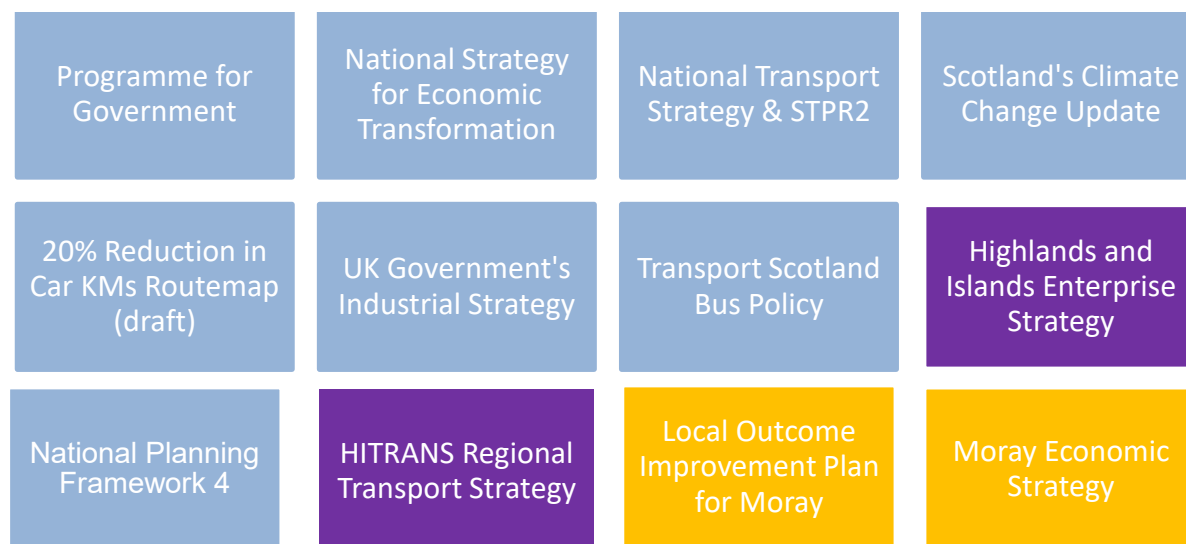| Class Of Objective	Main Benefits	Benefits Criteria	Stakeholders Affected	How will they be affected?	Scale of benefit
Strategic (wider social and Business related)	Travel	Reduce costs Reduce environmental impact of travel Increase satisfaction with public transport	Public Sector / Moray Residents	Affordable transport provided at the point of use and need leading to user and community satisfaction. Reduction in terms of poverty for those in low income households and the so-called working poor through reduction in transport outlay or increase in employment opportunities for example.	Significant scale benefits for Moray, with step change in rural areas. Potential for catalytic effect as scale of generated opportunity creates business growth potential, fosters entrepreneurial spirit etc.
	Attract / retain young people	Increase the percentage of the population aged between 16-29 years Reduce barriers to employment	Moray residents / Local businesses	Accessibility as a barrier is significantly diminished or removed across whole area. Young people can see opportunity to participate in learning, training and employment, as well as leisure and cultural activities.	Significant local benefit in terms of retaining and attracting young people in the area, may take some years to fully realise this potential; service stability will be essential.
	Rebalance demographic	Increase working population of the area as percentage of total	Moray residents / Public sector	Accessibility as a barrier to employment reduced / removed	Local benefit through more flexible labour pool to match between residents and opportunities that are available.
	Sustainable Economic Growth – Inclusive growth	All people able to access all opportunities;	Moray residents / Business / economy and public sector	Link up between business growth and wider pool of potential staff – realising potential and opportunities from a business and community perspective	Area-wide benefit, especially those unable to access entirety of labour market opportunities; business attract an inclusive and sustainable pool of applications to support growth.
	Tourism	Reduce barriers to tourism	Visitors and Tourism economy	Access to transport is a barrier to visitors accessing tourism businesses	Local benefit in attracting and satisfying visitors to Moray.
Operational (organisational and management related)	Travel	Reduce costs Increase opportunities Reduce CO2 emissions	Public sector / Moray residents / Global benefits	Viability of service provision enhanced through up-scaling and efficient operation leading to reduced operating costs. Whole life reduced operating costs of no / low emissions vehicles.	Significant scale benefit for service operation leading to enhanced viability and sustainability of the service. Global benefits in terms of reduction in emissions associated with transport.
	Attract / retain young people	Increase the number of young people	Local businesses	Greater catchment of employment opportunities, and local businesses across	Significant scale benefits both at the individual and local economy level, as well

Class Of Objective	Main Benefits	Benefits Criteria	Stakeholders Affected	How will they be affected?	Scale of benefit
		choosing to live/stay in Moray		the area have a wider pool from which to recruit staff; leading to growth potential and greater personal development	as therefore wider Scotland-level benefits
	Rebalance demographic	Reduced cost of care for retirement age population	Public sector	Enhanced accessibility across the area leading to increased independence, people are able to live a fulfilling and health life for longer in their own homes and within their communities	Benefits across the area for people who are older, and knock on benefits to the public purse
	Sustainable Economic Growth – Inclusive growth	Increased match up between jobs opportunities and pool of applicants; business growth	Business / local business / wider economy /	Increased wages, reduced reliance on social security payments, greater contribution to public purse; business growth and sustainability	Benefits across the area associated with those enable to access labour market, and wider business growth opportunities. Knock on benefits to the public purse.

Policy Context

The policy context has been updated as the *project* has progressed through the business cases. This has allowed cognisance to be taken also of new and emerging policies and strategies etc.

The *project* offers a wide fit with specific local, regional, and national plans and strategies, including:

Figure 1: Policy Landscape

Programme for Government	National Strategy for Economic Transformation	National Transport Strategy & STPR2	Scotland's Climate Change Update
20% Reduction in Car KMs Routemap (draft)	UK Government's Industrial Strategy	Transport Scotland Bus Policy	Highlands and Islands Enterprise Strategy
National Planning Framework 4	HITRANS Regional Transport Strategy	Local Outcome Improvement Plan for Moray	Moray Economic Strategy

This policy context has been updated as part of the Final Business Plan (FBC) review and programme. A summary of the key salient aspects from each of these relevant strategies and plans is presented in Appendix 7. The Project is particularly congruent with the Transport Scotland Bus Policy, which in itself is aligned with wider Scottish Government policy and strategy, notably the National Transport Strategy. The national bus policy includes a suite of best practice guidance documents to assist in the provision of bus services, and with bus policy aims to:

- provide the environment for bus to act as an effective economic enabler by providing competitive, high quality public transport;

- enable bus to provide an effective alternative to the car by improving reliability, average bus speed and encouraging improvements to the quality of services and infrastructure;

- encourage investment in more efficient vehicles that produce less greenhouse gases and contribute to the targets in the Climate Change (Scotland) Act 2009; and

- link communities, people, places of business and employment and essential services through encouraging the maintenance and development of the bus network in Scotland.

All of the key plans and strategies shown above have been reviewed to assess the relevance of the *project* in supporting their delivery. A summary of the assessment is detailed below. This specifically sets out the project opportunities, the evidence for the project in the context of each of these, and how the project therefore links to and benefits other relevant plans and strategies.

Figure 2: Policy Relevance to Project

Travel	Attract and retain young people	Reduce gender pay gap	Rebalancing demographics
Evidence for project rationale:			
Greater availability of travel opportunities and options is paramount to an inclusive society; the provision of travel is lower cost and less damaging to the local and global environment	Reduce barriers to employment, particulary for young people, and enable them to be independent to access learning, employment and leisure and social activities; enabling them to remain within their local community while also fullfilling their aspirations	Access for all, and at all times of the day; ebable women particulary to access work opportunities with unconstrainted travel opportunity; enabling more women in part-time and full-time work to suit their needs	Access enabling more people from the rural, currently under-connected areas, able to access range of employment opportunities, togheter with learning opportunities, health, leisure and cultural activities
Links with strategies and policies:			
NTS2 National Bus Policy RTS LOIP Moray Economic Strategy Scotland's Climate Change Update / Routemap to 20% reduction in car kms	Programme for Government National Strategy for Economic Transformation HIE Strategy Wider economic opportunity	Programme for Government National Strategy for Economic Transformation Moray Economic Strategy	Programme for Governmennt National Strategy for Economic Transformation LOIP

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Finally, in terms of policy fit, in the table below, is presented an appraisal of the extent to which the *project*, in terms of its key opportunities, satisfies the key specific aims, objectives and initiatives of each of the key plans and policies that have been reviewed, and in the context of the four categories of benefits opportunities as described above in Section 0.

From this more detailed appraisal it is clear that the *project* offers a wide breadth of positive coverage across these varying geographical levels of policies and strategies.

Table 3: Policy Context and Fit with Project

✓✓✓ significant positive impact / factor ✓✓ positive impact / factor ✓ **slight positive impact / factor** / **neutral** ✗ **slight negative impact / factor** ✗✗ **negative impact / factor**		Travel	Attract and retain young people	Reduce gender pay gap	Rebalancing demographics
Programme for Government	Introduce the Scottish Youth Guarantee to ensure every young person has the opportunity of work, education, or training	✓✓	✓✓	✓	✓
	promoting place-based economic development and cohesion, helping communities across Scotland to improve key economic, social and wellbeing performance indicators	✓✓	✓✓	✓	✓✓
• National Strategy for Economic Transformation	Investing in our people, infrastructure and assets in a sustainable way	✓✓	✓	✓	✓
	Promoting inclusive growth	✓✓	✓✓	✓	✓✓
NTS2 / STPR2	Reduces inequalities	✓✓	✓✓	✓	✓✓
	Takes climate action	✓✓	/	/	/
	Helps deliver inclusive economic growth	✓✓	✓✓	✓	✓✓
	Improves our health and wellbeing	✓✓	✓✓	/	/
Scotland's Climate Change Plan Update 2020	By 2032 our roads will contain **no new petrol and diesel cars and vans**; sustainable transport will be the instinctive first choice for people; embraced **more walking, wheeling, cycling, public transport and shared transport options**	✓✓✓	✓	✓	✓
Route map to 20% reduction in car KMs	Reducing the need to travel	✓✓✓	/	/	/
	Living well locally	/	✓✓✓	✓	✓
	Switching modes	✓✓✓	/	✓	✓
	Combining or sharing trips	✓	/	/	/
UK Industrial Strategy	Clean growth	✓✓	/	/	/
	Future of mobility	✓✓	✓	/	/
Transport Scotland Bus Policy	bus to act as an effective economic enabler by providing competitive, high quality public transport	✓✓	✓	/	✓
	bus to provide an effective alternative to the car by improving reliability, average bus speed and encouraging improvements to the quality of services and infrastructure	✓✓	✓✓	/	/
	investment in more efficient vehicles that produce less greenhouse gases and contribute to the targets in the Climate Change (Scotland) Act 2009	✓✓	/	/	/
	link communities, people, places of business and employment and essential	✓✓	✓✓	/	✓

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✓✓✓ significant positive impact / factor ✓✓ positive impact / factor ✓ slight positive impact / factor / neutral ✘ slight negative impact / factor ✘✘ negative impact / factor		Travel	Attract and retain young people	Reduce gender pay gap	Rebalancing demographics
	services through encouraging the maintenance and development of the bus network in Scotland				
Highlands and Islands Enterprise 2019-22 Strategy	*Enabling infrastructure*	✓✓	/	/	/
	Business creation and growth	✓	/	/	/
	Community assets	✓✓	✓	/	✓✓
HITRANS Regional Transport Strategy	*Reducing journey times and improving journey reliability and resilience*	✓✓	/	/	✓
	Improving and maintaining the safety of transport and travel	✓	/	/	/
	Protecting the environment and mitigating the adverse impacts of transport / travel	✓	/	/	/
	Improve health and wellbeing	✓	✓	✓	✓
Moray Local Outcomes Improvement Plan (LOIP)	*a place where … young people thrive; a place where they have a voice, have opportunities to learn and can get around*	✓✓	✓✓	/	✓✓
	A thriving and well connected place, where more people live well in their communities	✓✓	✓	✓	✓
	By the year 2030 Moray is a destination of choice, the area being known and recognised as an outward facing and ambitious community with a thriving and well connected commercial base	✓✓	✓✓	✓	✓
Moray Economic Strategy 2019-2029	*A place that is thriving because of an increasingly diverse economy and a growing population that celebrates success, and values both education and training*	✓	✓	✓	✓
	A distinctive and ambitious place that generates opportunities for everyone which in turn helps to drive up average earnings, retain balanced demographics, and encourages strong communities to flourish	✓	✓	✓	✓✓

This analysis provides the evidence of the *Project* offering a good contribution to key local, regional, and national objectives. Specifically, there is strong correlation nationally with the Programme for Government, with the Project presenting the inclusive access opportunity to promote and build place-based economic development, which will help communities, and all within those communities, particularly those on lower incomes and who do not have access to a car/van, to participate in employment, training, learning and leisure activities.

There is similarly a strong correlation between the project opportunities and the National Strategy for Economic Transformation particularly with the strands to invest in our people, infrastructure and assets in a sustainable way, and to promote inclusive growth. The Project opportunity will fully satisfy these objectives, delivering a step change through investment in inclusive accessibility, which will benefit most those with limited or no accessibility to a range of opportunities.

Likewise, the Project opportunity concords strongly with the more transport specific national objectives through both the National Transport Strategy (NTS2) and the mode specific Transport Scotland Bus Policy, and the recent transport elements of Scotland's Climate Change Plan Update and the Routemap to a 20% reduction in car KMs. In relation

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to the former, the *project* will in a very targeted, but also widely inclusive way, positively address present inequalities that are driven by gaps in accessibility. Consequently, the Project opportunity will in turn help deliver inclusive economic growth and will enable individual members of the communities served to improve their own health and wellbeing.

Furthermore, as the NTS2 sets out, in order to address the challenges and achieve the Priorities there is a need to embed a *Sustainable Travel Hierarchy* in decision making by promoting walking, wheeling, cycling, public transport and shared transport options in preference to single occupancy private car use for the movement of people. The *project* is congruous to this approach, investing in a step change in public transport availability and quality, which as the NTS2 refers, is important given the dominance of bus as a public transport mode, already accounting for three quarters of all public transport trips, and

being particularly important to areas which are not served by the rail network, including much of rural Scotland. It is also importantly highlighted in the NTS2, which will be supported through the delivery of the *project* that bus tends to be a more active mode than a car journey as travelling by bus typically involved a walk to and / or from the bus stop. Thus the *project* will support embedding healthy active lifestyles, as well as supporting the accessibility improvements to improve mental as well as physical wellbeing. Transport interventions in

Figure 3: Sustainable Travel Hierarchy

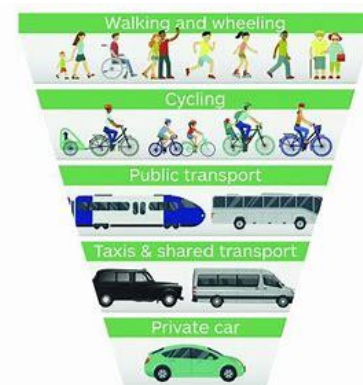Moray promote active travel, and easy multi-modal journeys wherever possible – for example, through:

- the trial of bike racks on commercial bus services in Moray;

- HITRANS MaaS project app Go-Hi, which enables people to book end to end journeys and see transport options; and

- the recent provision of Brompton Bikes at Elgin railway station.

However, there are practical limitations through vehicle size and layout in enabling bikes to be carried on demand responsive bus vehicles for bus/cycle journeys,

In addition, the NTS2 sets out the *Sustainable Investment Hierarchy,* which is set out to 'inform future investment decisions and ensure transport options that focus on reducing inequalities and the need to travel unsustainably are prioritised'. The *project* is a strong fit with this hierarchy, the provision of new transport opportunities to areas, and at times, currently without public transport will provide valid options that will reduce the need to travel unsustainably, as per the head of the hierarchy. People will have a strong and quality public transport choice, and this will particularly support people who are otherwise, as described above, 'forced' into car ownership through lack of suitable public transport alternatives.

From a local perspective, there is very strong correlation between the Project opportunities and the elements of the LOIP and the Moray Economic Strategy, providing clear evidence of the *project's* opportunity to make a significant contribution to individuals and the community as a whole through being a lynchpin in supporting a thriving and well-connected place across the area.

<div align="center">Page 171</div>

Project Outline SOC Objectives

The aims of the *project* continue to be valid at the time of writing this Final Business Case.

The project outline objectives were derived from the strategic context and issues presented above, from consideration of the key issues, constraints and opportunities, and considering how the *project* can help deliver wider local, regional and national policies and strategies.

The *project* initial outline objectives were:

- To increase use of public transport in the youth and working age population.

- To provide a low carbon and long-term sustainable transport connection.

- To tackle barriers to employment and improve access to services by providing transport connections that recognise the rural nature of Moray and the location of its SMEs.
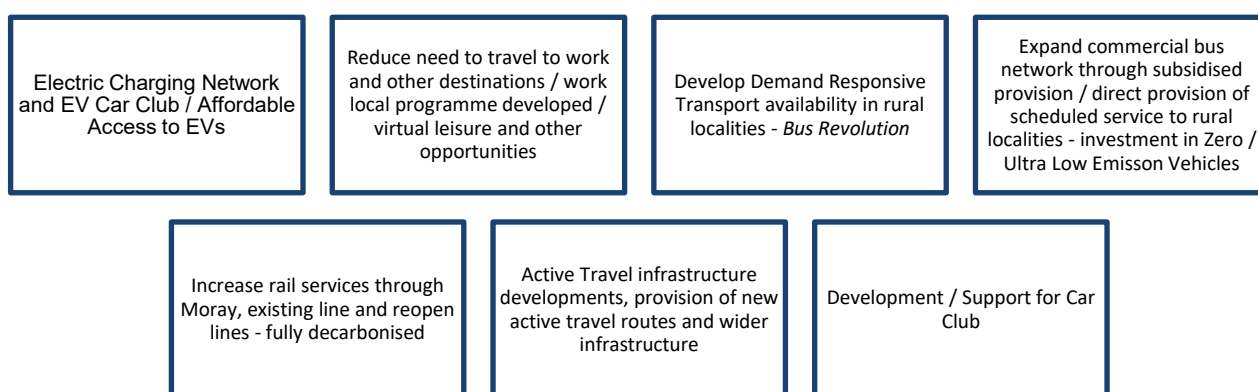
Long List Options

This section describes an overview of the considerations and thought process behind the initial options deliberation that channelled the early development of the *Bus Revolution* concept.

These initial *long list* options were derived from a desk-based scanning exercise to consider all those options that could hypothetically support realisation of the Project Outline Objectives – this process drew from existing work programmes within Moray as well as other actions, such as those subsequently set out in the policy review that has been described as part of this business case.

This initial long list of *options* drawn from this scanning exercise are as set out in Figure 4 below.

Figure 4: Initial Long List Options

Appraisal of Long List Options

As per the Scottish Transport Appraisal Guidance approach, this section then sets out an indicative appraisal of these initial long list of possible options that were considered at a high-level to determine which were appropriate to consider in further detail, to develop, refine and consider as part of the business case process.

This preliminary options appraisal was undertaken by first considering the above noted options in the context of the Investment Objectives (Section 0), the STAG criteria,

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feasibility, affordability and public acceptability, and setting out then the rationale for selection or rejection. This appraisal is presented in Table 44.

Table 4: Long List Appraisal of Options

-3 Strong Negative / -2 Moderate Negative Impact / -1 Slight Negative Impact / 0 Impact Neutral / +1 Slight Positive Impact / +2 Moderate Positive Impact / +3 Strong Positive Impact	To increase use of public transport in the youth and working age population	To provide a low carbon and long-term sustainable transport connection	To tackle barriers to employment and improve access to services by providing transport connections that recognise the rural nature of Moray and the location of its SMEs	Environment	Safety	Economy	Integration	Accessibility and Social Inclusion	feasibility	affordability	Public acceptability	Rational for selection or rejection
Electric Charging Network and EV Car Club / Affordable Access to EVs	0	1	1	1	-1	1	0	1	1	-3	-1	REJECT: Positive project overall, increase in traffic, even EV could have adverse impact in terms of congestion. Will require massive investment and management to achieve scale of change to satisfy objectives. Consider elements as part of other complimentary projects in Moray.
Reduce the need to travel to work and other destinations / work local programme developed / virtual leisure and other opportunities	-2	1	1	1	1	-1	-1	-1	-2	-1	-1	REJECT: Will make positive contribution where some jobs can be worked from home, but challenges around matching with the large manufacturing sector in Moray, which requires a significant share of on plant working.
Develop Demand Responsive Transport availability in rural localities; build upon Dial M existing operation – *Bus Revolution*	3	3	3	2	2	2	1	3	2	2	2	SELECT: existing strong acceptability of project offer, DRT offers good fit with dispersed population and to multiple employment and other destinations
Expand commercial bus network through subsidised provision / direct provision of scheduled service to rural localities - investment in Zero / Ultra Low Emission Vehicles	1	1	1	1	1	1	2	2	3	-2	1	REJECT: dispersed population would result in very thin routes, which would be very expensive to operate at any coverage using conventional services
Increase rail services through Moray, existing line and reopen lines - fully decarbonised	1	-2	-1	1	1	1	1	-1	-3	-3	1	REJECT: difficult, expensive and long time to provide any uplift in accessibility which will not be able to penetrate well the dispersed population that require additional public transport offer to achieve the stated benefits
Active Travel infrastructure developments, provision of new active travel routes and wider infrastructure	-2	1	-2	1	0	1	0	0	-1	-2	1	REJECT: would offer distinct benefits, but not necessarily in respect to identified project objectives. Pursue as part of wider and specific programme in localities across Moray – complimentary to DRT option.
Development / Support for Car Club	1	1	1	1	0	1	0	1	1	1	1	REJECT: offers some potential to suit some community members, but does not offer full realisation of benefits as minimal coverage / acceptability in the short to medium term. Consider developing complimentary project alongside DRT option.

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As a consequence of this high-level appraisal, the DRT option has been assessed as best satisfying the transport planning objectives and was consequently carried forward for further development through the bus case methodology. **The DRT option is selected –** *Bus Revolution***.**

The **EV-based, work local programme, active travel and car club options were rejected** from this process, BUT continue to be considered as part of wider programmes and developments through locality-based approaches in Moray.

The **conventional bus and rail options were rejected** from the process altogether.

Development and Refinement of Detailed Investment Objectives

The investment objectives have been developed and refined from the outline objectives presented above at Section 0, and which were used as part of the long list appraisal, for this *project* specifically are as follows:

- **Investment Objective 1:** Increase public transport passenger journeys by 30,000 per annum by 2030.

- **Investment Objective 2:** To reduce the environmental impact of transport in the area by 30t CO2e p.a. by 2030.

- **Investment Objective 3:** 20% reduction in number of people facing transport barriers to employment, education or recreation by 2030

The project team have reviewed the most current data to inform and validate the issues and opportunities for the project in the context of the short-listed option, and this has been further endorsed by the involvement of a wide range of key stakeholders, both public and private sector, in terms of shaping the project and informing the evaluation and appraisal of options through the OBC and into the FBC.

There remained great similarity in the findings here, with some small changes:

- Proposed operating times; and

- The inclusion of some out-of-county journey opportunities retaining the service solution as being operated by Moray Council, but recognising the need to maintain a strong partnership approach with the commercial sector in regards to the 'whole' public transport offer in Moray.

The evolution of the objectives through the business case development process are as set out in Table 5.

Table 5: SOC Investment Objectives Refinement Process Log

SOC Investment Objective	OBC Investment Objective	Rationale	FBC Investment Objective	Rationale
To increase use of public transport in the youth and working age population by creating an engaging brand proposition which demonstrably meets their needs, and using financially generative marketing campaigns	To increase the number of public transport passenger journeys to get to and from rural areas to places of work, education, and tourist destinations etc. by 30,000 per annum by 2031.	To be more specific and measurable on passenger numbers to demonstrate impact, and recognise that marketing is a means to achieve the outcome	Increase public transport passenger journeys by 30,000 per annum by 2030	More focussed, covering all travel needs to align with 20% reduction in car KMs route map – realisation date brought forward to 2030 for alignment, but requires an expedient start.
To provide a low carbon and long-term	To reduce the environmental impact	To be more specific and measurable,	To reduce the environmental impact	Retain; supports Scotland's Climate

SOC Investment Objective	OBC Investment Objective	Rationale	FBC Investment Objective	Rationale
sustainable transport connection: to provide flexible, low carbon and long-term sustainable transport connection by innovating from the existing Dial M base	of transport in the area by 30t CO2e p.a. by 2031.	focussing on the environmental elements of the original objective – removing explanatory background text	of transport in the area by 30t CO2e p.a. by 2030.	Change Plan – realisation date brought forward to 2030 for alignment but requires an expedient start.
To tackle barriers to employment and improve access to services by providing transport connections that recognise the rural nature of Moray and the location of its SMEs	To reduce the number of people facing transport barriers to employment, education or recreation by 20% by 2031	To be more specific and measurable in relation to tackling barriers to employment, education and access to services	20% reduction in number of people facing transport barriers to employment, education or recreation by 2030	Reworded; good match with wider policy context, poverty and challenges around increasing cost of living – realisation date brought forward to 2030 for alignment, but requires an expedient start.

These are then the Transport Planning Objectives, and their scope is defined based on the full understanding of the issues and opportunities described above. This forms the foundation of progressing towards the detailed Preferred Option for the *project* as presented later in the Economic Case.

Note that initial objectives have been set to run until 2030, which is on the basis of allowing an initial run-in period following the commencement of the *Bus Revolution,* and to coincide with the Scottish Government interim carbon reduction goal of 75% by 2030. This also then critically links with the Moray contribution to the Scottish Government target to reduce car kilometres travelled in Scotland by 20% by 2030.

Investment Objective 1 is closely matched with the identified problems and opportunities and the policy context. Increasing the number of public transport journeys to and from rural areas to places of work and other destinations will make progress for the area in terms of unemployment and underemployment where transport is a barrier to participation. The target for objective 1 has been set based on a judgement assessment, which has been homed in on bridging the gap between the Moray (5%) and Scotland (10%) level, whereby bus is the usual mode for the journey to work. This judgment basis is set out further in the objective monitoring table that follows below, with the objective to progress towards a mode share in the order of 7.5% initially.

Investment Objective 2 is based on the carbon impact of the modal shift from private car to use of EV based bus journeys, using UK Government carbon conversion rates and Green Book carbon pricing information. The project carbon categorisation is detailed in Appendix 9.

Investment Objective 3 is in response to the real challenges associated with transport as a barrier to access. Notably, that two thirds of employed adults in the most recent Scottish Household Survey output report that they could not use public transport from the journey to work, and furthermore that lack of affordable transport acts as a barrier for between seven and 17% of young people across Moray from the Highlands and Islands Enterprise Young People in the Region research.

In order to validate the detailed investment objectives, and indeed the strength of the preferred option as part of that evaluation and appraisal in the context of these objectives, they have been considered alongside each other, and in the context of the overall objectives of the Scottish Government.

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Table 6 then presents an assessment of the preferred *project* option against the Scottish Government's Objectives, drawn from the National Performance Framework 4 National Outcomes. This assessment is based on the preferred option as detailed in full in the Commercial Case at Section 4.1. Going forward a thematic approach to benefits reporting will be taken as part of the programme benefits plan and the monitoring & evaluation of the project, and we will articulate how improvements are being generated against agreed indicators – including project, programme and inclusive growth indicators.

Table 6: Assessment of project against SG objectives

Scottish Government Objectives:	The development of an "uber-style" app to enable customers to track the position of buses and book journeys within a reasonable response time (max. 1 hour) Available across Moray, and to key destinations beyond the area; integrated with commercial routes. Brand marketing and promotion.	An investment in quality green fleet (electric buses), to increase the flexibility and hours of operation of on-demand bus provision across Moray, with additional facilities such as on board Wi-Fi, charging facilities etc. Real time booking technology, including scheduling, monitoring and customer interface.
We grow up loved, safe and respected so that we realise our full potential	Increased public transport availability connects rural communities to opportunities enabling all to reach their potential within their community	Community benefits from everyday usage of high quality vehicles and customer interface (as well as the access enhancements itself), supporting communities to feel a strong sense of belonging and respect for their community.
We live in communities that are inclusive, empowered, resilient and safe	Increased public transport availability for all supports widespread inclusion, leading to feelings of empowerment and resilience *note – existing telephone bookings will be retained for inclusivity	
We have a globally competitive, entrepreneurial, inclusive and sustainable economy	Inclusive economy whereby rural residents regardless of household income or car availability are able to participate in a sustainable economy. Transport accessibility is removed as a barrier for rural residents seeking employment or career progression etc. supporting an inclusive economy	Reduced emissions alongside increased participation in the local economy, supporting sustainable economic development in the area
We are well educated, skilled and able to contribute to society	Transport accessibility is removed as a barrier for rural residents seeking learning and training opportunities	
We value, enjoy, protect and enhance our environment	Reduction in car-based journeys; less reliance on private car; aspiration / need to acquire a car to participate, particularly for young residents is reduced	Reduction in car journeys and operation of low/zero emission vehicles; as well as technology to optimally route vehicles, minimising environmental impacts.
We have thriving and innovative businesses, with quality jobs and fair work for everyone	Widening of labour market through step change in accessibility for rural Moray supporting thriving businesses in the area	Increased public transport availability across the area supports availability of quality jobs for everyone, in turn enabling innovation and business growth.
We tackle poverty by sharing opportunities, wealth and power more equally	Increased public transport availability directly tackles poverty within our community through removing transport barriers as a means to making opportunities available to all; leading to increased incomes across the community; poverty tackled directly by increasing household incomes and wealth.	High quality operation and provision of on board facilities, such as WiFi etc. Supports access for all agenda, both in terms of transport and to the internet.

From this appraisal against the Scottish Government Objectives, it is evident that the *project* will make a significant contribution across multiple of the Scottish Government objectives, notably then supporting locally across Moray the contribution to the Scottish Government's overall purpose, and indeed satisfying across all five strands:

- create a more successful country;

- give opportunities to all people living in Scotland;

- increase the wellbeing of people living in Scotland;

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- create sustainable and inclusive growth; and

- reduce inequalities and give equal importance to economic, environmental; and social progress.

The investment objectives presented and appraised in the section above will be measured within the Moray Growth Deal Benefits Realisation Plan which is referenced in the Monitoring and Evaluation section of the Governance Framework for the Deal. The Baseline, targets and indicators will be revisited as the project progresses.

Specifically, the objectives will be measured and monitored as set out in Table 7.

Objectives 1 and 2 can be baselined and monitored primarily using ticketing data. These measures will be further supplemented by survey data in order to evidence judgement on whether the passenger journeys represent modal shift (informing the carbon savings calculations) and how many individuals from what demographic are using the transport in order to access education, employment or other recreation/services.

Existing survey data sources have been explored for evidence of TPO 3. Due to lack of reliable survey data with adequate sample size the Moray Council will need to commit to carrying out a primary survey of residents. This could be via existing surveys carried out by the council (of all residents or targeted resident demographics) and specific surveys targeted at bus users (carried out on the bus or emailed to registered users of the DRT booking application).

Table 7: TPO Baseline and Targets

Objective	Baseline (2018/19) (Pre-Covid)	Source	Frequency of Reporting	Target
To increase the share of public transport passenger journeys by 30,000 per annum by 2030.	Usual method of travel to work – bus 5% (2019)	TATIS – Scottish Household Survey	Continuous survey	Increase to 7.5% bus share
	Actual passenger numbers prior to the project	Ticketing information system	Continuous data feed	Increase passenger numbers by 30,000 per annum by 2030
	Adults' views on satisfaction with public transport – 4% very satisfied, 36% fairly satisfied	TATIS – Scottish Household Survey	Continuous Survey	Increase shares to 15% very satisfied, 40% fairly satisfied
To reduce the environmental impact of transport in the area by 30t CO2e p.a. by 2030.	As above and converted to measure environmental impact, supplemented by survey data on previous mode of travel	Ticketing information system	Continuous data feed	30t CO2e p.a. by 2031
20% reduction in number of people facing transport barriers to employment, education or recreation by 2030	Primary Survey	Primary Survey	Annual	20% reduction in number of people facing transport barriers to employment, education or recreation by 2030
	Employed adults (16+) - could not use public transport – 66% (2018)	TATIS – Scottish Household Survey	Was not collected in 2019 – is collected in even years.	Reduced to: <53%

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The rationale for this project is underpinned by a range of business needs, which are expressed as issues and opportunities, particularly transport barriers to participation in society, and the adverse environmental impact of transport, as well as opportunities to green the public transport fleet.

The summary of issues and opportunities that are described in more detail above in Sections 0 and 0 is summarised in the table below, together with, critically, how these issues then flow in terms of match with the developed and detailed objectives presented in this section.

Table 8: Match between TPOs and Key Issues and Opportunities

Key issues	Opportunities	Match with Objective
Dispersed rural population; major gaps in public transport provision to match up with economic, learning and social activities	Provision of bespoke public transport offer to match transport accessibility need with employment, learning and other opportunities in Moray	To increase the number of public transport passenger journeys to get to and from rural areas
Young people leaving Moray - Higher proportion of young people leave Moray after school than Scottish average and fail to attract other young people to move here.	Provision of public transport to currently unserved areas to match transport need to access employment, learning and other opportunities in Moray.	To reduce the number of people facing transport barriers to employment, education or recreation
Commercial bus routes are not viable for many parts of Moray	Develop modern transport solution, and using technology, to match travel demand and supply dynamically	To increase the number of public transport passenger journeys to get to and from rural areas
Transport is a major contributor to emissions and climate change	To create a public transport solution, available to all, using technology to route plan and operate efficiently and based on zero emissions vehicles	To reduce the environmental impact of transport in the area
Strong economic base with mix of very large and many small and medium enterprises with significant growth potential, based often across rural locations	Provision of responsive transport with mass coverage to connect people across rural Moray to workplaces (and other opportunities) across Moray	To reduce the number of people facing transport barriers to employment, education or recreation
Geographical 'pockets' of relative poverty; low wage employment; high costs of living (food, fuel, housing, transport)	Provision of affordable public transport options to meet needs well in order that community members can access wide range of opportunities; hence provision of affordable access	To reduce the number of people facing transport barriers to employment, education or recreation

Scope and Key Service Requirements of Short List Option

The preferred option – that selected through the appraisal – has then been refined and developed as part of the project evolution. Project development has been guided by the following range of service scope or requirements. These variances in terms of how the DRT option could be established and rolled out are considered and appraised in full within the Economic Case.

Table 9: Business Scope and Key Service Requirements for Consideration

	Minimum	Intermediate	Maximum
Potential business scope	Development of Dial M with limited brand revamp, using current fleet.	Expanded 'fixed' timetabled services. 6 days per week enhanced as 0700-2200h. Using electric vehicles/ other ultra-low carbon with high customer specification.	Expanded 'fixed' timetabled services. 7 days per week enhanced as 0500-0000h. Using electric vehicles/ other ultra-low carbon with high customer specification.

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| Key service requirements | Improved customer access. | Extended service plus green fleet/lower operating costs. | Service increased to meet social demands of younger demographic and across all areas. |

The preferred option service requirement, based on the scope presented above, is then set out in full in Section 3.4, which describes the range of option development scenarios which were then developed to be considered for the economic appraisal.

Table 10 presents an assessment of the degree to which these *project* scope elements match with the objectives. This shows a high level of accord across all aspects, demonstrating a strong fit between the objectives and the *project* scope.

Table 10: Assessment of degree to which the project scope match TPOs

		Project scope		
✓✓ positive impact / factor ✓ slight positive impact / factor neutral impact / factor ✗ slight negative impact / factor ✗✗ negative impact / factor		On-demand service early to midnight (Mon-Sat) and 7am to 10pm (Sun)	Service integrated with commercial routes	Booking to service time as close to real-time as possible
Investment Objectives/Transport Planning Objectives (TPOs):	To increase the number of public transport passenger journeys by 30,000 per annum by 2030.	✓✓	✓✓	✓✓
	To reduce the environmental impact of transport in the area by 30t CO2e p.a. by 2030.	✓✓	✓✓	✓✓
	20% reduction in number of people facing transport barriers to employment, education or recreation by 2030	✓✓	✓✓	✓✓

The table above demonstrates clearly that the three core strands of the project scope will provide the foundation for solid progress towards meeting the Objectives. That is, an increase in public transport journeys would be expected for new travel opportunities created; there would consequently through the shift of some journeys from car, and through the operation of new electric vehicles, be a reduction in the environmental impact of transport in the area, and this critically being in tandem with also a reduction in the number of people facing transport barriers to employment, education or recreation.

Given that significant areas of Moray have no bus service other than the off peak Dial M DRT service, and the mixed working pattern created by the shifts for core employment opportunities in manufacturing and hospitality, the provision of demand responsive transport 7 days a week with early 'til late services creates the strongest match with the objectives.

By planning the service provision in an integrated way with the existing commercial bus services, this allows for the greatest efficiencies without overlapping services, providing more journey opportunities for people – thus meeting all three objectives.

One of the current challenges with demand responsive transport is the need to pre-plan and book journeys at least 24 hours before travel, thus reducing flexibility and attractiveness of the service for customers. Introducing technology which enables as close as real time booking as is possible increases that flexibility for the customer, making the use of demand responsive bus travel much more appealing, and therefore more likely to achieve the objectives.

Main Strategic Risks

Risk management is an integral and critical part of the planning and procurement, and of project delivery generally.

A risk register has been developed as part of the project development where all key risks will continue to be recorded, assessed, and managed on a regular basis. Every project is subject to constant change, and it is essential that the risk register is reviewed regularly and treated as a live document through the project management approach.

The main business and service risks associated with the potential scope for this project are shown below, each showing a likelihood and impact score on a scale of 1-5, with 1 being low and 5 being high. Project risk categories cover financial, political, business, public acceptability, service, and external environment risks as follows:

Table 11: Risk Register

Risk categories	Description	Likelihood	Impact	Mitigation	Result
Financial	Uncertainty within costing for project	2	5	Apply suitable Optimism Bias to cost estimate; review costs as project evolves	Project costs are robust
	Quantified benefits not significant enough	2	4	Need to fully explain the context within the report and describe the magnitude of the benefits qualitatively	Readers have a full understanding of the benefits of the project
	Service does not generate demand as projected	3	3	Ensure community buy-in through close engagement adopting a people-centred approach to service design and development in keeping with Community Wealth Building approach; develop strong marketing plan	Service is well used by community and visitors; ticket sales match and exceed projections
Political	Degree of political and community acceptability with finalised options unknown	1	5	Report back to Elected Members on the detail emerging and develop full engagement programme for community as project develops	Elected members and community fully sighted on project and given opportunity to shape the *Bus Revolution* project as it progresses to the delivery stage
Business	Competing demands for resources	1	5	Project progressed in parallel through Growth Deal	Project progresses to budget and programme
	Inability to raise private sector funding (e.g. company purchased season tickets).	2	3	Ongoing discussions with service providers and larger employers.	Service providers and larger employers shape products and are bought into the project
Public acceptabili-ty	Community are not engaged in project; detailed design does not match needs and wants of the community	2	4	Community engagement reviewed regularly – recent online survey to gain views on proposals – follow up. Utilise established communication channels	Detailed design of project meets community needs; project is well supported by community
Service risks	Supplier availability	1	5	Early engagement with suppliers through established channels; supplier situation being monitored during pandemic.	Good range of suppliers engaged in procurement process
	Cost of vehicles	2	4	Regular review of costs Size of vehicles and or specification may be reduced if costs prohibitive.	Project delivered on budget
	Procurement delays	3	4	Early engagement with suppliers and early at risk acquisition for Phase 1 by Council	Project delivered on programme
External environmental risks	Impact of Covid-19 pandemic on public confidence / on future demand for bus services, including as a result of ongoing use of home working practices	3	3	Marketing campaign planned prior to launch-adaptions to vehicles considered to increase safety and security	Project delivers transport planning objectives; passenger carrying targets achieved and benefits realised

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Risk categories	Description	Likelihood	Impact	Mitigation	Result
	Impact of Brexit. Legislative changes.	2	4	Ongoing discussions with service providers. Situation being monitored. Advanced planning and communication.	Project delivered on time and budget

These risks, and any others that emerge through regular review and consideration through the evolution of the project, will be reviewed on an ongoing basis and will be analysed and any mitigations identified to manage risks. This will form a core and important element of the project management arrangement for *Bus Revolution.*

Project Constraints and Dependencies

The project is subject to the following constraints:

- Compliance with procurement strategies.

- The project is subject to funding constraints and so cannot be completed within the timescale required to allow the benefits to accrue if funding is not realised.

- (Other than financial) resources that are available to enable the project to be delivered on time and to the right quality.

The project is subject to the following dependencies that will be carefully monitored and managed throughout the project life cycle:

- The project is dependent on ongoing political support and the relationship between partner organisations and stakeholders.

- Alignment with national / regional developments.

- The project has sufficient financial backing through implementation to ongoing delivery, including the release of funding dependent on development of the full business case.

- The project has sufficient external authorisations to proceed, e.g. licensing permissions.

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3. The Economic Case

Introduction

At the start of the development of the Outline Business Case a project board was formed of key stakeholders to direct and guide the project. The key stakeholders included representatives from Moray Council, Highlands and Islands Enterprise, Moray Chamber of Commerce, Highlands and Islands Transport Partnership (HITRANS), and Walkers Shortbread Ltd.

At the inaugural meeting of the board on 3rd April 2020 the members of the board agreed to set-up a series of short virtual workshops to:

- identify and agree spending objectives, existing arrangements, business needs, and potential scope for the project.

- identify the key service requirements for the project, related benefits and risks, constraints and inter-dependencies.

- revisit in detail the options appraisal exercise undertaken in the Strategic Business Case to ensure that all options had been properly considered.

These workshops took place during May and June 2020 and included a benefits mapping exercise (Appendix 1) to assist in developing the logic model for the project.

The logic model developed from this activity was as described in Table 12.

Table 12: Project Logic Model

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES	IMPACTS
Resources needed to deliver the project.	Actions needed to deliver the project.	Measurable direct results of the activities.	Medium term benefits on the economy.	The long-term effect upon the economy or society
Funding, Plans, App technology – to enable booking and tracking, Operational Fleet (electric buses)	Licencing, Branding and fit-out of vehicles, Additional drivers recruited, Marketing and promotion	Expanded network and operational hours, Reduced private vehicles on roads, Reduced rural unemployment	Increased use of and satisfaction with public transport, Reduced carbon emissions Increased female and youth participation in labour market	Increased use of public transport, Reduced environment impact of transport in the area, Reduced transport barriers to employment, education and recreation

Critical Success Factors

A programme board meeting was held on 11th May 2017 to determine the CSF's for the short list project developments and refinements. The attendees included relevant stakeholders from Moray Economic Partnership, Highlands and Islands Enterprise, University of the Highlands and Islands, Skills Development Scotland, and Moray Council.

Following initial project scoring and prioritisation these CSF's were amalgamated and used alongside the detailed investment objectives for each project refinement option in the programme to evaluate this new long list of possible options (variations within the short list option from Section 0). The board decided that all CSF's should have equal weighting and be used for all projects in the deal to provide a consistent approach to evaluation.

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Table 13: Critical Success Factors CSFs

CSF1	Strategic Fit (Vision / Government Policy)	How well the option provides holistic fit and synergy with other key elements of national, regional and local strategies
CSF2	Potential VFM	How well the option maximises the return on the required spend (benefits optimisation) in terms of economy, efficiency and effectiveness from both the perspective of the organisation and wider society and minimises associated risks.
CSF3	Potential Achievability	How well the option is likely to be delivered in view of the complexity of the option, and the experience, capability and capacity of the partners involved.
CSF4	Supply side capacity	How well the option matches the ability of the service providers to deliver the required level of services and business functionality, and appeals to the supply-side.
CSF5	Potential Affordability	How well the option meets the likely availability of funding and matches other funding constraints, including the capital and revenue consequences associated with the proposed investment.

Bus Revolution Long-listed Options

The Treasury's Green Book suggested options framework was used to generate a reasonable number of options for the long list (within the context of the preferred option from the earlier appraisal) by systematically working through the available choices for what, how, who, when and funding. This takes the optioneering process beyond the standard STAG approach, which had been earlier considered in order to undertake a wider-ranging review of issues and possible solutions.

As per the Green Book approach, options were generated by holding a series of workshops with a wide group of stakeholders and in cognisance of the identified issues and opportunities that have been summarised above, and within the context of the Scope and Key Service Requirements as set out in Section 0.

At the workshops, evaluation was undertaken to assess how well each option met the investment objectives and CSFs at each stage.

The initial long list options then comprised:

- **Option 1 – do nothing – current Dial M for Moray service.**

- **Option 2 – the 'minimum' scope – slightly expanded operation over the current to cover weekday peak times.**

- **Option 3 – the 'intermediate' scope – increased operational hours to include evenings and Saturdays (no Sunday service).**

- **Option 4 – the 'intermediate plus' scope – increased operation with evenings and weekends covered (shorter hours on Sundays).**

    Option 5 - 'maximum' scope – 24/7 operation.

The results of the options appraisal workshops are recorded in Appendix 2. A summary of the results is shown below.

Specifically, for each of the service aspects / option choices, that is:

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- Scope – coverage of the service to be delivered.

- Service solution – how this will be done.

- Service delivery – who is best placed to do this.

- Implementation – when and in what form this can be implemented.

- Funding – what the service will cost and who will pay for it.

Each option was fully considered in respect to the level of fit with the Transport Planning or Investment Objectives (TPOs) and with the Critical Success Factors (CSFs), as set out in earlier sections. This assessment was summarised in terms of the degree to which each option satisfied the objective or success factor on a scale of:

- N – fails to meet some aspects of CSFs / TPOs – consider **dropping**

- ? – possible satisfaction of CSFs / TPOs – **consider** carry forward

- Y – meets most aspects of CSFs / TPOs – **possible** carry forward

- YY - strong fit with CSFs / TPOs – **preferred** way forward.

From the workshop approach to this assessment, it was possible to consider the options taking into account the objectives, CSFs, known constraints and opportunities, dependencies, unmonetised and unquantifiable factors, as well as possible collateral effects and unintended consequences.

The full framework assessment summary of each option against the TPOs and CSF, which is set out in full in Appendix 2, was then qualitatively summated, as shown in the diagram below.

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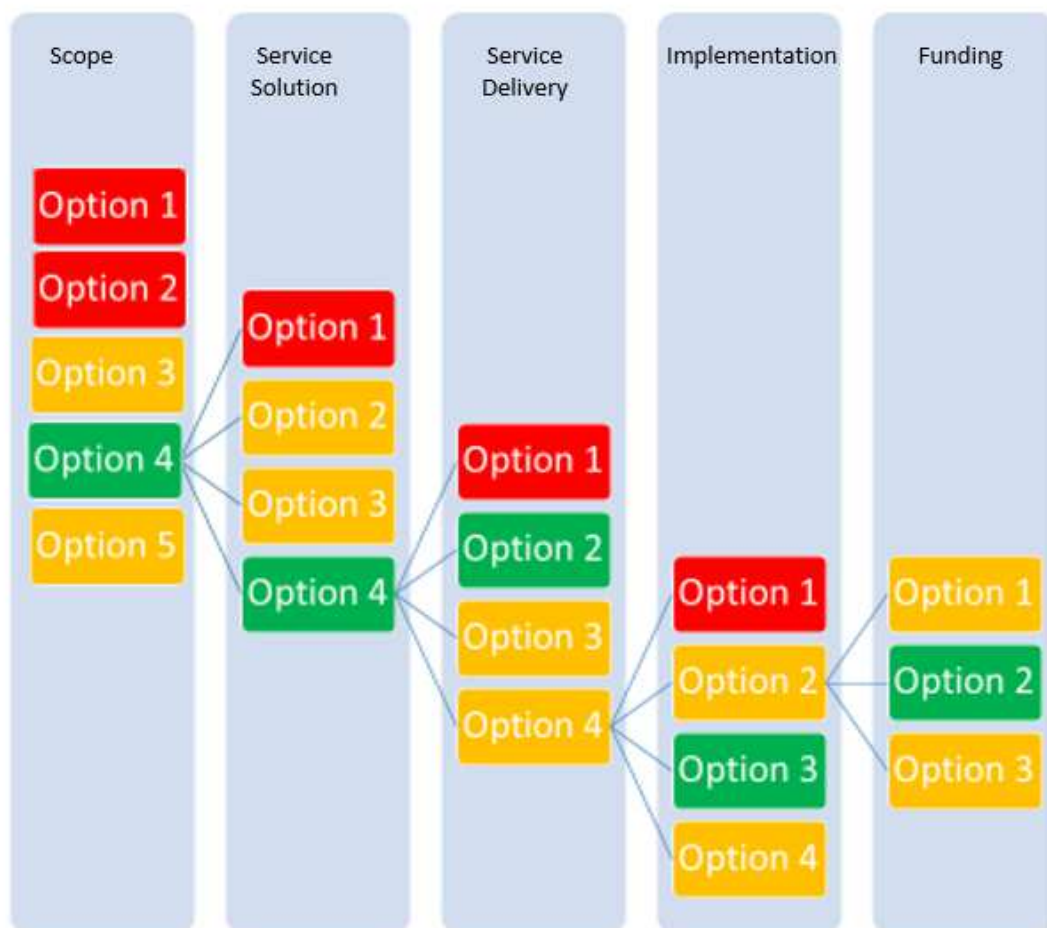
Key	Outcome
Option x	Discounted
Option x	Possible
Option x	Preferred

This then gives a preferred option package that comprises:

- Option 4 was selected as the preferred **scope** for the project and carried forward to the next stage of assessment. It was considered that this option provided the greatest impact in terms of the objectives and would address the significant amount of shift work requirements in the manufacturing sector.

- Option 4 was selected as the preferred **service solution** for the project and carried forward to the next stage of assessment along with the previous choice for scope.

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> This option was considered the most attractive in terms of the achievement of objectives and public expectation of a responsive service.

- Option 2 was selected as the preferred **service delivery** for the project and carried forward to the next stage of assessment along with the previous choices for scope and service solution. The option was chosen in view of its financial sustainability and achievability.

- Option 3 was selected as the preferred **implementation** for the project and carried forward to the next stage of assessment along with the previous choices for scope, service solution, and service delivery. It was considered important to phase the implementation but to implement the initial phase as soon as possible in order to start the transition away from private car use.

- Option 2 was selected as the preferred **funding** for the project. This option was considered the most viable in the short-term but if net zero carbon targets are to be met it was considered that option 3 might have to be considered at some point.

Hence, the preferred package at this stage of the development process based on this multi-factor workshop approach with key stakeholders comprises:

- **On-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area. Service integrated with commercial routes. Booking to service times as close to real-time as possible. Boundary is Moray area plus some key destination outside the area (airports, hospitals, tourist destinations etc.)**

- **Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses full low-emission (including existing) fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers, delivery service. Max wait 1hr.**

- **Run internally with O Licence using direct operating powers under Transport (Scotland) Act. Option to link in with local CT providers. Establish Bus Partnership.**

- **Introduce technology and 5 additional vehicles (one per operational zone) in year one. Introduce further vehicles on phased basis integrated with fleet renewal programme.**

- **MGD capital funding for vehicle and technology purchases. Seek contract commitment from employers for workplace transport and / or tourism offering to provide additional Opex (revenue) income for operating costs.**

Short-listed Options

The initial pass through this options framework approach rejected option choices that do not meet the TPOs, or which are judged unacceptable by a failure to satisfy the CSFs to a satisfactory degree.

From the individual options appraisal exercises undertaken and detailed at Appendix 2, a range of option development scenarios were then developed to be considered for economic appraisal, and these were approved by the Bus Revolution Project Board on 27th

August 2020. These comprise the preferred way forward (as set out above), together with *less* and *more* ambitious developments of these aspects to assist with scenario testing.

The option development scenarios developed for economic appraisal are as follows:
(Note: Option 6 – Do Nothing, also evaluated as benchmark)

Bus Revolution element	Option Development Scenario 1 – Preferred	Option Development Scenario 2 – Less ambitious	Option Development Scenario 3 – Less ambitious	Option Development Scenario 4 – More ambitious	Option Development Scenario 5– More ambitious
Scope	On-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area. Service integrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus some key destinations outside the area (airports, hospitals, tourist destinations etc.)	Expanded on-demand service from 7am to 5pm (Mon -Fri) for residents without access to other public transport. Gaps when current fleet current used for other purposes filled. Same day booking. Boundary is Moray area.	On-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area. Service integrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus some key destinations outside the area (airports, hospitals, tourist destinations etc.)	On-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area. Service integrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus some key destinations outside the area (airports, hospitals, tourist destinations etc.)	On-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area. Service integrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus some key destinations outside the area (airports, hospitals, tourist destinations etc.)
Service Solution	Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses full low-emission (inc. existing) fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers, delivery service. Max wait 1 hr	Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses low-emission only new fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated journey to work arrangements with employers. Max wait 3 hr	Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses full low-emission (inc. existing) fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers, delivery service. Max wait 1 hr	Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses full low-emission (inc. existing) fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers, delivery service. Max wait 1 hr	Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses full low-emission (inc. existing) fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers, delivery service. Max wait 1 hr

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Bus Revolution element	Option Development Scenario 1 – Preferred	Option Development Scenario 2 – Less ambitious	Option Development Scenario 3 – Less ambitious	Option Development Scenario 4 – More ambitious	Option Development Scenario 5– More ambitious
Service Delivery	Run internally under S19 or S22 permit legislation or direct operations powers/operator license regime under Transport (Scotland) Act. Option to link in with local CT providers. Establish Bus Partnership	Run internally under S19 or S22 permit legislation or direct operations powers/operator license regime under Transport (Scotland) Act. Option to link in with local CT providers. Establish Bus Partnership	Run internally under S19 or S22 permit legislation or direct operations powers/operator license regime under Transport (Scotland) Act. Option to link in with local CT providers. Establish Bus Partnership	Establish Moray-wide franchise – incorporating all commercial bus services to create single integrated transport service. Can either be tendered as a contract or run as an ALEO	Run internally under S19 or S22 permit legislation or direct operations powers/operator license regime under Transport (Scotland) Act. Option to link in with local CT providers. Establish Bus Partnership
Implementation	Introduce technology and 5 additional electric vehicles (one per operational zone) in year one. Introduce further vehicles on phased integrated with fleet renewal programme	Introduce technology and 5 additional electric vehicles (one per operational zone) in year one. Introduce further vehicles on phased integrated with fleet renewal programme	Introduce technology and 5 additional electric vehicles (one per operational zone) in year one. Introduce further vehicles on phased integrated with fleet renewal programme	Introduce technology and 5 additional electric vehicles (one per operational zone) in year one. Introduce further vehicles on phased integrated with fleet renewal programme	Introduce technology and 5 additional electric vehicles (one per operational zone) in year one. Introduce further vehicles on phased integrated with fleet renewal programme
Funding	MGD capital funding for vehicle and technology purchases. Seek contract commitment from employers for workplace transport and / or tourism offering to provide additional Opex (revenue) income for operating costs	MGD capital funding for vehicle and technology purchases. Operate as many vehicles as revenue from services will allow (revenue covering operating costs - fuel, maintenance and staff)	MGD capital funding for vehicle and technology purchases. Operate as many vehicles as revenue from services will allow (revenue covering operating costs - fuel, maintenance and staff)	MGD capital funding for vehicle and technology purchases. Seek contract commitment from employers for workplace transport and / or tourism offering to provide additional Opex (revenue) income for operating costs	Set out socio-economic case for operating expenditure (revenue) to be government subsidised with affordable fare structure to drive mode shift, use capital funding for vehicle and technologies.
Estimated Cost	£3,240,000	£2,765,000	£3,240,000	£3,240,000	£3,240,000

Economic Appraisal

3.1.1 Introduction

This section provides a detailed overview of the main costs and benefits associated with each of the selected option development scenarios, and the approach taken to determining the subsequent preferred option from within this framework of possible solutions for *Bus Revolution*.

3.1.2 Outline arrangements for benefits realisation

The strategy, framework and plan for dealing with the management and delivery of benefits is detailed as part of the overall programme governance, and can be provided separately.

A programme benefits register is maintained as part of the whole programme governance, and details the contributing benefits of all projects in the context of the Inclusive Growth categories of Productivity, Participation, Population, Place and People.

3.1.3 Estimated Benefits

The benefits associated with each option were identified during a workshop held on 28th May 2020 with the stakeholders of the project. The participants at this event were: Nicola Moss (Moray Council), Nicholas Sobey (Highlands and Islands Enterprise), Donald MacRae (Moray Council), Jill Armitt (Walkers Shortbread Ltd), Ranald Robertson (HITRANS), Mark Atherton (Moray Council), Sarah Medcraf (Moray Chamber of Commerce).

From the workshop the main benefits associated with the *Bus Revolution* that were identified and considered comprised:

- Unemployed people able to take up employment opportunities – reduction in social security payments; increase in taxation. The costs to the taxpayer of benefits paid to individual and high personal costs in areas like physical and mental health, higher crime rates and loss of skills. Bus Revolution will reduce unemployment by reducing transport barriers to work.

- Employed people able to take up higher skill level job opportunities – increase in taxation. Relates to those with skill levels higher than those required for the jobs they are employed in, thus representing an underutilisation of potential output from underemployed individuals, and therefore national GDP will not be maximised representing an opportunity cost. The same barriers exist with transport as a constraint for underemployed people as they do for unemployed; and women are disproportionately affected by underemployment.

- People able to travel to more and wider range of activities – increase in health and wellbeing; reduction in social isolation – reduction in NHS costs and sickness absence etc. through Bus Revolution as people have higher levels of wellness generally, and tax payer costs therefore decrease as more people are able to take up more opportunities.

- Mode shift from private car to bus travel – reduction in the environmental impacts. Environmental benefits from reduction in the number of fossil fuel journeys made through enabling more efficient commuting via public transport; people are not forced into car ownership, or second car ownership.

- Ticket sales from those travelling via Bus Revolution as a financial benefit associated with the Project.

- Creation of jobs – new posts directly associated with the project, at this stage of the project it is estimated that the project will create 21 FTE roles for drivers, based on the assumptions set out in the financial case.

3.1.4 Description, sources and assumptions

The benefits identified fell into the following main categories:

- Cash releasing benefits

- Non-cash releasing benefits

- Quantifiable benefits

- Non-quantifiable benefits

In each case, the sources and assumptions underlying their use are explained. A more detailed explanation for each benefit line is attached to the economic appraisals in Appendix 4.

The benefits include:

- 86 people[17] are enabled to take up employment who were previously unable to do so due to accessibility barriers. Anticipated that these will comprise a high proportion of younger people who are less likely to have a car / van available to them.

- 62 women[18] are able to take up higher paid employment through the use of the on-demand bus services, enabling them to take up employment at a comparable level to their male counterparts.

- Reduced emissions associated with an increased use of public transport and reduced environmental impact, with reduced emissions resulting in savings of 81,000 kg[19] of CO_2 savings.

These benefits have been calculated based on source data and assumptions defined in Appendix 4, together with a full comprehension of the way in which *Bus Revolution* will address identified issues and barriers, and including through an understanding of how the

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[17] See Appendix 4 for detailed break-down referencing Department for Work and Pensions Benefit Statistics, via Stat-Xplore data on the number of people unemployed and claiming universal credit

[18] See Appendix 4 for calculation of number of women underemployed in Moray and 5% of these being able to take up work comparable to their male counterparts

[19] Using UK Government carbon conversion factors and Green Book methodology for pricing carbon the carbon saving as illustrated in Appendix 4.

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present demand responsive service operates, and validated further in discussion with the project's key stakeholders.

<u>Carbon Assessment:</u> A further carbon assessment has been carried out subsequent to the economic appraisal. The carbon emissions impact categories are Category 3 for Control and Category A for Influence. The carbon statement is Appendix 9 of this document. Incorporating the central monetised carbon value with the economic case would reduce the preferred option's NPV of costs by £4,847. This would result in a nominal increase to the BCR of 0.002. The BCR of the preferred option would therefore remain greater than or equal to the BCR of the other options considered.

3.1.5 Estimated Costs

Costs were estimated as follows:

Table 14: Estimated Costs

Cost item	Cost	Comments
Booking App and scheduling / tracking software	**£50k**	Application subscription has been procured via HITRANS. Capital Budget is for configuration of the App to Moray area and fares.
Vehicles – Initial vehicles (Year 0):		
3 x small (Mellor)	£170k	
1 x very small short range	£33k	
1 x very small long range	£60k	
1 x spare	£170k	
Subtotal	**£773k**	
Fit out costs	£30k	Estimated at £5k per vehicle for WiFi, charging points, branding etc.
Electric charging points	£175k	£35k each from current price
Project Manager	£60k pa	Including on costs

All costs were subject to 'optimism bias' in terms of the cost benefit analysis as detailed in Appendix 4.

3.1.6 Economic Appraisal

The economic appraisal was undertaken following the brief prepared at Appendix 3.

The results of the economic impact assessment undertaken are attached at Appendix 4. It should be noted that net impacts include adjustments for deadweight, displacement and leakage, and have been made at each geographical level.

The following table summarises the result of the assessment:

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Table 15: Summary of Economic Appraisal

Appraisal Summary Table	Option 1 – Preferred option	Option 2/3 – Less-ambitious versions of the preferred option	Option 4/5 – More-ambitious versions of the preferred option	Option 6 – Business as usual (Do nothing)
Net Present Social Value	£75,626,812	Option 2 = £26,342,450 Option 3 = £75,626,812	£75,626,812	£0
Public sector cost	£14,749,810	Option 2 = £4,731,688 Option 3 = £ £14,749,810	£14,749,810	£0
Appropriate BCR	5.13:1	4.81:1 Option 2 5.13:1 Option 3	5.13:1	0
Significant unmonetizable costs/benefits	Health benefits from removing underemployment; women more likely to experience underemployment. *Bus Revolution* will enable all people to make an increased contribution to the economy. Removing underemployment will lift people and households out of poverty, which in turn will enable them to have improved physical and mental health and wellbeing, and will reduce costs to the NHS and other services through a reduced need to access services – those living in poverty are far more likely to need to access such services; and indeed people living in poverty have worse health outcomes[20].			N/A
Significant unquantifiable factors	N/A	N/A	N/A	N/A
Risk costs by type and residual optimism bias	Using an optimism bias of 51% if benefits were that amount less than forecast the cost benefit ratio would be 2.51			N/A
Switching values (for the preferred option only)				81% reduction in benefits.
Time horizon and reason	10 years – Life of Moray Growth deal funding at present.			

The costs provided by the project are for the preferred option and they have been assessed to have a cost benefit ratio of 5.13:1. As shown in the table above, it is important to note that options 4, 5 and 3 all have the same cost benefit ratio also, which is because the options, in terms of their level of *ambition* differ only in terms of:

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[20] Child Poverty in Scotland: health impacts and health inequalities, NHS Health Scotland, 2018: Child Poverty in Scotland: health impact and health inequalities (healthscotland.scot)

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- Service scope – option 2 has lesser operating hours, all other options operate on-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area.

- Service solution – option 2 has a maximum wait time of 3 hours whereas all other options have a maximum wait time of just 1 hour.

- Service delivery method – option 4 sees the establishment of a Moray-wide franchise, while other options run internally under S19 or S22 permit legislation or direct operations powers/operator license regime under Transport (Scotland) Act.

- Service funding – option 5 is funded on the basis of setting out the socio-economic case for operating expenditure to be Government subsidised with affordable fares to drive mode shift, which compares to the other scenarios with Moray Growth Deal capital funding.

Using an optimism bias of 51% the cost benefit ratio of these options would be 2.51:1.

The switching value for the preferred option to option 2 is difficult to predict accurately as any loss in benefits for the preferred option would likely be reflected in option 2 also. However, if benefits were to drop by 7% the preferred option would have the same cost benefit ratio as option 2, if its benefits remained constant.

The Preferred Option

The project board met on 5th October 2020 to consider the detailed output of the appraisal and following discussion the board approved Option 1 as the preferred option to take forward for detailed planning in the Commercial, Financial, and Management cases of the Outline Business case.

The preferred option was considered in full at this stage against the Investment Opportunities or Transport Planning Objectives, as well as the wider policy context that has been described in Section 2, the assessment of which evidenced for the project board that the preferred option continued to present the best fit to address the identified issues and to deliver against the recognised opportunities.

This option is detailed in full under Section 4.1 in The Commercial Case.

3.1.7 Key Assumptions

These are:

1   Life of the Bus Revolution is 20 years this being a period of time in order for the change in provision to take hold across the area, for people to change their behaviours and to achieve a positive return in respect to the benefits that have been set out.

2   Optimism bias applied to costs up to 51% - many costs are unstable at the present time due to global factors, both in manufacturing and engineering industries, with increases in steel prices for example, and as a consequence of the Covid-19 pandemic. Hence, at this stage a high level of optimism bias has been selected, which should be able to be retracted as the project progresses.

3   The appraiser has used own judgement from understanding of the area and community for increases and reductions for all investment objectives and economic appraisal evaluation criteria in the absence of information from the

project, this has been validated through the workshop sessions with stakeholder input.

4   Baselines have relied on publicly available information and calculations from the appraiser.

5   COVID-19 has at this stage not been brought into the appraisal and it should be assumed that by the time the project commences the economy will have returned to pre COVID conditions. The data from COVID impacts is not yet of the quality to apprise based on those impacts regardless. Furthermore, as significant parts of the Moray economy comprise manufacturing and other such industries that can not be undertaken remotely / worked from home, then COVID has had a lesser impact in terms of changes in travel patterns compared to other areas more reliant on the service industries. It is expected that demand for bus services will therefore return fairly expediently in parallel with the easing of COVID restrictions across the area.

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4. The Commercial Case

Demand Pipeline

Following on from initial comments received during the initial community engagement exercises during late 2017, and workshops held with students at Moray College to identify issues influencing their decision to leave the area for further education or jobs, an online survey was launched in the autumn of 2020 to seek views of the Moray population regarding their attitudes to public transport and assess their views on the *Bus Revolution* itself.

It should be noted that the 316 survey respondents covered a wide range of age groups. The survey did however comprise 19% of respondents in the 16-29-year-old age bracket, a key target group for *Bus Revolution.* The 16-29-year-old age bracket currently make-up around 15% of the population in Moray. This is seen as a good indication of the level of interest in public transport and particularly environmental issues for this age group.

Highlights from the survey results are:

Modes of transport used regularly

- 67% car (driver);
- 35% car (passenger); and
- 27% bus.

Reasons for not using local bus services currently

- 58% Buses are not frequent enough/do not run when I need them;
- 49% It's easier/more convenient by car;
- 37% It's quicker by car; and
- 33% Bus fares are too high.

Factors that would encourage you to use a local on-demand bus service (top 4 rated)

1. Reasonable journey times;
2. Comfort/cleanliness;
3. Safety; and
4. Guaranteed response times.

40% of respondents who currently do not use local bus services indicated that they would use a service as described in the proposal on a regular basis and a further 29% said that they would use the service occasionally.

Comments received included:

"The current bus times mean I can't get a bus home until 5pm every evening. Having a more frequent service would make the world of difference to me and my family."

"Bus Services are desperately required in both rural and urban areas, nothing is easy reach for the elderly or mobility impaired. If you live out in the country - forget it - there are no buses and those that exist are infrequent."

"If the buses were more affordable and the services covered better where I live I would use them all the time"

Although this was a small and targeted survey, this supplements evidence from a variety of other sources to support the latent demand for *Bus Revolution.* For example, pre Covid visitor numbers to Moray were increasing, by as much as 17.3% between 2011 and 2017. There is growing interest in the 'green tourism' area, and the *Bus Revolution* will offer the potential to link up many sites of interest across Moray for visitors as well as locals.

Gross weekly pay in Moray is 10% lower than the Scottish average, suggesting levels of poverty across the area, and inevitably households that are 'forced' into car ownership who would prosper more favourably with an affordable public transport offer as would be presented through the *Bus Revolution.* There are low levels of present travel to work by local bus service, sitting at around five per cent of travel to work journeys compared to 10% for Scotland as a whole, representing significant growth potential, which combined with the socio-economic make-up of households across the area, suggests a positive outlook for the *Bus Revolution.* Furthermore, from the Scottish Household Survey, 81% of Moray respondents had not used a local bus service in the past month, compared to just 61.5% in Scotland as a whole, further suggesting the potential for local bus service growth with the right availability and accessibility of services to meet the communities' needs.

Levels of dissatisfaction with present local bus services in Moray is relatively high, with 17% and 11% of respondents fairly or very dissatisfied with services respectively. This equates to around 16,000 working age adults across the area that are dissatisfied with services, which it is assumed is heavily weighted towards that do not have availability of services in their area, to the locations and at the times that they need to travel. It is therefore concluded, that again there is much potential for the *Bus Revolution* to positively address these poor measures in respect to local bus services and translate these into notable increases in local bus service carryings, and in turn more people able to take up employment opportunities, challenging levels of underemployment and tackling the climate challenge.

Furthermore, passenger carryings on the existing services at c50k p.a. suggest that the targeted uplift in journey numbers are achievable over the life of the project

Required Services

Table 16 sets out an overview of the Bus Revolution foundations in respect to the scope of services, the service solution, service delivery, implementation and funding arrangements. Table 16: Bus Revolution Service Elements

Bus Revolution element	
Scope	

Bus Revolution element	
Service Solution	
Service Delivery	
Implementation	
Funding	

The approach to procurement will be:

On 30 June 2021 Moray Council approved capital expenditure in anticipation of approval of the business case for Bus Revolution, in order to expedite investment in the early delivery elements of this project. Procurement of vehicles, charging infrastructure and app technology is therefore underway. All procurement has been carried out in line with the overall procurement strategy and in line with Moray Council's procurement regulations. The 6 vehicles and associated charging infrastructure have been procured via ScotExel framework contract. The app is being called off from a shared framework contract procured under the open procedure by HITRANS as Regional Transport Partnership.

Future procurements are expected to follow the open procedure under which all those interested may respond to the advertisement in the OJEU by tendering for each contract, this includes use of framework contracts procured through open competition.

The current Dial M service is resourced from the authority's vehicles for school and social care transport, which provides an efficient use of resources but means that the service provision is limited to weekdays in between the school and social care transport times. The service operates utilising Section 19 and Section 22 permits for the Demand Responsive and timetabled elements of the service operation.

The approach to service delivery of the Bus Revolution will consider delivery options under the Transport (Scotland) Act 2019, specifically there is an anticipation of using the powers under the Transport (Scotland) Act once these have been developed and enacted (anticipated to be summer 2022). Overall, the operational strategy will be to do the right thing in the context of the service as it develops, to be responsive to demand and to be dynamic through the life of the Bus Revolution changing as opportunities present.

Potential for Risk Transfer

The general principle is that risks should be passed to 'the party best able to manage them', subject to value for money.

This section provides an assessment of how the associated risks might be apportioned for each of the elements.

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Technology

Risk Category	Potential allocation		
	Public: Moray Council	Private: Software supplier	Shared
1. Design risk			✓
2. Construction and development risk			✓
3. Transition and implementation risk			✓
4. Availability and performance risk			✓
5. Operating risk	✓		
6. Variability of revenue risks	✓		
7. Termination risks			✓
8. Technology and obsolescence risks			✓
9. Control risks	✓		
10. Residual value risks	✓		
11. Financing risks	✓		
12. Legislative risks	✓		
13. Other project risks	✓		

Vehicles

Risk Category	Potential allocation		
	Public: Moray Council	Private: Vehicle supplier	Shared
1. Design risk		✓	
2. Construction and development risk		✓	
3. Transition and implementation risk		✓	
4. Availability and performance risk		✓	
5. Operating risk			✓
6. Variability of revenue risks		✓	
7. Termination risks		✓	
8. Technology and obsolescence risks			✓
9. Control risks			✓
10. Residual value risks	✓		

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Risk Category	Potential allocation		
	Public: Moray Council	Private: Vehicle supplier	Shared
11. Financing risks	✓		
12. Legislative risks	✓		
13. Other project risks	✓		

Proposed Charging Mechanisms

Payment will be made on the delivery of agreed outputs for all contracts.

These payments may be staggered against the delivery of key stage outputs/milestones within the overall implementation plan for each facility.

Proposed Contract Lengths

The following contract lengths will be considered:

Technology:

- 18 months to 3 years to ensure technology remains current.

Vehicle:

- One-off batch procurement.

Regular review will determine whether contracts should be extended (for a fixed term) the options for which will be set out in the initial tender documentation or whether to retender following the initial period of 18 months to 3 years. Decisions will be taken so as to ensure the optimum quality of service / technology supplied whilst critically achieving best value.

Proposed Key Contractual Clauses

These are as follows:

- the duration of the contract and any break clauses;
- the service provider's and procuring authority's respective roles and responsibilities;
- the payment – or charging – mechanism, including prices, tariffs, incentive payments;
- detailed community benefit commitments;
- change control (for new requirements and updated services);
- the organisation's remedies in the event of failure on the part of the service provider to deliver the contracted services – on time, to specification and price;
- the treatment of intellectual property rights;
- compliance with appropriate regulations;
- advancing equality in the contract rather than simply being compliant. For example in terms of apprenticeships or traineeships which encourage greater diversity in the manufacturing of the fleet;

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- the operational and contract administration elements of the terms and conditions of service;

- arrangements for the resolution of disputes and disagreements between the parties;

- fair work practices in procurement – to apply where relevant and proportionate to Fair Work First criteria as set out in relevant guidance (https://www.gov.scot/publications/fair-work-first-guidance-support-implementation/)[21]; and

- the agreed allocation of risk.

All contracts to take cognisance of the requirements of the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 with specific equality outcomes with regard to the gender pay gap / equal pay / occupational segregation.

A review of the each contract should be carried out post award – normally this would be around six months from contract start date.   This review will consider:

- Relationship with supplier;

- Order process;

- Payment process; and

- Standard of initial contract delivery.

Personnel implications

It is anticipated that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981 will not apply to the investments outlined above.

Procurement strategy

On 30 June 2021 Moray Council approved capital expenditure in anticipation of approval of the business case for Bus Revolution, in order to expedite investment in the early delivery elements of this project. Procurement of vehicles, charging infrastructure and app technology is therefore underway. All procurement has been carried out in line with the overall procurement strategy and in line with Moray Council's procurement regulations. The 6 vehicles and associated charging infrastructure have been procured via ScotExel framework contract. The app is being called off from a shared framework contract procured under the open procedure by HITRANS as Regional Transport Partnership.

Future procurements are expected to follow the open procedure under which all those interested may respond to the advertisement in the OJEU by tendering for each contract, this includes use of framework contracts procured through open competition.

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[21] Fair work practices in procurement - including avoidance of forms of flexible working where the burden of risk falls disproportionately on workers, including exploitative zero hours contracts, which are therefore not Fair Work.to apply where relevant and proportionate Fair Work First criteria as set out in relevant guidance (https://www.gov.scot/publications/fair-work-first-guidance-support-implementation/)

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5. The Financial Case

Impact on the organisation's income and expenditure account

The total capital funding requirement for the *Bus Revolution* project is £4 million over 10 financial years, with a revenue cost of £8m, funded by revenue income.

The anticipated financial profile for the project over its intended life span is set out in the following table:

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	Total
						£	£	£	£	£	£	£
Booking App and scheduling/ tracking software												
Vehicles												
Fit out costs / on board equipment												
Electric charging points												
Depot facilities												
Brand Development												
Contingency												
Total												
Funded by:												
Additional												
Scottish Government												
Total												
Revenue Expenditure												
App licensing												
Staff costs (Drivers)												
Fuel												
Maintenance												
Marketing												
Project Manager												
Total												
Funded by:												
Additional												
Income from fares												
Network Support Grant												
Employer contracts												
Other - HiTrans (App Development)												
Moray Council												
Total												
Revenue Balance												
Cummulative												

All costs are exclusive of VAT within the financial profile.

5.1.1 Assumptions

Capital Expenditure

Vehicle purchase costs - **REDACTED**

Charging Infrastructure – **REDACTED**

App development – **REDACTED**

Fit Out – **REDACTED**

Revenue Expenditure

App Licensing

REDACTED

Staff Costs - **REDACTED**

Fuel - **REDACTED**

<u>Maintenance -</u> **REDACTED**

<u>Marketing -</u> **REDACTED**

Revenue Income

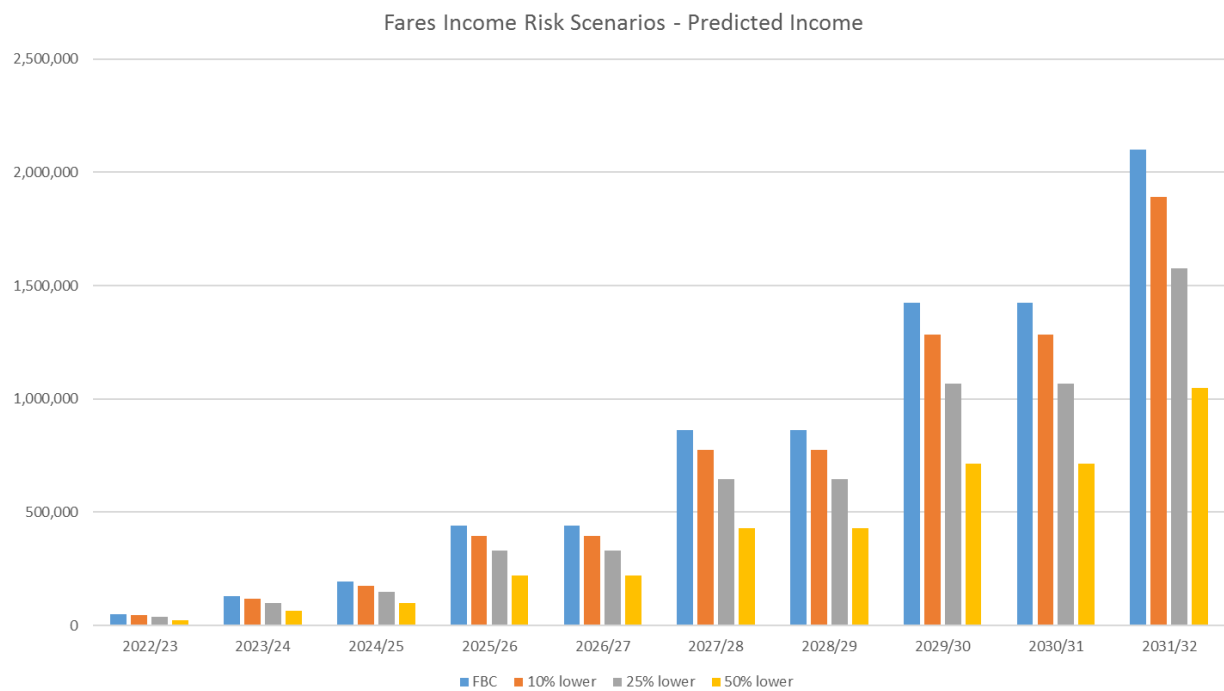<u>Fares Income -</u> **REDACTED**

<u>Passenger number / income assumptions:</u> **REDACTED**

<u>Network Support Grant-</u> **REDACTED**

<u>Employer Contracts -</u> **REDACTED**

5.1.2 Risks & Sensitivity Assessment

REDACTED

Fares Income Risk Scenarios - Predicted Income

The chart below sets out the net revenue impact on the project of the different levels of income suppression:
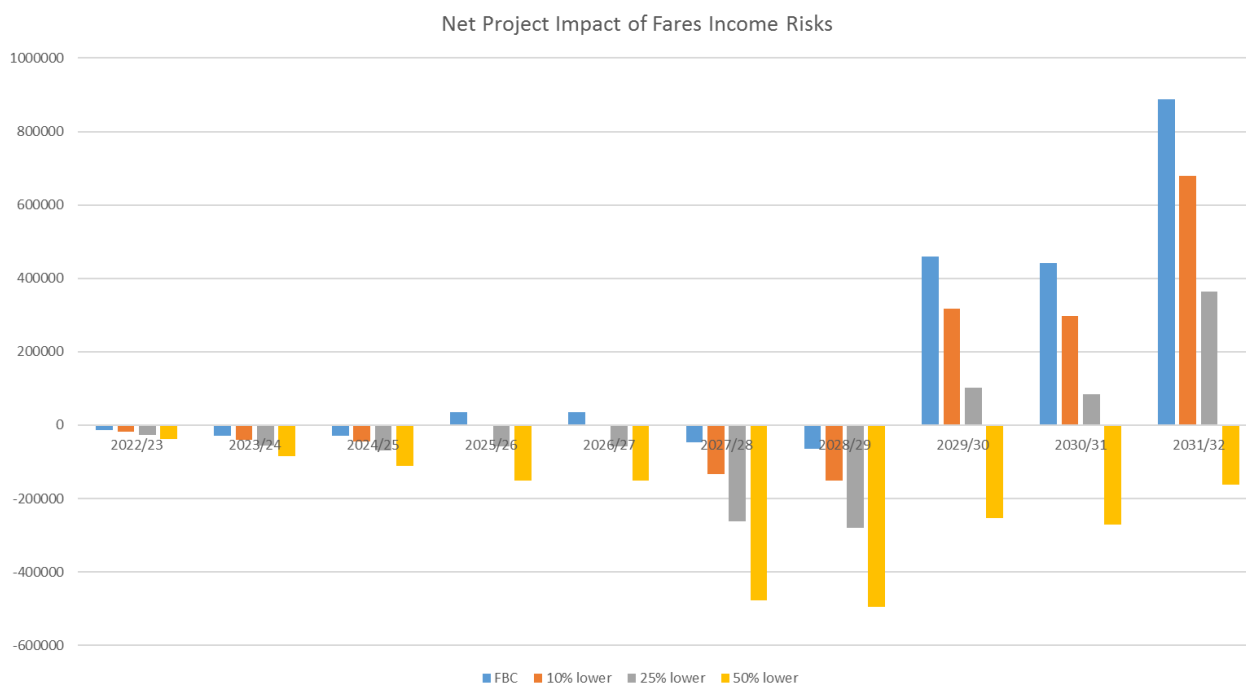
Capital spend as set out above has been cleared indicatively by Section 95 officer – the Accountable (Proper) Officer for the administration and governance of the financial affairs of the Council, and a member of the Programme Board.

There are no TUPE aspects and therefore costs associated with the *Bus Revolution.*

Overall affordability

The table in section 5.1 above demonstrates the financial sustainability of the proposal, although there are minor shortfalls in revenue income projected in the early years of the project. Given the known challenges of operating bus services commercially, especially in rural areas, this is not unexpected. This sets a modest level of revenue support requirement. In line with other policy conversations around the revenue burden of public transport, further funding options are still being explored but as a last resort budget would be found within the Council's budget.

At present the project has wide-ranging support from Moray Economic Partnership which includes: Moray Council, Highlands and Islands Enterprise, University of the Highlands and Islands, Skills Development Scotland, Scottish Council for Development & Industry, Moray Business Forum, Moray Chamber of Commerce, Community Planning Partnership, Moray Federation of Small Businesses.

Discussions are ongoing with some of the larger employers in the area regarding workplace transport partnerships and potential for season ticket employee benefits.

The financial profile carries inherent risks, which have been captured in the risk register in Section 2.9, which will be kept regularly under review. This includes a risk that the service does not generate the passenger carryings that have been projected, and therefore ticket sales are lesser, and which would present a hole in the income from fares and concessionary reimbursement. This risk will be mitigated through careful engagement with

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the community in the detailed design and delivery of the services, together with a robust and comprehensive approach to marketing the *Bus Revolution.* Regular review, monitoring and evaluation will identify any changes that are required on an ongoing basis to meet and exceed projections. The people-centred detailed design is a vital tool in supporting a Community Wealth Building approach for Moray in terms of economic development.

The cost of battery replacement within the vehicle's operating life has a cost risk, however, the current working assumption for maintenance costs has been based on manufacturer statements of a guaranteed 8 year battery life, indicating that the cost risk of battery replacement would fall late in average vehicle working life within the local authority, and at a point where the financial case indicates surplus income to offset either battery or vehicle replacement.

The indication is that this project will ultimately become self-funding and therefore generate a sufficient surplus to re-invest in recurring capital costs such as vehicle replacement.

6. The Management Case

Programme management arrangements

The project is an integral part of the Moray Growth Deal programme, which comprises a portfolio of projects for the delivery of economic growth to the Moray region.

The programme governance arrangements are as follows:

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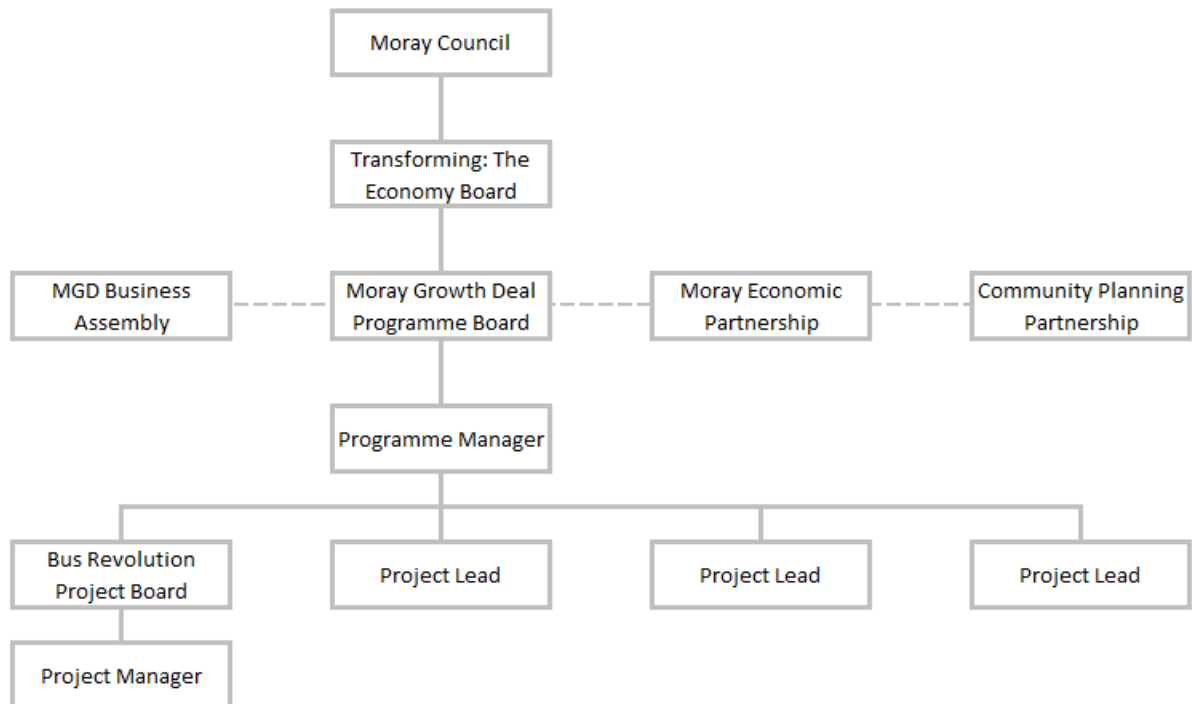
Project management arrangements

The project will be managed in accordance with PRINCE 2 methodology.

6.1.1 Project reporting structure

The reporting organisation and the reporting structure for the project are as follows:

6.1.2 Project plan

The project plan is summarised below:

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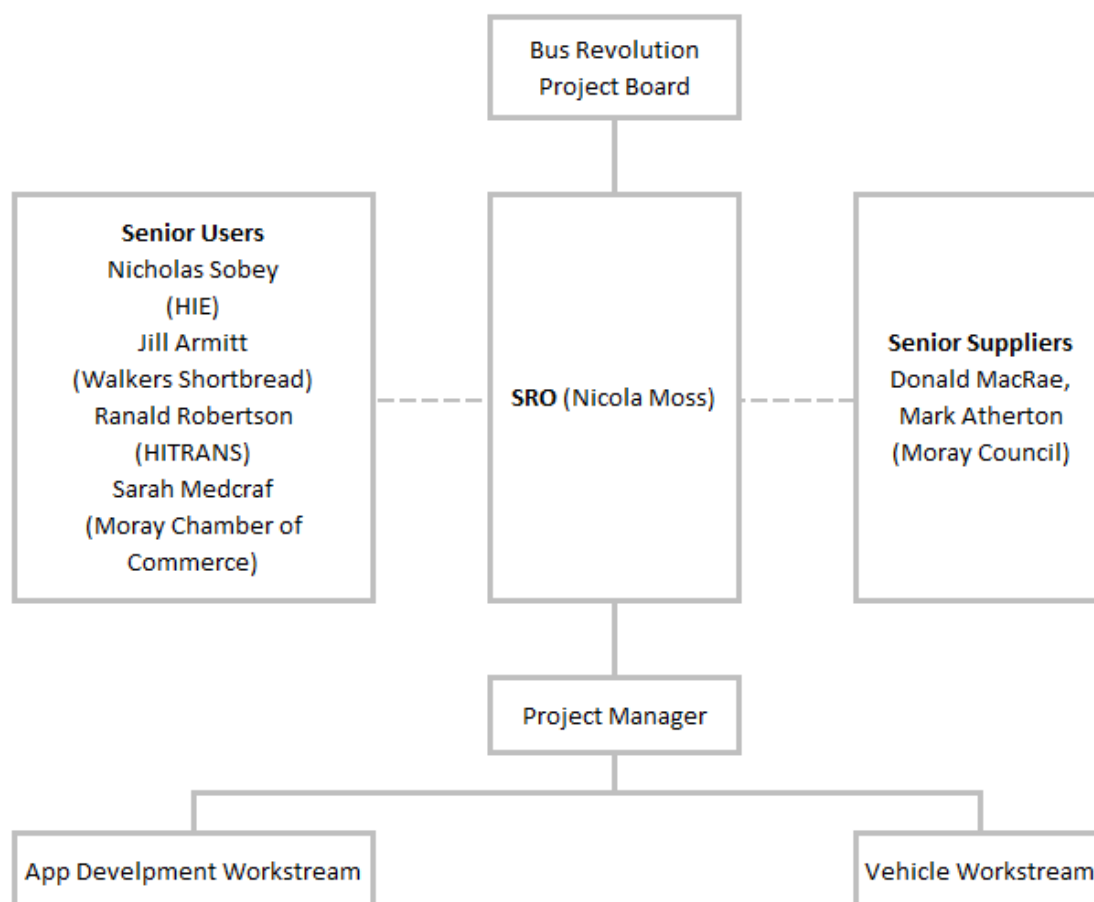| % Complete	Task Name	Duration	Start	Finish
8%	⊿ Bus Revolution	2604 days?	Tue 04/05/21	Wed 25/06/31
0%	⊿ Definition Stage (FBC completion & approval)	172 days?	Mon 22/11/21	Mon 01/08/22
0%	▷ FBC	172 days?	Mon 22/11/21	Mon 01/08/22
0%	Definition Stage Complete	0 days	Mon 01/08/22	Mon 01/08/22
0%	⊿ Initiation & Planning (PID inc Proj Plan)	1 day?	Tue 02/08/22	Tue 02/08/22
0%	PID	1 day?	Tue 02/08/22	Tue 02/08/22
9%	⊿ Delivery	2541 days?	Tue 04/05/21	Sun 30/03/31
13%	▷ Brand & Marketing	311 days?	Thu 02/12/21	Fri 03/03/23
33%	▷ App/Software	315 days?	Tue 04/05/21	Fri 29/07/22
38%	▷ Engagement	131 days?	Thu 18/11/21	Wed 01/06/22
11%	⊿ Phase 1	2498 days?	Fri 02/07/21	Sun 30/03/31
19%	⊿ Fleet	2390 days?	Wed 01/12/21	Fri 28/03/31
14%	▷ Vehicles	2353 days?	Tue 01/02/22	Fri 28/03/31
54%	▷ Maintenance	81 days?	Wed 01/12/21	Fri 01/04/22
10%	⊿ Infrastructure	2498 days?	Fri 02/07/21	Sun 30/03/31
48%	▷ Vehicle Stabling	100 days	Wed 01/12/21	Fri 29/04/22
9%	▷ Charging Points	2498 days?	Fri 02/07/21	Sun 30/03/31
4%	⊿ Staff	2372 days?	Wed 05/01/22	Sun 30/03/31
46%	▷ Management and support	72 days?	Wed 05/01/22	Thu 14/04/22
0%	▷ Drivers	2372 days?	Wed 05/01/22	Sun 30/03/31
0%	▷ Phase 2	2121 days?	Wed 04/01/23	Sun 30/03/31
0%	▷ Phase 3	1617 days?	Fri 03/01/25	Sun 30/03/31
0%	▷ Phase 4	1106 days?	Fri 01/01/27	Sun 30/03/31
0%	▷ Phase 5	845 days?	Mon 03/01/28	Sun 30/03/31
0%	▷ Project Closure	7 days?	Mon 31/03/31	Tue 08/04/31
0%	▷ Post Project Review (dates tbc at project closure)	16 days?	Wed 04/06/31	Wed 25/06/31

Use of special advisers

Special advisers have been used in a timely and cost-effective manner in accordance with the Treasury Guidance.

Specialist Area	Adviser
Financial	Paul Connor, Principal Accountant, Financial Services
Technical	Peter Grant, Head of Bus Policy, Transport Scotland Ranald Robertson, HITRANS
Procurement and legal	Diane Beattie, Payments Manager Aileen Scott, Legal Services Manager
Business assurance	Jill Armitt, Head of Human Resources, Walkers Shortbread Ltd
Other	Don Toonen, Equal Opportunities Officer

Outline arrangements for risks, issues and change management

The strategy, framework and plan for dealing with change and associated contract management is contained in the council's Project Governance Policy which stipulates standard processes and governance requirements. It is based on the Prince2 Project management methodology, aligned with the Scottish Government Construction Procurement Manual and the Office of Government Commerce (OGC) Gateway

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framework. Projects involving procurement will also follow the standards set out in TMC Financial Regulations (Procurement Procedures). It builds on existing processes and guidance in use within the Council and intends to re-use existing controls where they have been shown to be effective. A copy of the document can be provided.

Arrangements for risk management

The strategy, framework and plan for dealing with the management of risk is detailed at Section 0 and Section 0 above.

Monitoring and Evaluation

What will the Bus Revolution project measure?

Strategic governance of benefits realisation

During February 2023 a framework for the Moray Growth Deal's (MGD) Benefits Realisation and Monitoring Plan will be presented for approval by the MGD Board. The intention is that this sets out a process for developing targets each project is required to achieve, how different targets from across multiple projects will combine to achieve specific programme level outcomes and structure benefits activity by inclusive growth indicators rather than listing them on a project by project basis.

This plan will set out that:

- As each project secures approval for their Full Business Case during 2023 into early 2024, the Monitoring Plan will be updated to set out the specific targets to be achieved, by when, by whom, the data sets used to define the baseline, the frequency monitoring will take place over and what the monitoring will entail.
- The Governance Board will focus on benefits bi-annually – May and November. The intention is that the November session is used to feed information into each future iteration of the annual report.
-

It is, therefore, expected that Bus Revolution, once it secures approval for its Full Business Case, will submit a paper to the MGD Board setting out a populated Monitoring Plan table for approval.

That said, it is acknowledged that this FBC provides detail on how the project intends to measure performance against the three investment objectives:

- Increase public transport passenger journeys by 30,000 per annum by 2030
- To reduce the environmental impact of transport in the area by 30t CO_2e p.a. by 2030.
- 20% reduction in number of people facing transport barriers to employment, education or recreation by 2030
-

Analysis of investment objective 1: Increase public transport passenger journeys by 30,000 per annum by 2030

Why choose this investment objective?

This target was chosen as the core purpose of the project is to expand demand responsive transport as a means to provide comprehensive public transport functionality over a highly dispersed rural population. As can be seen from the data above, prior to the pandemic, the demand responsive provision of Dial M was achieving c.30,000 journeys per annum. At the time of setting the objectives, the project board considered that an effective doubling of

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journey numbers through the delivery of the project would demonstrate a successful implementation and provision of solution to public transport challenges in Moray.

What will be measured?

Once the new, rebranded m.connect services are established, passenger numbers will be measured as follows:

- Including all Passenger journeys on bus services operated by the Moray Council
- Excluding passenger journeys on bus services operated by other operators within the Moray Council area
- Excluding passenger journeys on Moray Council operated bus services that are not open to the public such as home-to-school transport or health and social care transport provision
- One public transport passenger journey will be counted as a single journey by a single passenger
  - Return journeys count as a second journey
  - A single journey starts and ends when the passenger joins and exist a bus, therefore a multi-stage journey across more than one service will count as more than one journey because TMC do not currently have a way to book or track multi-stage journey
- All passengers count equally including passengers aged 0-5, concessions of any kinds and passenger travelling on any discounted multi-journey ticket type or promotional offer
- Tourists and visitors will not be counted separately and under the current systems it is not be possible to identify and report on the number of journeys booked by non-residents separately
- If at any stage, the Moray Council allow the bus services such as the Demand Responsive Transport to include out-of-area destinations such as the airport or a place of employment outside of the boundary then these journeys would be included in the total number of public transport passenger journeys.

When will it be measured?

Using existing systems the Moray Council currently collect and report on public transport passenger journeys, as defined above, on a monthly and annual basis. This data is collated by service and can be summarised to provide a total number of passengers using DRT in Moray and a total number of passengers using scheduled services in Moray by month and by year.

What is the baseline against which the investment objective will be measured?

It is expected that the Bus Revolution Project Board will make a determination of the evidential baseline to be used as the project is developing it's monitoring plan post Full Business Case approval. The Board will be asked to choose one of 2 baselines:

- Option 1: Use Passenger numbers from 2019 as the baseline for additionally Baseline 48,441 equivalent to a monthly average of 4,037. Target for 2030: 78,441 equivalent to a monthly average of 6537 passengers and representing 92% growth from the current 2022 estimate.
- Option 2: Use passenger numbers from 2022 as the baseline for additionally. The baseline would be based on actual passenger data. With 7 months of data in 2022 to date we have a monthly average of 3,397 which equates to an annual total of

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40,762. Target for 2030: 70,762 equivalent to a monthly average of 5896 passengers and representing 73% growth on top of the baseline.

Analysis of investment objective 2: To reduce the environmental impact of transport in the area by 30t CO2e p.a. by 2030.

Why choose this investment objective?
Achieving environment improvements and carbon reductions through the delivery of this project directly relates to 2 key drivers:
- Scottish Government environmental objective: We value, enjoy, protect and enhance our environment
- Moray Council target of achieving carbon neutrality by 2030 requiring projects to be operationally net zero by this date

Bus Revolution will seek to drive carbon reduction directly (emissions from the Council's delivery of public transport services) and indirectly (modal shift of residents from private car usage into public transport).

What will be measured?
The project team will seek to measure the following:

Direct emissions: Operation of Moray Council services	- Demonstrating how the use of technology has optimised vehicular movements to reduce the carbon footprint associated with delivering services:
	1. Base line start point will be taken from 2019 mileage and passenger numbers: 124,263 miles on DRT managing 27846 journeys.
	2. The current DRT booking system uses an algorithm not linked in any way to real time and geographic positioning of vehicles which limits effective scheduling, journey management, booking windows and impacts on the cost efficiency of route and resources selections to accommodate pre-booked journeys.
	3. Smart scheduling technology that is being introduced includes the following functions:
	a. Offers a real time link from booking platform (Ops Portal and Passenger app) to the vehicles (driver app).
	b. The smart scheduling function ensures that customer experience is enhanced, additional journeys are created and managed within assigned resources allocated to specific areas of Moray.
	c. Smart scheduling set parameters which determine and manage bookings to ensure customers are not retained on the vehicle any longer than necessary – reducing mileage whilst maximising booking windows for customers.
	d. A deviation setting (usually set to 5mins but can be changed) ensures that real time on the day bookings can be accommodated without detrimental impact to pre-existing bookings / journeys being undertaken.
	e. Ops portal will determine the most appropriate vehicle ensuring that existing journeys or routes are not impacted any longer than 5mins
	f. Customers can indicate the critical element of their journey i.e is it the pickup time that needs to be

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guaranteed or is it the drop off time. Using this feature at booking stage will inform the smart scheduling tool of the most effective booking window and the most appropriate vehicle to be tasked.

    g. Journey pick up points and drop off points are created by using recognised landmarks pre populated on the system or by address On occasion, customers will be directed to the nearest landmark of their chosen pick up point or destination to maintain efficiency of routes, timings, bookings and mileage

4. All of the above functions are expected to yield changes in Mileage per journey stats baselined from 2019.

5. Detailed analysis tools will inform of forming patterns in routes / journeys taken. This will inform any changes to delivery model to improve better miles per journey efficiency.

- Qualitative and quantifiable evidence regarding the use of battery electric vehicles (BEV) in a fleet compared to traditional internal combustion engine (ICE) models

Qualitative –

1. Pulse surveys will be completed by Passengers, drivers, technicians, operational managers and coordinators to assess quality of EV impact on DRT services based on advantages and disadvantages from ICE models. Initial survey focus will be:

    a. Driving quality (Noise / air pollution / road condition impact)

    b. Operating environment changes (depot / workshop / fuel source points / internal & external vehicle standards)

    c. Maintenance impacts (Parts / batteries / Infrastructure / training impact and time of road)

Quantitative –

2. Fleet emissions will be used on an annual basis and demonstrate how BEV's are influencing the reduction of overall carbon footprint by evidencing less diesel consumption in comparison to 2019 baseline start point (calculated at 850t CO_2e Full transport operation) and increased BEV and electricity use.

3. Comparing BEV emissions vs. ICE emissions and road mapping further reductions by targeting areas where carbon emissions are greatest within the Operational landscape

4. Cost benefit analysis will also be completed to inform financial sustainability model of ICE vs. BEV alternatives linked to reduced carbon figures.

- Calculation of the per mile carbon emissions associated with running the Bus Revolution Services

5. Based on 2019, total diesel carbon emissions associated with DRT operations were 283t CO_2e based on 124,263 miles ran, equalling 0.0023 carbon emission per mile.

6. Calculations will be reviewed each year using UK government conversion factors and applied to miles

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	completed associated to Bus revolution services. Similar calculations will be completed to capture the BEV emissions in a similar fashion. 7. Carrying this exercise out on an annual basis will (hopefully) evidence reduction in per mile carbon emissions. 8. Conversion factors can be found online here.

Indirect emissions: Moray Council area	- Change in number of car based journeys undertaken by residents, with reduction sought
	  1. Aim is to work with the Moray Council climate team and benchmark data sources. Current working assumptions are based on UK government (BEIS) from 2019.
	- Aim to demonstrate a reduction in the per mile carbon footprint of travel throughout Moray by increasing public transport passenger numbers and benchmarking the former footprint associated with private travel to that of public transport
	  1. From UK governments (BEIS) for 2019, it suggests that roads in Moray are responsible for 168,000 tCO2e of carbon emissions annually. Approx. 74m miles travelled in Moray to generate this.
	  2. Bench marking these figures with increased passenger use, mileage increases on bus revolution services and any decrease in overall Moray wide emissions will validate reduces private car use and per mile carbon footprint throughout the project life cycle.
	- With improved public bus services, aim is to reduce the aspiration need to own a car
	  1. Longer term benefit that can be mapped using developing data sources long with existing sources to build evidence portfolio.

When will it be measured?
Annual focus on:
- Use of Government issued emissions factors to determine the carbon footprint per mile of the Bus Revolution Service (Electric vehicles will be supported by diesel powered vehicles during the course of an operational year).
- Figure for the number of miles driven by the service in an operational year.

Annual to bi-annual focus on:
- Passenger insight into the modal shift generated through increased use of public transport.
- Extrapolation of passenger insight information to determine how the shift from private to public transport sources has changed the carbon footprint per mile of travel across Moray
- Qualitative evidence from surveys to determine how improved public transport services are changing perception amongst residents and affecting perception of the need for car ownership

What is the baseline against which the investment objective will be measured?
- Annual carbon emissions from Moray Council public transport as articulated in the bullet points above

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- Passenger numbers and passenger miles travelled and journey patterns linked to short / long or linking journeys.
- Analysis of ticketing and journey information will help develop source data to evidence base approach.

What is the baseline figure against which the 30t reduction in emissions is based?
- Carbon emissions data calculated for 2019 as the baseline figure against which the 30t reduction in emissions will be based. This is 282t CO_2e.
- Use of existing annual passenger numbers and journey mileage on DRT services

Analysis of investment objective 3: 20% reduction in number of people facing transport barriers to employment, education or recreation by 2030

Why choose this investment objective?
The Moray Growth Deal consists of a diverse set of projects. There is a focus on skills development and increasing the number of jobs in the region. However, these interventions will only be successful if enabling activity is delivered to increase the numbers of affordable homes (Housing Mix Delivery) and to make transportation across a rural area easier (Bus Revolution).
Aside from a train line that connects larger settlements in the Council area, public bus services are the only alternative to private car usage. This objective relates to an indicator target from the 2018 Scottish Household Survey outlining that 66% of employed adults could not utilise public transport.
Reducing barriers relating to the use of public transport for work, education or social purposes is central to the commitment of funding for the Bus Revolution project.
What will be measured?
The evidence for this investment objective will come from statistics generated from sample groups of residents, students, economically active residents of and residents currently seeking employment.
Consideration will be given during the first year of the project as to how these diverse surveys and data requests from partners can be defined, the target audience for each request for information and the associated timescales.
When will it be measured?
It is proposed that information is gathered on 2 different frequencies:
- Every 2 years: Evidence taken from the Scottish Household Survey
- Annually: Evidence gathered as education providers work with students in Moray (UHI and the Council), along with 'Developing the Young Workforce' who actively assist young people make the transition from school to work and potentially data from the Department for Work and Pensions on barriers to work that are being reported.

What is the baseline against which the investment objective will be measured?
The first 12-24 months will be critical to work with key partners to establish data sets that generate a baseline against which future performance can be measured. The baseline will be created by:
- Gathered information from post 2018 iterations of the Scottish Household survey
- Working with UHI and 'Developing the young Workforce' to gather evidence from students regarding barriers, perceived or actual, to the use of public transport for work and education.
- Working with the Department for Work and Pensions to determine what their historic data has shown regarding barriers to employment.

The evidence gathered should not solely focus on a statistical assessment of whether public transport is a limiting factor for work, education and social activity. The information

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should also be used to generate a heat map, showing the areas affected the most by poor provision so that this evidence can be used to inform future phases of Bus Revolution activity.

This will be supplemented by intelligence on service usage from the service app.

Furthermore, follow up surveys will be undertaken with service users and prospective users to assess the finer detail of the project outputs, and as a follow up to the earlier survey that was undertaken in Autumn 2020. This will comprise a similar online survey, but also supplemented with more detailed on-board user surveys, for example, that will be able to follow the detailed usage and knock-on impacts of the services – addressing unemployment / underemployment etc.

Finally, as part of the evaluation, there will be further follow up with a number of employers to assess the degree to which the project has supported business.

Using this multifaceted approach to evaluation will enable a strong and robust understanding of the project to be established; the extent to which it has delivered on its objectives, and delivered for Moray and the wider economy. This will then be set in the context of the wider programme based evaluation framework for the Growth Deal.

Gateway review arrangements

The council's Project Governance Policy sets out project gateway review arrangements. It is based on the Prince2 Project management methodology, aligned with the Scottish Government Construction Procurement Manual and the Office of Government Commerce (OGC) Gateway framework. A copy of this document can be provided.

Contingency plans

Where Red-rated risks are starting to come to fruition and emerge as issues or Red- rated issues are escalated, it will be expected that a contingency or recovery plan is developed by the Project Manager. This will be submitted to the Bus Revolution Project Board and to the Moray Growth Deal Programme Board to provide a level of assurance from the Project Manager.

In addition, a contingency budget is worked into the capital budget for the project to ensure any unexpected activities and risks can be overcome, this is set at 11%.

As the procurement of project infrastructure has already commenced and is on track for delivery no later than Q3 22/23 (programmed commencement of project), this provides inherent contingency for the principal risks around availability of vehicles. Other headline contingency arrangements would be anticipated to include:

- Failure of app based technology: revert to phone based bookings on an interim basis

- Insufficient driver recruitment: utilise existing relief drivers from core DRT operation

- Failure of charging infrastructure: shared use of existing vehicle charging infrastructure

Any contingency plan will focus on mapping out the most valuable resources to the success of the Bus Revolution through the following aspects:

- Assess possible risks to resources. Possible threats that could be disruptive to delivery.

- Identify resources to address these risks.

- Manage resources to respect to specific scenarios that have been scoped.

- Develop plans and procedures to utilise these resources in specific events; sharing plans with stakeholders and the wider project team.

- Incorporate feedback and update the contingency plan arrangements regularly.

Low Carbon Assessment

The need to reduce greenhouse gas (GHG) emissions is enshrined in Scottish and UK law. The ultimate receptor of GHG emissions is the global climate system, and climate change caused by GHG emissions which will result in social, environmental and economic impacts felt globally. This is the case regardless of where the GHGs are emitted, whether they be released directly from the combustion of fossil fuels, or associated with the extraction, manufacture and transport of materials.

The initial step towards project carbon management will be to identify and map out the emissions sources that can be attributed to the project throughout the project's life cycle; management and reduction can only occur after this.

A Low Carbon Assessment is incorporated at Appendix 9, which considers the whole carbon life cycle for the project, including development, vehicle build and fit out, engineering measures, then the usage stage of the project over the initial 10 year period, and then the end of life period.

This approach supports the project to reduce carbon emissions from the sourcing, transportation, fabrication and installation of, for example, charging facilities, as well as the vehicle procurement process, and vehicle fit out.

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Appendices

Appendix 1- Benefits Map

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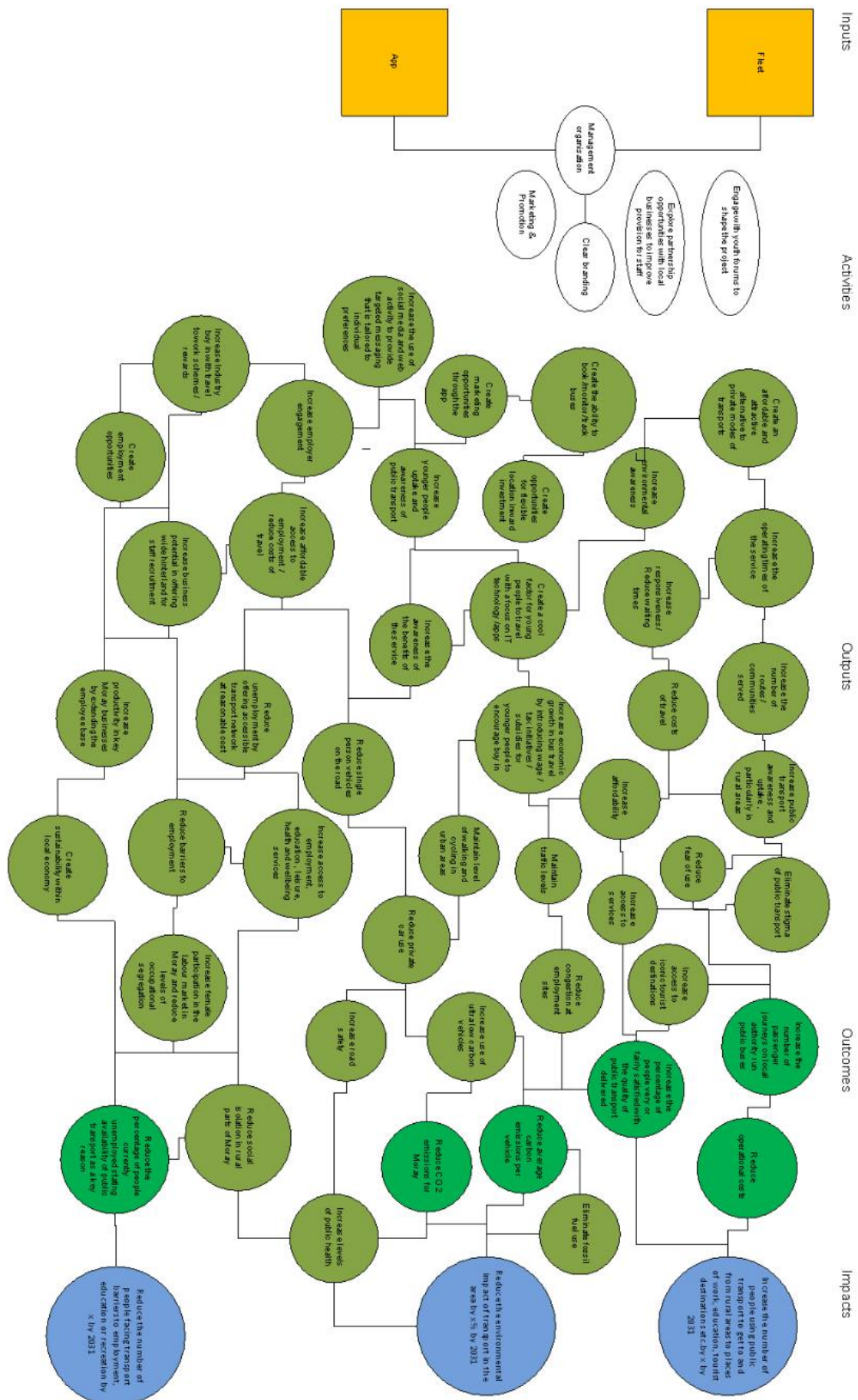
Appendix 2- Options Appraisal Workshops

Scope

An infinite number of options and permutations are possible; however, within the broad scope outlined in the strategic case, the following main options have been considered:

- option 1 – do nothing – current Dial M for Moray service
- option 2 – the 'minimum' scope – slightly expanded operation to cover weekday peak times
- option 3 – the 'intermediate' scope – increased operational hours to include evenings and Saturdays (no Sunday service)
- option 4 – the 'intermediate plus' scope – increased operation with evenings and weekends covered (shorter hours on Sundays)
- option 5 - 'maximum' scope – 24/7 operation

The following tables use a key as follows:

- N – fails to meet some aspects of CSFs / TPOs – consider **dropping**
- ? – possible satisfaction of CSFs / TPOs – **consider** carry forward
- Y – meets most aspects of CSFs / TPOs – **possible** carry forward
- YY - strong fit with CSFs / TPOs – **preferred** way forward.

The table below summarises the assessment of each option against the investment objectives and CSFs.

Reference to:	Option 1	Option 2	Option 3	Option 4	Option 5
	Do Nothing	Minimum	Intermediate	Intermediate	Maximum
	Do nothing (Existing Dial M service)	Expanded on-demand service from 7am to 5pm (Mon -Fri) for residents without access to other public transport. Gaps when current fleet current used for other purposes filled. Same day booking. Boundary is Moray area.	On-demand service 4am to midnight (Mon-Sat, no Sun service) for residents in higher level of demand areas only. Service not intergrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus some key destinations outside the area (airports, hospitals, tourist destinations etc.)	On-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area. Service intergrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus some key destinations outside the area (airports, hospitals, tourist destinations etc.)	24/7 on-demand service for anyone travelling to or from the Moray area. Service intergrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus anywhere in a 30 mile radius of its boundary.
Objectives					
Increase the number of people using public transport to get to and from rural areas to places of work, education, tourist destinations etc.by x by 2031	N	Y	Y	Y	YY
Reduce the environmental impact of transport in the area by x% by 2031	N	Y	Y	Y	YY
Reduce the number of people facing transport barriers to employment, education or recreation by x by 2031	N	N	Y	YY	Y
CSF's					
Strategic Fit (Vision / Gov Policy)	N	?	Y	Y	YY
Potential VFM	Y	Y	Y	YY	?
Potential Achievability	Y	Y	YY	Y	Y
Supply side capacity	Y	Y	Y	YY	Y
Potential Affordability	Y	Y	Y	YY	?
Summary	Discounted	Discounted	Possible	Preferred	Possible

Option 4 was selected as the preferred scope for the project and carried forward to the next stage of assessment. It was considered that this option provided the greatest impact in terms of the objectives and would address the significant amount of shift work requirements in the manufacturing sector.

Service solution

Against the preferred scope from above; the table and narrative below summarises the assessment of each option for service solution against the investment objectives and CSFs.

Reference to:	Option 1	Option 2	Option 3	Option 4
Service Solution for On-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area. Service intergrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus some key destinations outside the area (airports, hospitals, tourist destinations etc.)	Minimum Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses low-emission only new fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated journey to work arrangements with employers. Max wait 3 hr	Intermediate Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses full low-emission only new fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers. Max wait 2.5 hr	Intermediate Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses full low-emission (inc. existing) fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers. Max wait 2 hr	Maximum Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses full low-emission (inc. existing) fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers, delivery service. Max wait 1 hr
Objectives				
Increase the number of people using public transport to get to and from rural areas to places of work, education, tourist destinations etc. by x by 2031	Y	Y	Y	YY
Reduce the environmental impact of transport in the area by x% by 2031	Y	Y	YY	Y
Reduce the number of people facing transport barriers to employment, education or recreation by x by 2031	Y	Y	Y	YY
CSF's				
Strategic Fit (Vision / Gov Policy)	Y	Y	YY	Y
Potential VFM	Y	YY	Y	Y
Potential Achievability	YY	Y	Y	Y
Supply side capacity	Y	Y	Y	YY
Potential Affordability	Y	YY	Y	Y
Summary	Discounted	Possible	Possible	Preferred

Option 4 was selected as the preferred service solution for the project and carried forward to the next stage of assessment along with the previous choice for scope. This option was considered the most attractive in terms of the achievement of objectives and public expectation of a responsive service.

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Service delivery

This range of options considers the options for service delivery in relation to the preferred scope and potential solution. The table below summarises the assessment of each option against the investment objectives and CSFs.

Reference to:	Option 1	Option 2	Option 3	Option 4
Service Delivery for On-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area. Service intergrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus some key destinations outside the area (airports, hospitals, tourist destinations etc.) Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses full low-emission (inc. existing) fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers, delivery service. Max wait 1 hr	Minimum — Run under current community transport based system, recruit additional drivers, fleet and PTU staff to resource. Option to link in with local CT providers	Intermediate — Run internally with O License using direct operations powers under Transport (Scotland) Act. Option to link in with local CT providers. Establish Bus Partnership	Intermediate — Tender as a subsidised contract. Establish Bus Partnership	Maximum — Establish Moray-wide franchise – incorporating all commercial bus services internal to the LA area to create single integrated transport service. Can either be tendered as a contract or run as an ALEO
Objectives				
Increase the number of people using public transport to get to and from rural areas to places of work, education, tourist destinations etc.by x by 2031	?	YY	Y	Y
Reduce the environmental impact of transport in the area by x% by 2031	Y	Y	?	YY
Reduce the number of people facing transport barriers to employment, education or recreation by x by 2031	?	YY	Y	Y
CSF's				
Strategic Fit (Vision / Gov Policy)	?	Y	Y	YY
Potential VFM	N	Y	?	YY
Potential Achievability	Y	YY	Y	?
Supply side capacity	Y	Y	YY	Y
Potential Affordability	Y	YY	Y	Y
Summary	**Discounted**	**Preferred**	Possible	Possible

Option 2 was selected as the preferred service delivery for the project and carried forward to the next stage of assessment along with the previous choices for scope and service solution. The option was chosen in view of its financial sustainability and achievability.

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Implementation options

This range of options considers the choices for implementation in relation to the preferred scope, solution and method of service delivery. The table below summarises the assessment of each option against the investment objectives and critical success factors.

Reference to:	Option 1	Option 2	Option 3	Option 4
	Minimum	Intermediate	Intermediate	Maximum
Implementation for On-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area. Service intergrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus some key destinations outside the area (airports, hospitals, tourist destinations etc.) Real-time booking technology, including scheduling, monitoring, customer interface etc. Brand marketing and promotion. Number and types of buses full low-emission (inc. existing) fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers, delivery service. Run internally with O License using direct operations powers under Transport (Scotland) Act. Option to link in with local CT providers. Establish Bus Partnership	Introduce 1 new vehicle in one of the 5 operational areas to cover hours of no other vehicles available, add other operational areas once per annum. Replace existing fleet only when life expired. Introduce technology in year 1.	Introduce technology in year one. Introduce 5 additional vehicles (one per operational zone) in year two. Introduce further vehicles on phased basis. Replace existing fleet only when life expired.	Introduce technology and 5 additional vehicles (one per operational zone) in year one. Introduce further vehicles on phased integrated with fleet renewal programme	Introduce technology and maximum affordable number of vehicles in year one - integrating expenditure between additional vehicles and early replacement of existing vehicles with ULEVs (Ultra Low Emission Vehicles). Use resale of existing fleet to part fund.
Objectives				
Increase the number of people using public transport to get to and from rural areas to places of work, education, tourist destinations etc.by x by 2031	Y	Y	Y	YY
Reduce the environmental impact of transport in the area by x% by 2031	Y	Y	Y	YY
Reduce the number of people facing transport barriers to employment, education or recreation by x by 2031	Y	Y	Y	YY
CSF's				
Strategic Fit (Vision / Gov Policy)	Y	Y	Y	YY
Potential VFM	?	Y	YY	?
Potential Achievability	Y	Y	YY	Y
Supply side capacity	Y	Y	Y	YY
Potential Affordability	Y	Y	YY	?
Summary	**Discounted**	Possible	**Preferred**	Possible

Option 3 was selected as the preferred implementation for the project and carried forward to the next stage of assessment along with the previous choices for scope, service solution, and service delivery. It was considered important to phase the implementation but to implement the initial phase as soon as possible in order to start the transition away from private car use.

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Funding options

This range of options considers the choices for funding and financing in relation to the preferred scope, solution, method of service delivery and implementation. The table below summarises the assessment of each option against the investment objectives and critical success factors.

Reference to:	Option 1	Option 2	Option 3
	Minimum	Intermediate	Maximum
Funding for On-demand service 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling to or from the Moray area. Service intergrated with commercial routes. Booking to service time as close to real-time as possible. Boundary is Moray area plus some key Real-time booking technology, including scheduling, monitoring, customer interface etc. **Brand marketing and promotion.** Number and types of buses full low-emission (inc. existing) fleet. Charging points. Depot / bus storage. No. of drivers. Potential for dedicated tourism offering (e.g. whisky tours), journey to work arrangements with employers, delivery service. **Max wait 1 hr** Run internally with O License using direct operations powers under Transport (Scotland) Act. Option to link in with local CT providers. Establish Bus Partnership Introduce technology and 5 additional vehicles (one per operational zone) in year one. Introduce further vehicles on phased integrated with fleet renewal programme	MGD capital funding for vehicle and technology purchases. Operate as many vehicles as revenue from services will allow (revenue covering operating costs - fuel, maintenance and staff)	MGD capital funding for vehicle and technology purchases. Seek contract commitment from employers for workplace transport and / or tourism offering to provide additional Opex (revenue) income for operating costs	Set out socio-economic case for operating expenditure (revenue) to be government subsidised with affordable fare structure to drive mode shift, use capital funding for vehicle and technologies.
Objectives			
Increase the number of people using public transport to get to and from rural areas to places of work, education, tourist destinations etc. by x by 2031	Y	YY	Y
Reduce the environmental impact of transport in the area by x% by 2031	Y	Y	YY
Reduce the number of people facing transport barriers to employment, education or recreation by x by 2031	Y	YY	Y
CSF's			
Strategic Fit (Vision / Gov Policy)	Y	Y	YY
Potential VFM	Y	YY	Y
Potential Achievability	Y	YY	Y
Supply side capacity	Y	Y	YY
Potential Affordability	Y	YY	Y
Summary	Possible	Preferred	Possible

Option 2 was selected as the preferred funding for the project. This option was considered the most viable in the short-term but if local and national net zero carbon targets are to be met it was considered that option 3 might have to be considered at some point.

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Appendix 3 - Brief for Economic Impact Assessment

Specification of Requirements for the Economic and Social Impact Assessment for the Bus Revolution Project within the Moray Growth Deal

Objectives

Project

- Increase the number of people using public transport to get to and from rural areas to places of work, education, tourist destinations etc.by x by 2031
- Reduce the environmental impact of transport in the area by x% by 2031
- Reduce the number of people facing transport barriers to employment, education or recreation by x by 2031

Outline objectives of the exercise

To provide economic and social impact assessments on options provided in accordance with HM Treasury Green Book - Central Government Guidance on Appraisal and Evaluation

Scope

The scope of the commission will be provided by the Bus Revolution project manager in the form of 6 options to be considered in the appraisal process. These options will be as detailed in Appendix 1.

The economic appraisal should evaluate these 6 options according to the following criteria:

Inclusive Growth Outcome	SCRIG definition	Economic Appraisal Evaluation Criteria
Productivity	Businesses are competitive and economic growth is resilient and sustainable	Increased no of passengers using on demand bus service
		Reduced operational costs
Participation	Inequality of opportunity to access work is addressed and jobs are fulfilling, secure and well-paid	Reduced unemployment by increased availability of public transport in rural areas
Population	Scotland has a sustainable working age population	Increased percentage of 16-29 year olds in Moray
Place	Communities across Scotland have the natural and physical resources to ensure they are strong and sustainable	Increased percentage of people very or fairly satisfied with the quality of public transport
		Reduced CO2 emissions for Moray by lower emission vehicles and reduced private car use
People	Scotland's population is healthy and skilled and economic benefits are spread more widely with lower levels of inequality	

The above criteria should be monetised for each option and workings should be shown.

These to include social elements. These values should then be included in the cost benefit analysis and net present value calculations.

Methodology

Stage 1 - revisit the options with wider stakeholder groups to ensure that visions are aligned. (Bus Revolution Project Board)

Stage 2 –amalgamate these options to create a preferred option plus less ambitious and more ambitious options. (Bus Revolution Project Board))

Stage 3 –appraise economic impact of the options with reference to requirements of revised Green Book guidance issued in Jan 2018. (M O'Donnell)

Stage 4 – identify and approve best option using output from EIA together with engagement activity. (Bus Revolution Project Board)

Stage 5 – perform sensitivity analysis on chosen option. (M O'Donnell)

Outputs

- Commission outputs including any datasets in Microsoft Excel format.
- Executive summary highlighting the key findings
- Description of work performed and amalgamation of data supplied by the project board
- Examples of similar projects elsewhere for comparison purposes
- Report of output with appraisal summary table as outlined below:

Appraisal Summary Table	Option 1 – Preferred option	Option 2/3 – Less-ambitious versions of the preferred option	Option 4/5 – More-ambitious versions of the preferred option	Option 6 – Business as usual (Do nothing)
Net Present Social Value	£39,912,803	Option 2 = £26,342,450 Option 3 = £39,912,803	£39,912,803	£0
Public sector cost	£6,470,821	Option 2 = £4,731,688 Option 3 = £6,470,821	£6,470,821	£0
Appropriate BCR	6.16:1	£5.57:1	6.16:1	0
Significant unmonetizable costs/benefits	Health benefits from removing underemployment	Health benefits from removing underemployment	Health benefits from removing underemployment	N/A
Significant unquantifiable factors	N/A	N/A	N/A	N/A
Risk costs by type and residual optimism bias	TBC	TBC	TBC	N/A
Switching values (for the preferred option only)				10% reduction in benefits.
Time horizon and reason				

Delivery Timescales

Date of commission	7th September 2020
Last Date to request clarifications	11th September 2020
Deadline for draft report	25th September 2020
Project Board consideration	29th September 2020

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Appendix 4 – Economic and Social Impact Assessment

- Increase the number of people using public transport to get to and from rural areas to places of work, education, tourist destinations etc.by x by 2031

- Reduce the environmental impact of transport in the area by x% by 2031

- Reduce the number of people facing transport barriers to employment, education or recreation by x by 2031

Inclusive Growth Outcome	SCRIG definition	Economic Appraisal Evaluation Criteria
Productivity	Businesses are competitive and economic growth is resilient and sustainable	Increased no of passengers using on demand bus service
		Reduced operational costs
Participation	Inequality of opportunity to access work is addressed and jobs are fulfilling, secure and well-paid	Reduced unemployment by increased availability of public transport in rural areas
Population	Scotland has a sustainable working age population	Increased percentage of 16-29 year olds in Moray
Place	Communities across Scotland have the natural and physical resources to ensure they are strong and sustainable	Increased percentage of people very or fairly satisfied with the quality of public transport
		Reduced CO2 emissions for Moray by lower emission vehicles and reduced private car use
People	Scotland's population is healthy and skilled and economic benefits are spread more widely with lower levels of inequality	

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SUMMARY OF ASSESSMENT

Appraisal Summary Table	Option 1 – Preferred option	Option 2/3 – Less-ambitious versions of the preferred option	Option 4/5 – More-ambitious versions of the preferred option	Option 6 – Business as usual (Do nothing)
Net Present Social Value	£75,626,812	Option 2 = £26,342,450 Option 3 = £75,626,812	£75,626,812	£0
Public sector cost	£14,749,810	Option 2 = £4,731,688 Option 3 = £ £14,749,810.52	£14,749,810.52	£0
Appropriate BCR	5.13:1	4.81:1 Option 2 5.13:1 Option 3	5.13:1	0
Significant unmonetizable costs/benefits	Health benefits from removing underemployment; women more likely to experience underemployment. *Bus Revolution* will enable all people to make an increased contribution to the economy. Removing underemployment will lift people and households out of poverty, which in turn will enable them to have improved physical and mental health and wellbeing, and will reduce costs to the NHS and other services through a reduced need to access services – those living in poverty are far more likely to need to access such services; and indeed people living in poverty have worse health outcomes[22].			N/A
Significant unquantifiable factors	N/A	N/A	N/A	N/A
Risk costs by type and residual optimism bias	Using an optimism bias of 51% if benefits were that amount less than forecast the cost benefit ratio would be 2.51			N/A
Switching values (for the preferred option only)				81% reduction in benefits.
Time horizon and reason	15 years – Life of Moray Growth deal funding at present.			

Only one option has different economic value (option 2). The differences between the other options is in operating model or funder, neither of which change the actual cost involved.

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[22] Child Poverty in Scotland: health impacts and health inequalities, NHS Health Scotland, 2018: Child Poverty in Scotland: health impact and health inequalities (healthscotland.scot)

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Risk need identified by project on demand side for risk cost to be included.

LIMITATIONS AND ASSUMPTIONS OF APPRAISAL.

This appraisal is limited in analysis by the following factors.

1.   No local data has been provided for the current environmental impact of transport in Moray nor for the number of people facing transport as a barrier to employment.

This appraisal makes the following assumptions.

1.   The appraiser has used own judgement for increases and reductions for all investment objectives and economic appraisal evaluation criteria in the absence of information from the project.

2.   Baselines have relied on publically available information and calculations from the appraiser.

3.   COVID-19 has at this stage not been brought into the appraisal and it should be assumed that by the time the project commences the economy will have returned to pre COVID conditions. The data from COVID impacts is not yet of the quality to apprise based on those impacts regardless.

STRUCTURE

This Economic Impact assessment will focus on three main themes for appraisal of the benefits. Unemployment, Underemployment and Environmental benefits of the proposal. Income from ticket sales will be include however that will be based on historic data.

The costs included in the appraisal will be both capital and revenue.

1.   UNEMPLOYMENT

1.1   In normal economic conditions Moray can expect to have around 3% of economically active people unemployed at any one time. This equates to around 1400 people.

1.2   With unemployment there is a tendency to focus on the fiscal cost, i.e. the cost to the taxpayer of the benefits paid to the individual. There are also high personal costs in areas like physical and mental health, higher crime rates and loss of skills

1.3   There is also the economic cost to society and the country. When an individual is not working they are not producing output which means lower GDP and as demonstrated by the COVID crisis this leads to higher government borrowing. That lost GDP is the opportunity cost of unemployment.

1.4   To capture the full impact of unemployment and the benefits of reducing it requires a multi-faceted approach based on financial and social factors. To achieve this a key appraisal metric can be used called Quality of Life Years (QALY). This is used by the Department for Health and Public Health England. The premises is that an intervention that benefits health can be measured in the additional life it provides in year terms. It is monetised using a willingness to pay technique which put the value of one year of life in full health at £60,000.

1.5   The Bus revolution aims to reduce unemployment by reducing transport barriers to work. Moray is a rural local authority with long travel times between some of the main settlements. The table at 1.6 shows the return journey from different destinations.

1.6

Journey	Return Journey (Miles)
Elgin > Aberlour	30
Elgin > Forres	25
Elgin > Buckie	35
Elgin > Keith	35

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Elgin > Tomintoul	62
Elgin > Fochabers	19
Forres > Buckie	58
Forres > Aberlour	53
Forres > Keith	58
Aberlour > Keith	27
Aberlour > Buckie	44
Keith > Buckie	25
Buckie > Fochabers	16
Aberlour > Fochabers	28

1.7   As the tables shows any unemployed individual faces lengthy journeys if they were to take up employment elsewhere in the region. As with other rural areas Moray is disadvantaged by insufficient public transport links, especially from the rural satellite towns that surround the main settlements into those settlements, where the private sector provision will begin.

1.8   As will be discussed in more detail in the section on environmental impacts with the exception of Elgin it can be assumed that 25% of employment is based out with the main settlements. This implies that in a competitive jobs market those unemployed may have to find employment out with their local region.

1.9   In non COVID economic conditions there are around 1700 unemployed people in Moray who are claiming Universal credit[23]. From that 1700 there are 1400 who are classed as economically active looking for employment, as stated in 1.1, the remainder of claimants will comprise those who cannot work. An investment objective of this project is to reduce transport as a barrier to unemployment and therefore to reduce unemployment itself. As stated in the limitations to the analysis section no direct data on the number of unemployed people for whom transport is a, or the main, barrier to employment was provided nor therefore was a target for the objective.

1.10   For the purpose of this analysis a target of reducing transport as a barrier to employment, and therefore unemployment, of 5% has been chosen. This represents 86 people currently claiming Universal Credit for unemployment, a sizeable number of people, and people and households / families that could achieve significant personal benefits if they can be supported through enhanced accessibility into employment.

1.11   In order to appraise the benefit of returning these 86 people to the workplace over the 15 year timeframe of the Moray Growth Deal the Department for Health methodology on measuring the benefit of moving an individual from unemployment to sustainable employment will be used. This methodology is publically available through the UK Government.

1.12   There are key assumptions that will be used for this model.
  1.   Each worker will find work within one year of the doubling of the service and expansion of timetables.

  2.   The employment will persist for the full term 15 year term of the project and unemployment will permanently be reduced by 5% during normal economic conditions. For clarification, the reduction of 5% would have a negligible effect on the headline unemployment rate as a % of the working age population.

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[23] Department for Work and Pensions Benefit Statistics, via Stat-Xplore.

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3.   Moray is comparable to the UK in terms of the fiscal, social and personal cost of unemployment.

4.   An individual would be willing to pay £60,000 for one year of life in full health versus death. The technique is called stated preference and the value used by the Department for Health through sampling the population through questionnaires.

5.   Approximately 1/6 of the population Moray suffer from a common mental health disorder with around half of those caused by unemployment. This in line with the national average.

6.   Transport is the only barrier to employment faced.

1.13   Using the Department for health methodology it can be concluded that the Net Present Value (NPV) of 86 people returning to the workplace is 6.616 million to the individual £29.413 million to society and £13.201 million to the Government. Detailed results are summarised in the following table with full workings available as an appendix.

The Quality of life gains are £4.412 million. For a detailed explanation this measure please see the appendix.

	Per person returning to work	Total
Financial benefits to the individual(s)	£77,300.00	£6,616,400.00
Financial benefit to society as a whole	£331,100.00	£29,413,500.00
Financial benefits to the exchequer, of which accrue to:	£154,300.00	£13,201,000.00
National Government	£146,600.00	£12,543,300.00
Local Authority	£6,600.00	£565,600.00
National health services	£1,100.00	£92,100.00

QALY gains	
QALY gains per person returning to work	0.8596
Value, per person, of these QALY gains	£51,600
Total QALY gains	74
Total value of these QALY gains	£4,412,200

2.   UNDEREMPLOYMENT

2.1   Separate from unemployment analysed in section 1 underemployment relates to those with skill levels higher than those required for the job they are employed in. This represents an underutilisation of potential output from underemployed individuals and therefore national GDP will not be maximised representing an opportunity cost

2.2   As stated in the limitations to this analysis no information was provided on what proportion of the workforce in Moray is underemployed or the locations that they are in therefore assumptions have been made. These assumptions are as follows.

1.   That women are disproportionately affected by underemployment. Women earn 13% less than the Scottish average however at degree level and above are only 2% less qualified. At no point per level of qualification do women in Moray deviate to a significant degree from their Scottish counterparts.

2.   The same barriers exist with transport as a barrier to employment for under employed women as they do for the unemployed.

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3. Men in Moray earn more than their Sottish counterparts and therefore do not face the same barriers as women. This implies that jobs of a wage level comparable to Scotland exist in Moray and that if women are earning 13% less than Scottish women then 13% are suffering from underemployment. There are 9640 women in Moray with level 4 or above qualifications. At 13% this is 1253

4. 2011 census data for qualification levels are still accurate as the same priority has been put on female attainment at the Scotland level as has been done at the Moray level.

2.3 Based on the assumptions in 2.2 (3) 1253 women are underemployed in Moray. The same target of 5% will be used for transport being a barrier to taking up higher value employment as was used for unemployment. This equates to the potential for 62 women to take up higher paid employment through the use of on demand bus services.

2.4 Based on the difference between male and female pay in Moray (£6130) if these 62 women were able to take up work comparable to their male counterparts then the annual income benefit would be £380,060. It is unlikely however that this will happen all in year zero so it has been assumed that the benefit will accrue at 4 women per year.

2.5 Assuming that when in improved employment this remains the case for the full life of the project this element has a NPV of £3.325 million when indirect and induced effects are included.

2.6 The overall benefits from the reduction of underemployment are as follows.

Income effect	£2,942,400
Income Multiplier	£4,707,840
NPV of income effect including Multiplier	£3,325,933

3. Environmental

3.1 The Environmental gains from this project will initially be from reducing the number of fossil fuel journeys made through enabling more efficient commuting via public transport. The table below estimates the number of journey made out with each ward every day for work by car

3.2

Jouneys by car by ward	Number
Buckie	572
Fochabers	809
Forres	984
Heldon and Laich	1072
Keith and Cullen	710
Speyside Glenlivet	678
Total	**4822**

3.3 These distances are based on 2011 census data and TTWA definitions. No data was provided by the project on current transport patterns within Moray or the target for reduction in journeys made by car. A target of 1% has therefore been used, reflecting capacity at peak times. This equates to 48 journeys per day and based on 48 working weeks in a year 11,520 journeys. While 1% may appear a modest target basis, given the dominance of car, this represents a sizable uplift in public transport usage, with somewhere in the region of a 10-14% increase in bus passengers for the journey to work. Table 1.6 listed the journey distances between major settlements in Moray and as Elgin is the

only travel to work area (TTWA) in Moray the average return journey distance for Elgin has been used, excluding Tomintoul, which is 29 miles.

3.4 Based on this journey distance and the 1% target the total mileage that would be saved is 334080. Using UK Government carbon conversion factors and Green Book methodology for pricing carbon the carbon saving for this can be calculated and monetised. First the total $kgCO_2e$ this amount of mileage would generate needs to be calculated. Assuming a fuel type split of 70% diesel and 30% petrol this equates to 81408.28 $kgCO_2e$.

3.5 This full amount will not be realised in year zero and will be dependent on the roll out of vehicles. It is estimated that during the life of the project 914,148 $kgCO_2e$ will be saved.

3.5 This savings for each year are then multiplied by the Green Book carbon price for these fuel types which equates to a NPV saving of £57,886 over a 15 year appraisal period.

4. Income from Ticket Sales

4.1 Based on projections provided by the project tickets sales and other income streams from sales have a total NPV of £18.599 million

5. BENEFITS CONCLUSION

5.1

Benefit	Benefit NPV (£)
Financial benefits to the individual(s)	£6,616,400
Financial benefit to society as a whole	£29,413,500
Financial benefits to the exchequer, of which accrue to:	£13,201,000
QALY Gains	£4,412,200
Environmental	£57,886
Ticket Sales	£18,599,893
Underemployment	£3,325,933
Total	

6. COSTS

6.1 Using the cost projections provided by the project the total of these has a NPV of **£14,749,811**

7. COST BENEFIT ANALYSIS.

7.1 The costs provided by the project are for the preferred option and they have been assessed to have a cost benefit ratio of **5.13**

7.2 Only one option (option 2) would provide a different service and would have different capital and revenue costs. This option would reduce the service by 30%. The benefits when reduced accordingly give a cost benefit ratio of **4.81**

8. SENSITIVITY ANALYSIS AND OPTIMISIM BIAS

8.1 Using an optimism bias of 51% the cost benefit ratio would be 2.51

8.2 The switching value for the preferred option to option 2 is difficult to predict accurately as any loss in benefits for the preferred option would likely be reflected in option 2 also. However, if benefits were to drop by 7% the preferred option would have the same cost benefit ratio as option 2, if its benefits remained constant.

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Appendix 5 – Equality Impact Assessment

SECTION 1 - DO I NEED AN EIA?

DO I NEED AN EIA?

Name of policy/activity:
Moray Growth Deal – Bus Revolution Project
Please choose one of the following: Is this a: ~~New policy/activity?~~   ~~Existing policy/activity?~~   ~~Budget proposal/change for this policy/activity?~~   - Pilot programme or project? Y

Decision
Set out the rationale for deciding whether or not to proceed to an Equality Impact Assessment (EIA) It has been agreed with the Policy Manager – Equality & Investment in the Cities Team, Scottish Government, that all outline business cases developed as part of the Moray Growth Deal will include an EIA to identify significant impacts on protected groups. It is considered that identifying the positive impacts on these protected groups will also demonstrate success for the projects in the deal and link to some of the key outcomes and objectives stated. **Date of Decision:** 02/12/2019

If undertaking an EIA please continue onto the Section 2. If not, pass this signed form to the Equalities Officer.

Assessment undertaken by *(please complete as appropriate)*

Director or Head of Service	
Lead Officer for developing the policy/activity	D Moreton Moray Growth Deal Programme Manager
Other people involved in the screening (this may be council staff, partners or others i.e contractor or community)	Equal Opportunities Officer

SECTION 2: EQUALITY IMPACT ASSESSMENT

Brief description of the affected service

1. Describe what the service does: The proposal is looking to build on the existing innovative on-demand bus services to provide comprehensive and cohesive public transport links tailored to the region's largely rural economy. The purpose is not to compete with scheduled services but to fill the gaps in provision in rural areas and to encourage more people to use public transport rather than use private cars in line with the Scottish Government priority to reduce carbon emissions.
2. Who are your main stakeholders? Moray Council, Highlands and Islands Enterprise, Moray Chamber of Commerce, Highlands and Islands Transport Partnership (HITRANS), Walkers Shortbread Ltd, 16-29 year olds, General Public/Moray Residents.
3. What changes as a result of the proposals? Is the service reduced or removed? The proposal is to: Extend the on-demand service to 4am to midnight (Mon-Sat) and 7am to 10pm (Sun) for anyone travelling within the Moray area. Service integrated with commercial routes. Booking to service time as close to real-time as possible (max 1 hr) using an "uber-style" app to enable customers to track the position of buses and book journeys within a reasonable response time. (Note current arrangements to telephone will remain for those not confident with mobile phone app technology) The fleet will be managed by Moray Council under Section 19 and/or Section 22 permit legislation or direct operations powers/operator license regime under Transport (Scotland) Act. Following an investment in quality green fleet (electric buses), to increase the flexibility and hours of operation of on-demand bus provision across Moray, with additional facilities such as on board Wi-Fi, charging facilities etc. (all buses of more than 15 seats will include disabled access provision and a proportion of smaller vehicles will have specific adaptions to accommodate disabled passengers).
4. How will this affect your customers? The project will provide the following benefits: - Increasing the number of people using public transport to get to and from rural areas to places of work, education, etc.   - Reduce the environmental impact of transport in the area.   - Remove significant barriers to labour market access and education by providing more efficient and accessible local bus services.   - Potential to engage with larger employers in the area regarding employee workplace transport.

5. **Please indicate if these apply to any of the protected characteristics**		
Protected groups	**Positive impact**	**Negative impact/risks**
Race	No impacts have been identified. Moray has a relatively small proportion of minority ethnic groups (4%, compared with 8% nationally) and a relatively high proportion of white (other British(18%, compared with 8% nationally). The proportion of white – other in Moray is 3%, of which 1% is Polish. (source: Scotland's census, https://www.scotlandscensus.gov.uk/ods-visualiser/#view=ethnicityChart&selectedWafers=0&selectedRows=0,12,16,20	
Disability	The on-demand service will include specific adaptions for disabled access and staff will be trained to help and support different disabilities appropriately	The development/ implementation phase needs to consider accessibility for a range of disabilities, bearing in mind that these can vary considerably depending on the type of disability
Carers (for elderly, disabled or minors)	The on-demand service will include specific adaptions for disabled access and staff will be trained to help and support different disabilities appropriately.	The development/ implementation phase needs to consider accessibility for a range of disabilities, bearing in mind that these can vary considerably depending on the type of disability
Sex	One of the key drivers for the project is to help with occupational segregation and barriers to employment for women in rural areas	.
Age (include children, young people, midlife and older people)	It is a key objective of the project to attract and retain more young people in Moray.	
Religion, and or belief	No impacts have been identified	
Sexual orientation / Gender reassignment	There are LGBT groups meeting in Elgin and Forres on an informal basis. Young people in the rural areas are unable to attend these unless they ask their parents for a lift. Not all young LGBT people are out to their parents and therefore can't go.	

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Inequalities arising from socio-economic differences	An options appraisal was carried out which combined a cost/ benefit ration with a separate appraisal on socio-economic impacts. This is described in Appendix 4 of the business case.	
Human Rights	The removal of transport barriers for people to enable them to get to employment education and recreational activities. Article 14 of the human rights act (protection from discrimination) is engaged in considering accessibility for various protected groups as well as groups disadvantaged due to rural isolation.	

6. Evidence. What information have you used to make your assessment?

Performance data	Inclusive growth diagnostic
Internal consultation	A programme board meeting was held on 11th May 2017 to determine the CSF's for projects within the Moray Growth Deal. The attendees included relevant stakeholders from Moray Economic Partnership, Highlands and Islands Enterprise, University of the Highlands and Islands, Skills Development Scotland, and Moray Council
Consultation with affected groups	The options were generated by holding a series of workshops with key stakeholders, at which evaluation was undertaken to assess how well each option met the investment objectives and CSFs at each stage. In light of the different stakeholder groups involved the options appraisal workshops were held separately for each element of the Cultural Quarter and are recorded in Appendix 2 of the business case
Local statistics	http://smi.moray.gov.uk/MPG/PRO1/16-0008/01%20Project%20Information/20170809AmendedMorayDiagnostic4.0.xlsx
National statistics	
Other	Treasury Green Book and capital investment manual.

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7. Evidence gaps

Do you need additional information in order to complete the information in the previous questions? No

The project was developed from comparison of Inclusive Growth Diagnostic data which compared Moray statistics against National averages. As the business case has developed benefits have been identified and key measures will be implemented prior to the delivery phase in order that they can be baselined and performance improvements demonstrated.

8. Mitigating action

Can the impact of the proposed policy/activity be mitigated? Yes

Please explain

In relation to the positive impacts identified in the protected groups detailed at section 5 above:

Disability	All new vehicles with more than 15 seat will be compliant with disabled access regulations. Some of the smaller vehicles proposed will be adapted in order to ensure that there is always provision for the on demand service. Staff will be trained to help and support different disabilities appropriately.
Carers (for elderly, disabled or minors)	Per above but with consideration for the need for companions.
Age (include children, young people, midlife and older people)	It is a key objective of the project to attract and retain more young people in Moray.
Sexual orientation / Gender reassignment	Access to affordable transport will improve inclusivity for groups of young people who would previously had to rely on a lift from parents.
Inequalities arising from socio-economic differences	Inclusive growth is a key aim of the Growth Deal and key social impacts have been identified within the project relating to health and well-being for all groups.
Human Rights	The removal of transport barriers for people to enable them to get to employment education and recreational activities. Article 14 of the human rights act (protection from discrimination) is engaged in considering accessibility for various protected groups as well as groups disadvantaged due to rural isolation.

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9. Justification

If nothing can be done to reduce the negative impact(s) but the proposed policy/activity must go ahead, what justification is there to continue with the change?

There are no negative impacts as the project will increase and enhance facilities and is not reducing anything.

What is the aim of the proposal?

1. Increase the number of people using public transport to get to and from rural areas to places of work, education, etc.

2. Reduce the environmental impact of transport in the area

3. Reduce the number of people facing transport barriers to employment, education or recreation.

Have you considered alternatives?

An option appraisal exercise was undertaken with key stakeholders to identify the preferred solution which was then verified by independent economic and social impact assessment, as outlined in Appendix 4 of the business case.

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SECTION 3 CONCLUDING THE EIA

Concluding the EIA

1. No negative impacts on any of the protected groups were found.	
2. Some negative impacts have been identified but these can be mitigated as outlined in question 8.	✓
3. Negative impacts cannot be fully mitigated the proposals are thought to be justified as outlined in question 9.	
4. It is advised not to go ahead with the proposals.	

Decision Set out the rationale for deciding whether or not to proceed with the proposed actions: The project will proceed as it has significant positive impacts for all residents and visitors to the area.   **Date of Decision:** 12/11/2020

Sign off and authorisation:

Service	Economy, Environment & Finance
Department	Economic Growth and Development
Policy/activity subject to EIA	Moray Growth Deal Cultural Quarter Project
We have completed the equality impact assessment for this policy/activity.	Name: Dave Moreton Position: MGD Programme Manager Date: 12/11/20
Authorisation by head of service or director.	Name: Nicola Moss Position: Transportation Manager Date: 12/11/20
Please return this form to the Equal Opportunities Officer, Chief Executive's Office.	

Appendix 6 – Extract of risk register

This is a snapshot of the risk register which is maintained as a live document.

Risk Category	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk (If, then, results in)	Assessment of Risk (likelihood x impact) *Assume No Controls in*			Risk Control Actions	Target Date for Completion	Risk Status	Risk Owner	Responsible Officer	Date of Last Review
			Likelihood	Impact	Risk Score						
People	**Marketing** Without a sucessful marketing strategy and appealing brand identity uptake may be limited.	If the investment is only in an app and new fleet then the step change required to deliver the objectives of the project will not be achieved resulting in wasted investment	3	4	12	Implementation plan and financial case to ensure that adequate marketing / branding resource is available. Phase 1 to test marketing budget impact	31/01/2024	Open	Nicola Moss	Nicola Moss	23/06/2022
Financial	**Revenue Funding** Ongoing funding to be identified to ensure finacial sustainability of the project	If a sustainabile operational model cannot be identified then the financial case for the project will be unviable resulting in the project being potentially delayed	3	4	12	Viable operational model to be determined in the financial case.	31/01/2024	Open	Nicola Moss	Nicola Moss	23/06/2022
Operational continuity and performance	**Delivery evidence requires assumptions in the finacial model to be revised** Actual annual passenger numbers, fare income, income from employers and the Council subsidy level may vary from assumptions built into FBC model.	Any variance between actual and projected data used in the FBC financial model may impact the Council's revenue commitment required to support the service.	4	4	16	Regular scrutiny and review of the finanical model, with a view to ensuring assumptions that underpin further phases of activity are based on evidence gathered from phase 1. - Annual in-life reviews of the project finanical model by the MGD PMO. - Annual discussions with Transport Scotland regarding data and the financial model.	End of phase 1	Open	Nicola Moss	Nicola Moss	20/10/2022
Reputation	**Covid 19** Impact on public transport has been significant and public confidence needs to be restored	If the project cannot demonstrate that buses are a safe form of travel post Covid then people will not use the facility resulting in reputational damage and wasted investment	2	4	8	Risk that COVID will be the barrier to public transport uptake has reduced in line with reduced restrictions and restored public activity however the risk of future outbreaks and public response continues. Project should continue to monitor and respond to the situation	31/01/2024	Open	Nicola Moss	Nicola Moss	23/06/2022
Regulatory	**Net Zero Carbon** Is a major government priority that must be taken account of in the business case	If the project cannot demonstrate clear measurable changes in carbon emissions then it will be seen as failing in meeting the stategic objectives resulting in potential action from the government	3	3	9	Benefit measurement should be developed to demonstrate the impact.	31/01/2024	Open	Nicola Moss	Nicola Moss	23/06/2022
Benefits realisation	**Accuracy of outcome targets:** TPO1 and 3 take quite a narrow view on the positive impacts that can be generated from the project and there is an opportunity to set more granular targets.	As the project enters delivery, the project will work to: - Determine if a higher increase in passenger numbers is possible and if targets can be set for individual socio-economic groups. - Whether different targets for reducing transport barriers to accessing education and work can be set.	4	2	8	Use app insight on customers using the service to determine if marketing activity needs to be enhanced for specific socio-economic groups. Work with partners such as Education, UHI-Moray and the Department for Work and Pensions to gather evidence on barriers to transport that can be contrasted with survey information from service users and residents.	End of phase 1	Open	Nicola Moss	Nicola Moss	20/10/2022
Operational continuity and performance	**Vehicle availability** Impact of Covid-19 on the economy may affect supplies of suitable electric vehicles	If suitable vehicles are not available then alternatives may be forced on the project resulting in the project aims either being compromised or if refused being delayed	3	4	12	Monitor the situation with regards to future orders. Select and procure EVs for phase 2 well before they are required.	01/01/2030	Open	Nicola Moss	Nicola Moss	19/10/2022
Operational continuity and performance	**Charging Infrastructure** Ability of timely civils work and installation of appropriate infrastructure	If electrical consultants are not commissioned by the end of Feb22 then this will materiallly impact the ability of the project to deliver to time some of the Phase 1 plans.	4	4	16	Infrastructure actively commissioned.	17/08/2022	No	Nicola Moss	Nicola Moss	19/10/2022
Regulatory	**Operator Licence** Without a clear route to "O" Licence timescales, staffing and vehicle stabling impacts are difficult to manage.	If there is no clear route to O Licence or decision to stay on permits for a defiened period then the actions required to facilitate the different elements will lead to time delays in registering and operating services, compliance issues with vehilce stabling and uncertainly over staffing provsion and contracts.	3	3	9	Route to O Licence developed and all impacts considered as part of project plan evolution. Monitor progress against this at Project Board Meetings.	17/08/2022	Ongoing	Nicola Moss	Nicola Moss	23/06/2022
People	**Staffing** Scaling up of driver/maintenance and administrative staffing to support increased operational hours/footprint	Phase 1 Detailed Options need to be signed off in order to ensure the apprpriate staffing is in place to support increased operational tempo across the board.	2	3	6	Ensure that time & budget is allocated in the Project Plan to resource and recruit appropriately	17/08/2022	Ongoing	Nicola Moss	Nicola Moss	19/10/2022
Financial	**Shift to NSG from BSOG** Impact of TS change in policy from BSOG to NSG payments	Sudden shift in TS policy around payments for BSOG moving to NSG. Issue with NSG + (which was legacy EZEB payments for 1st 5 yrs) is that it is not for new vehilces and as such leaves a hole in revenue after year 22/23.	5	2	10	Engage with TS on this policy and try and build in more revenue through fares and or increased patronage to offset some of the revenue loss. Financial Case as issued with FBC v1.0 takes account of this.	17/08/2022	Ongoing	Nicola Moss	Nicola Moss	23/06/2022
Operational continuity and performance	**Fleet Services SLA** Current SLA for fleet management is outdated and requires updating to reflect changing operational footprint that project brings.	Legacy SLA is not curently maximmising financial and operational efficiencies for future Dial M Ops. This has impacts on operational resilience and financial operating costs. Needs reviewed and drawn into a monthly compliance review piece so project can effectively monitor costs of EV scaled deployment.	3	2	6	Engage and develop with Fleet Services partners a new SLA that supports the increased operational footprint and demands as a result of Bus Revolution.	31/01/2023	Ongoing	Nicola Moss	Nicola Moss	23/06/2022

Appendix 7 – Fit with National, Regional and Local Plans and Policies: Salient Points

Plan/strategy	Salient points
Programme for Government	The clear priority for this period through to the end of this Parliament in May is dealing with the economic, health, and social crisis that the coronavirus has brought. The Scottish Government has made commitments to tackle child poverty, deliver a net zero society, improve our public services, end homelessness, and make clean, green long-term investments that will transform our society and build a wellbeing economy. Central to that recovery is a **new national mission to help create new jobs, good jobs and green jobs**. The actions within the programme includes: • Lock in the positive changes in active travel by committing £500 million for transformational infrastructure • Take forward our ambitions for **20 minute neighbourhoods** - the creation of liveable, accessible places, with thriving local economies, where people can meet their daily needs within a 20 minute walk
National Strategy for Economic Transformation	Our vision for Scotland in 2032 is a wellbeing economy: thriving across economic, social and environmental dimensions, one that delivers economic prosperity for all Scotland's people and places. When we achieve the vision, Scotland will be recognised at home and throughout the world as: • an international benchmark for how an economy can de-carbonise • the best place to start and grow a business or social enterprise • a magnet for inward investment • a great place to live and work with high living standards • a nation where people and businesses can continually upgrade their skills • a leader in research and development • a country where economic power and opportunity is distributed fairly • an outward looking nation exerting a meaningful influence
National Transport Strategy 2 (NTS2)	The vision is for a sustainable, inclusive, safe and accessible transport system helping deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors. The National Transport Strategy (NTS2) sets out the vision for Scotland's transport system for the next 20 years. There are four priorities to support that vision. • reduces inequalities

Plan/strategy	Salient points
	• takes climate action
	• helps deliver inclusive economic growth
	• improves our health and wellbeing
Strategic Transport Projects Review 2	The draft second Strategic Transport Projects Review (STPR2) for Scotland will inform Scottish Ministers' decisions on transport investment in Scotland for the next 20 years (2022-2042).
	STPR2 is one of the mechanisms for delivering the Vision, Priorities and Outcomes of the second National Transport Strategy (NTS2). It is an important tool for achieving the Government's commitment to 20% reduction in vehicle kilometres by 2030 and contributing to Scotland's net zero greenhouse gas emissions target by 2045 - also addressing inequalities, improving health and wellbeing and contributing to inclusive economic growth
	A 12 week public consultation was undertaken on the draft STPR2 documents in early 2022. Transport Scotland will be analysing and evaluating all feedback from this consultation and will work towards publishing the final STPR2 Report and the basis for development of the Delivery Plan in Autumn 2022.
	.
Scotland's Climate Change Update and 20% Reduction in Car KM Route map	Published in February 2022, Scottish Government and COSLA have set out Scotland's draft **route map** to achieve a *'national reduction in car kilometres, in order to enable healthier, fairer and more sustainable lives.'* The route map is published in response to the Scottish Government's Climate Change Plan update commitment to reduce car kilometres by 20 per cent by 2030, to meet Scotland's statutory obligations for greenhouse gas emissions reduction by 2045.
UK Industrial Strategy	The aim of the UKs Industrial Strategy was to boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure.
	The Industrial Strategy sets out Grand Challenges to put the UK at the forefront of the industries of the future, ensuring that the UK takes advantage of major global changes, improving people's lives and the country's productivity.
	The first 4 Grand Challenges are focused on the global trends which will transform our future:
	• Artificial Intelligence and data
	• ageing society
	• clean growth
	• future of mobility
Transport Scotland Bus Policy	Transport Scotland sets the national policy framework on buses which is delivered by bus operators, local authorities, Regional Transport Partnerships and the regulatory authorities.
	Bus policy aims are:

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Plan/strategy	Salient points
	To provide the environment for bus to act as an effective economic enabler by providing competitive, high quality public transport
	To enable bus to provide an effective alternative to the car by improving reliability, average bus speed and encouraging improvements to the quality of services and infrastructure
	To encourage investment in more efficient vehicles that produce less greenhouse gases and contribute to the targets in the Climate Change (Scotland) Act 2009
	To link communities, people, places of business and employment and essential services through encouraging the maintenance and development of the bus network in Scotland
Highlands and Islands Enterprise Strategy	HIE's three priorities are to: grow successful, productive and resilient businesses; create the conditions for growth; and build strong, capable and resourceful communities.
	The approach importantly highlights the fundamental differences in a rural economy stating that 'the way services and policies are delivered needs to be tailored to the local situation'. HIE sets out that this is critical to delivering inclusive growth in remote areas, highlighting that activity needs to be flexible and adaptable according to place, business and community need.
	HIE's 2019-2022 Strategy has a number of priority areas to which the Project would contribute, for example:
	Enabling Infrastructure
	Investment would generate transformational opportunities to create a prosperous and attractive area.
	Community Assets
	The Project would secure the investment required to deliver economic, environmental and social outcomes.
HITRANS Regional Transport Strategy	The RTS vision is, *"To deliver connectivity across the Highlands and Islands which enables sustainable economic growth and helps communities to actively participate in economic and social activities."*
	HITRANS activities should contribute to these high-level objectives by supporting, making the case for, and delivering the following transport objectives:
	• Reducing journey times and improving journey reliability and resilience.
	• Improving/maintaining the safety of transport and travel.
	• Tackling capacity constraints across the network.
	• Improving the quality, accessibility, affordability and integration of travel.
	• Protecting the environment and mitigating the adverse impacts of travel/transport.
	• Improve health and well-being.

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Plan/strategy	Salient points
Moray Local Outcomes Improvement Plan	Moray's Local Outcome Improvement Plan recognises the issue of Moray's rurality and identifies the development of transport, digital infrastructure and community empowerment as the means to address this deprivation. The Vision for Moray – Raising Aspirations through Expanded Choices, Improved Livelihoods and Wellbeing. In other words, the vision as a Community Planning Partnership is raising aspirations which will be done by creating an enabling environment where residents can achieve expanded choices, improved livelihoods and wellbeing. As a Partnership the CPP have identified four main priority areas to guide this work and deliver the vision: 1. Growing, diverse and sustainable economy; 2. Building a better future for our children and young people in Moray; 3. Empowering and connecting communities; 4. Changing our relationship with alcohol.
Moray Economic Strategy 2019-2029	In 2012 the Moray Economic Strategy was produced by the Moray Community Planning Partnership to provide a long term economic strategy for Moray. The strategy was reviewed and in December 2018 a refreshed strategy was published. The strategy takes account of changes in the economic landscape since 2012 not least cuts to public funding; it also reflects the work undertaken for the emerging Moray Growth Deal. The strategy maintains the overall objective to grow and diversify the economy and focuses on achieving four outcomes: Outcome 1: Qualification Levels - An increase across all ages and genders in qualifications relevant to growth sectors. Outcome 2: Small Business Growth - More small and medium-sized businesses employing between 10 and 100 people. Outcome 3: Talent Attraction, Retention and Return - More skilled, higher paid jobs that deliver net in-migration in the 16-29 age range. Outcome 4: Business Competitiveness - An increase in capital investment and focused workforce development to strengthen competitiveness.

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Appendix 8 – Moray Overview

On 30 June 2019, the population of Moray was 95,820. This is an increase of 0.3% from 95,520 in 2018. Over the same period, the population of Scotland increased by 0.5%.

Between 1998 and 2019, the population of Moray has increased by 10.4%. This is the 11th highest percentage change out of the 32 council areas in Scotland. Over the same period, Scotland's population rose by 7.6%.

In 2019, the number of households in Moray was 42,932. This is a 0.9% increase from 42,554 households in 2018. In comparison, the number of households in Scotland overall increased by 0.7%.

Economic context in Moray

- 73.8% – employment level was 73.8% in 2017 very close to the Scottish average.
- 91.2% – of 16-19 year olds in education, training or employment – close to the Scottish average.
- 27.3% – visitor numbers in Moray increased by 27.3% between 2011 and 2017.
- £129m – generated within Moray through visitor and tourism business expenditure in 2017.
- 10% – gross weekly pay in Moray is 10% below the Scottish average.
- 10% – of the population in Moray aged 16-64 have no qualifications.
- 9% – total regional earnings decreased by 9% since 2009.
- 33% – of jobs in Moray are in higher-level occupations – the Scottish average is 43%.
- 10% – proportion of local businesses that are new businesses – Scottish average is 14.6%.
- 81.5% – of local businesses employ less that nine people.

Travel in Moray

In terms of journey making, a high proportion of journeys which commence in the Grampian area (Moray, Aberdeenshire and Aberdeen) also complete within the Grampian area – 97.2% of journeys 2015-2019 – this being the second highest rate in Scotland as a whole, only with the Highlands and Islands having a higher rate of 96.8%.

From the 2019 Transport and Travel in Scotland (TATIS) publication, Moray can be profiled as follows in terms of transport and travel:

In terms of usual method of travel to work, there is a high proportion of people travelling as the driver of a car/van – 69% compared to just 63% in Scotland as a whole. A further 10% travel as a car/van passenger, showing a higher level of car sharing, compared to the Scotland rate of 5%. There are similar levels of walking to work in Moray as is the case in the whole of Scotland, which sits at 12%, while only 1% report cycling to work in Moray, compared to nearly 3% in Scotland as a whole. Finally, 5% of people in Moray report taking the bus to work, which compares to a much higher rate of nearly 10% for Scotland as a whole.

When employed adults were asked if they could use public transport for the journey to work, 34% reported that they could in the Moray area, which compares to a little over 44% for Scotland as a whole. Moray's rate here sits well below the average across all Local Authority rates, which is 42% and the median, which is 41%. The highest rate for those stating that they could use public transport for the journey to work was 78% for the Midlothian Local Authority area.

Considering the journey to school, in Moray a high proportion of children walk to school, 62% compared to the Scottish rate of a little under 52%. In fact, the Moray rate is the highest Local Authority rate across all those presented in 2019. Consequently, Moray displays a much lower travel to school by car rate, at just 16% compared to the Scottish level of 25%, and travel by bus is also a little lower at 16% compared to the Scottish rate of a little over 18%. Travel by bicycle for the journey to school also fares well in Moray, with 6% of journeys by bike, which is three times the national rate of a little under 2%.

In terms of car availability, in Moray just 14% of households do not have a car/van available to them, which compares to the national level of just over 27%. But while car ownership in Moray is higher, this still means more than 6,000 households across the area do not have access to a car/van.

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In terms of local bus services, a very high proportion of respondents had not used a local bus service in the past month. For Moray this sat at 81% of respondents, which compares to a national rate of just 61.5%. Neighbouring Aberdeenshire and Highland, had lower rates of 74% and 76% respectively that had not used a local bus service in the past month. Of those reporting that they used local bus services, most commonly this was about once a fortnight, or about once a month, with 12% of respondents reporting this frequency of use, while lower rates used local bus services more frequently. Specifically, four per cent of respondents reported using local bus services about once per week, two per cent reported using local bus services two or three times per week, and zero per cent respondents were using bus services every day, or almost every day. In terms of roughly daily usage, this compares to eight per cent across all Local Authority areas, and one per cent and two per cent in Aberdeenshire and Highland respectively.

In terms of satisfaction with public transport, only six per cent of Moray respondents reported being very satisfied, while a further 45% reported being fairly satisfied. These data compare to nearly 21% across Scotland as a whole being very satisfied and 47% being fairly satisfied. The Moray data therefore displaying significantly below the national satisfaction levels. Therefore, as expected those reporting that they were fairly dissatisfied or very dissatisfied with public transport in Moray was much higher, with 17% and 11% of respondents respectively, which compare to 9% and almost 7% nationally.

From the travel diary results in the Scottish Household Survey, bus was the main mode of travel for just three per cent of journeys, which compares to seven per cent nationally. There were similar levels of walking as the main mode in Moray as is the case nationally, with 22% of journeys made. Conversely, car/van driver is much higher in Moray with 58% of all journeys compared to a little under 53% nationally, while car/van passenger as the main mode is also higher in Moray with 15% of journeys compared to a little over 12% nationally.

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Appendix 9 : Project Carbon Categorisation

Project Name: Bus Revolution

Deal Region: Moray

Brief Description of Project: Bus Revolution aims to increase the number of people using public transport in rural areas of Moray by introducing an 'uber' style demand responsive bus service. This will require capital investment for a new green fleet of electric buses, and associated charging infrastructure, operational systems and marketing.

The project will eventually operate at net zero as electricity from the national grid is decarbonised.

Carbon Emissions Impact Category:
- CONTROL Category (1-5): 3
- INFLUENCE Category (A-C): A

Justification of Expected Carbon Emissions Impact Category
The initial capital investment will involve embodied carbon emissions however the project will aim to be operationally net zero.

The embodied carbon is derived from the construction of the electric bus fleet, as well as the installation of new EV charging infrastructure. Whilst the project uses a significant amount of electricity in day-to-day operation, the planned decarbonisation of the national grid will enable the project to operate at net zero.

In calculating carbon emissions, the assumption is that each new electric bus will create a high level of embodied carbon of 88 tCO_2e. It has been assumed that charging infrastructure will require 1 x 1m^3 concrete base per charging unit, each producing 0.27 tCO_2e. These figures include a +10% contingency.

By operating a flexible demand responsive service model using familiar smartphone technology, it is anticipated that there will be a considerable uptake of this new renewable travel option. This influence has been quantified pragmatically as a 1% shift from work-related car use in Moray. Over the project lifespan, this is estimated to represent a 2,114 tCO_2e offset.

In addition, the software systems proposed enable each vehicle to minimise energy use by calculating the most efficient route available to pick up/drop off passengers – vehicles will not be restricted to a pre-defined route. This will have a positive impact on the project's carbon footprint by lowering energy consumption and extending the life of consumables (e.g. tyres).

Could the Carbon Emissions Impact Category be improved?
The initial build of the new electric buses and charging infrastructure will result in embodied carbon being emitted. Therefore it is unlikely that the project could be improved from Category 3A to Category 2A.

Could the carbon performance of the project be improved?

The electric fleet and associated charging infrastructure could include additional measures to incorporate carbon savings during design and build if finances allow. If carbon conscious materials are mainstreamed and the price for such materials fall, then more carbon savings could be made from the fixed financial budget. However, such savings are unlikely to improve the carbon performance to a whole life carbon net zero status. This assessment is reflected in the chosen Category 3 status.

If it is deemed feasible that existing charging points are available to be used then the project could save an estimated 5.13 tCO_2e.

The new bus fleet will require electricity to operate. The carbon emissions of this will reduce over time as the electricity network is decarbonised. The main operational carbon emissions should therefore reach net zero at the same time as the national grid.

It should be noted that no provision in the above calculations has been made to absorb carbon emissions from the atmosphere or to produce renewable energy. Net zero might be achieved faster by considering the following, although funding for this is not included in this project:

- Charging stations designed to incorporate renewable energy production
- Roof mounted solar panels on all vehicles

The ability to subsidise travel on the proposed services to a level that is free at the point of use may encourage greater footfall, thereby increasing the influence of the project and delivering greater carbon savings.

How will carbon be managed?

Throughout the project, a monitoring process is proposed to consider the on-going influence of the project. This will include analysis of passenger numbers and travel trends, and counts of vehicular and active travel volumes around Moray.

A framework for capturing carbon performance in relation to the project is outlined in the Full Business Case. This will be based on the template provided as part of the Scottish City Region and Regional Growth Deals Carbon Management Guidance (11 August 2021).

What other carbon savings are expected to result from the project?

It is anticipated that the provision of a high quality, flexible demand responsive bus service will begin to bring about a modal shift in lifestyle choices towards public transport in Moray. Whilst this may be significant enough to influence wider carbon emission reductions, such a shift is difficult to quantify. A pragmatic approach has been taken towards the project's influence assumptions at this time, as previously discussed. The potential effects on the project's carbon performance of future climate-related travel/transport policies have therefore not been factored in.

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Carbon Calculations and Monetisation

The whole life carbon at each stage of the project has been calculated and monetised according to the preferred project scenario.

The embodied carbon calculations have accounted for the introduction of:
- 3 x Vauxhall Vivaro electric buses and charging infrastructure in 2022
- 3 x Mellor Orion electric buses and charging infrastructure in 2022
- 1 x Optare Solo electric bus and charging infrastructure in 2024
- 1 x Optare Solo electric bus and charging infrastructure in 2026
- 1 x Optare Solo electric bus and charging infrastructure in 2027
- 10 x Vauxhall Vivaro electric buses and charging infrastructure in 2028

The operational carbon calculations comprise the emissions resulting from the estimated electricity use of the above vehicles by year of operation. Emissions factors per kWh of electricity were obtained from BEIS (2021a) for this purpose.

The project's influence is reflected in the calculations by the assumption that 1% of all work-related car journeys in Moray will shift to being made by electric bus. This results in a carbon offset throughout the project lifespan.
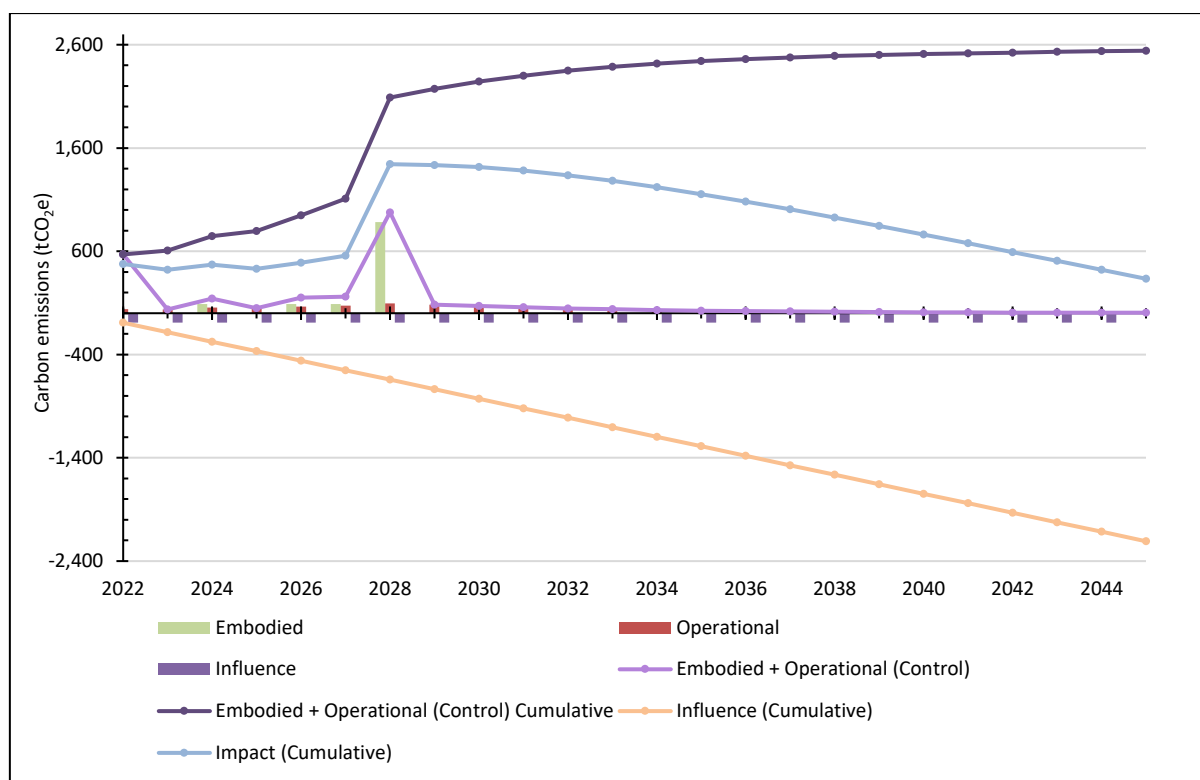

Figure 5. Estimated carbon emissions (tCO₂e) for Bus Revolution from 2022 to 2045. The project lifespan is 2022 to 2042.

The embodied, operational and offset carbon can be totalled and monetised. This economic value is determined from the *Valuation of greenhouse gas emissions: for policy appraisal and evaluation* (BEIS 2021b).

Carbon emissions are calculated for each year of the project and multiplied by the year's respective BEIS (2021b) carbon value.

Table 17. Total estimated carbon emissions (tCO₂e) and monetised carbon values (£2020 prices) for embodied, operational and offset carbon from 2022 to 2042. Calculated using carbon values from BEIS (2021b).

Carbon emissions	Total estimated carbon emissions (tCO$_2$e)	Total estimated monetised carbon values (£2020 prices)		
		LOW	CENTRAL	HIGH
Embodied	1,677	£220,503	£441,007	£662,039
Operational	1,187	£121,387	£242,858	£364,274
Offset	-2,114	-£344,264	-£688,712	-£1,033,068
TOTAL	750	**-£2,374**	**-£4,847**	**-£6,755**

Incorporating the central monetised carbon value in Table 1 with the economic case would reduce the preferred option's NPV of costs by £4,847. This would result in a nominal increase to the BCR of 0.002. The BCR of the preferred option would therefore remain greater than or equal to the BCR of the other options considered.

When the agreed vehicle implementation plan has been confirmed as part of the Full Business Case, it will be possible to give a more accurate monetised value for the estimated carbon emissions. It should be noted that the data accessed for operational annual electricity use does not account for the planned decarbonisation of the national grid.

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Appendix 10: Detailed break-down of passenger and revenue projections

Description of the services currently offered by the Moray Council

The Moray Council Public Transport Unit operates the following services:
- Home-to-school transport
- Health and Social Care Contracts
- Registered Services
  - Fixed route services
  - Dial-M Demand Responsive Services

The current Demand-Responsive-Transport (DRT) service from Moray Council is known as "Dial M for Moray". The Dial M service consists of:

- Utilising existing vehicles during the hours not required for school transport and HSC contracts
- Operates in 5 zones – Forres, Speyside, Buckie, Keith, Elgin
- Does not currently allow travel between zones.

During term time Dial M services operate Monday to Friday from 0915 to 1430. 9 vehicles are routinely used to provide these services.

The DRT service operates in Forres on a Saturday from 0900 until 1215 and 1300 until 1700

Journeys can be booked by calling the Contact Centre between 0845 and 1700 Mondays to Fridays.

Moray Council also operates 6 registered local services (fixed route services)

Service	Service description	Operates	Journeys
314	Forres Town circular. (effective from 24 February 2020)	Monday-Friday 08:40-17:00	8-9 times per day
334	Elgin - Kingston	Monday-Friday 07:04-19:14	5 journeys each way, 10 total
338	Aberlour - Carron	School days only	2 per day 07:55-08:45 15:10-16:05
364	Tomintoul - Grantown on Spey	Wednesdays only 09:10-13:50	4 per day
365	Tomintoul - Keith via Dufftown	Tues, Thurs and Friday	2 per day 7:55-09:50 Tomintoul to Keith 16:30-17:55 Keith to Tomintoul
366	Aberlour - Elgin	Monday and Wed	2 per day 09:05-10:20 Aberlour to Elgin 13:20-14:35 Elgin to Aberlour

Baseline passenger data

The table below shows a summary of passenger numbers across all bus services operated by the Moray Council.

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Table: Passenger data from all bus services operated by the Moray Council

Year	Demand Responsive Transport (DRT)		Scheduled TMC Services		All TMC operated services	
	Total pa	Monthly Average	Total pa	Monthly Average	Total pa	Monthly Average
2016	32,746	2,729	13,802	1,150	46,548	3,879
2017	30,291	2,524	19,598	1,633	49,889	4,157
2018	27,793	2,316	20,634	1,720	48,427	4,036
2019	29,028	2,419	19,413	1,618	48,441	4,037
2020	13,510	1,126	14,930	1,244	28,440	2,370
2021	13,954	1,163	17,092	1,424	31,046	2,587
2022 (January-July)	9,895	1,414	13,883	1,983	23,778	3,397

The table above includes the monthly average passenger numbers.

Passenger numbers decreased at the time of pandemic restrictions, most notably March-July 2020 and again in January 2021. After both incidents, there was an improvement in passenger numbers.

Monthly passenger numbers peaked in January and February 2020, directly before the pandemic, exceeding 5,000 per month on both occasions. Passenger numbers exceeded 5,000 in a calendar month again this year, in June 2022. This is a positive indicator of post-pandemic recovery.

Passenger numbers from all bus services operated by the Moray Council in 2022 are 16% lower than in 2019 based on the monthly average number of passengers for the first 7 months of 2022 (3,397) compared to the full 12 months of 2019 (4,037).

Passenger numbers on demand responsive bus services operated by the Moray Council in 2022 are 43% lower than in 2019 based on the monthly average number of passengers for the first 7 months of 2022 (1,414) compared to the full 12 months of 2019 (2,419).

Passenger numbers on scheduled bus services in 2022 are 23% higher than in 2019 based on the monthly average number of passengers for the first 7 months of 2022 (1,983) compared to the full 12 months of 2019 (1,618). In 2022 a significant portion of the monthly passenger average is the passengers travelling on a new service, the Forres Town circular (the 314) which was launched in Feb 2020 and which served 865 passengers per month, on average, in 2022.

The existing DRT customer base, with a particularly high over-60 market, has been more significantly impacted in relation to the pandemic and regrowth in the market – and in comparing the figures between DRT and scheduled services there is also an imbalance because of the popular Forres Town service introduced in February 2020 accelerating recovery in scheduled bus service passenger numbers.

The figures do demonstrate a clear demand, even on a purely off-peak basis, for Demand Responsive Transport, which meets customer needs in areas where a timetabled service is not sustainable. Where repeat demand can be established there is the possibility that new timetabled

services can be introduced and sustained – this becoming a measure of success in growing the market rather than an indicator that DRT is not a valuable service.

Fares modelling, revenue projections and financial sustainability

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Appendix 11

Moray Transport Forum Workshop, Saturday 19th March 2022.

Moray's third sector Transport Forum hosted a Moray wide transport seminar on Saturday 19th March 2022. A wide range of community group representatives and interested parties participated in the two hour session. Working in groups, a number of themes were explored and the following bullet points highlight the delegates' aspirations and tie in with the aims of the Bus Revolution business case.

- Commercial bus services stop in rural areas after 6pm
- Commercial bus services do not operate in all areas on a Sunday
- Limited options if any for early morning travel other than into Elgin
- Little provision on commercial bus network for shift workers am and pm
- Connectivity from rural areas to access the commercial bus network or rail services
- Access to evening entertainment venues, socialising or hospital visiting impossible from many rural areas other than by taxi at high price
- Rail network only covers three communities
- Improved links within Moray to railway stations including Elgin.
- Young people in rural areas excluded from attending evening and weekend leisure or entertainment facilities due to no public transport
- Poor uptake of U22's free travel scheme as many young people in rural areas have little or no public transport access
- Several obvious geographical links not served, i.e. Keith – Buckie and Burghead/Hopeman - Lossiemouth
- Access to health and social care facilities difficult by existing public transport.
- On the day booked doctor appointments difficult on existing DRT booking platform; app based system will allow for on the day bookings.
- Residents in rural areas dependent on lifts from family and friends or taxis to access medical practices.
- Feeling of inequity in some rural areas versus the transport facilities provided commercially elsewhere