



REPORT TO: MORAY COUNCIL ON 6 MARCH 2024

SUBJECT: MORAY GROWTH DEAL ANNUAL REPORT

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

1. REASON FOR REPORT

- 1.1 To provide a draft copy of the Moray Growth Deal's 2023 annual report for consideration by Councillors.
- 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 note the draft annual report; and**
 - (ii) **delegate authority to 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 A condition associated with Growth Deal funding is that a report is produced annually providing an overview of work undertaken in the past 12 months, with a forward look at the year ahead.
- 3.2 In March (paragraph 13 of the minute) and May 2023 (paragraph 17) reports were submitted to Council related to the report that covered 21 December 2021 (when the Deal was signed) to 31 December 2022. This paper introduces a draft annual report for the 2023 calendar year.

4. STEPS ASSOCIATED WITH DEVELOPING A FINAL DRAFT OF THE ANNUAL REPORT

- 4.1 During January 2023 the Moray Growth Deal Programme Management Office (PMO) prepared a first draft of the annual report using information provided from Project Senior Responsible Officers (SROs) and Project Managers (PMs). This draft was presented to the Moray Growth Deal Board on 25 January 2024, with Board Members invited to provide comments. The version accompanying this report (**Appendix 1**) incorporates comments received.
- 4.2 The annual report forms the basis of the Deal’s Annual Conversation, which is scheduled to take place on 14 March 2024. This is an opportunity for Senior Officers from the Council and both Governments to discuss the status of the Deal.
- 4.3 The report will also be shared with the Moray Economic Partnership and the Growth Deal Business Assembly, with a final version due to be submitted to the Moray Growth Deal Board in April for approval before submission to Council for noting.

5. OVERVIEW OF THE ANNUAL REPORT (v0.3)

- 5.1 **Appendix 1** contains a draft copy of the Moray Growth Deal’s 2023 annual report.
- 5.2 The Growth Deal started 2023 with one of the eight projects in delivery, Digital Health. Bus Revolution received clearance to commence in March 2023, with a further 3 projects gaining approval from the Moray Growth Deal Programme Board for their full business cases in the second half of the year (with these expected to receive final clearances to enter delivery during late Q4 23/24 following approval by the Moray Council on 24 January 2024): Business Enterprise Hub (subject to confirmation of philanthropic contribution), Housing Mix Delivery and Manufacturing Innovation Centre for Moray (MICM)
- 5.3 Alongside the progression of full business cases, a number of key milestones were achieved during 2023.

Q4 22/23	<ul style="list-style-type: none">▪ Bus Revolution project receives Council and Government clearance to enter delivery.
Q1 23/24	<ul style="list-style-type: none">▪ Digital Health’s Demonstration, Simulation and Environment (DSE) Space opens in UHI-Moray, providing a location for residents, digital developers and health care professionals to collaborate on healthcare digital applications.▪ Fraser Livingstone Architects appointed to design phase 1 of the Dallas Dhu (Forres) housing masterplan▪ Enhanced on demand bus services take to the road, rebranded as m.connect.
Q2 23/24	<ul style="list-style-type: none">▪ Moray Growth Deal Board approves full business cases for the Business Enterprise Hub, Housing Mix Delivery and MICM projects, enabling them to move to the next stage of scrutiny by Government Policy Advisors and the Moray Council.▪ Bus Revolution project receives a Ministerial Launch in Aberlour.

Q3 23/24	<ul style="list-style-type: none"> ▪ LDN architects appointed as lead design partner for the redevelopment of Elgin Town Hall as part of the Cultural Quarter project. ▪ Drop in event held regarding regeneration plans for South Street in Elgin, which involves the Business Enterprise Hub and Housing Mix Delivery projects.
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5.4 Looking ahead to 2024, the pace of activity will continue to increase, with the investment and associated services becoming more visible to residents and businesses of the region.

Q4 23/24	<ul style="list-style-type: none"> ▪ 5 of the Deal's 8 projects to have entered delivery. ▪ Planning application for the Business Enterprise Hub on South Street to be submitted. ▪ Planning applications for Housing Mix Delivery South Street and Dallas Dhu developments to be submitted. ▪ Design team for Grant Lodge to be appointed.
Q1 24/25	<ul style="list-style-type: none"> ▪ Expansion of Bus Revolution to include a pilot of weekend services. ▪ Early Years STEM and Cultural Quarter projects to have submitted their full business cases to the Growth Deal Board, with the aim that they enter delivery during Q2 24/25.
Q2 24/25	<ul style="list-style-type: none"> ▪ Launch of EY STEM outreach offer ▪ Following a delay procuring consultancy support to assist with drafting of the Deal's Benefit Realisation and Monitoring Plan, this work is expected to conclude by Q2 24/25.
Q3 24/25	<ul style="list-style-type: none"> ▪ Phase 1 of the Manufacturing Innovation Centre for Moray (MICM) will open in autumn 2024 at the Forres Enterprise Park. ▪ (In the assumption planning permission is secured) Construction of the Business Enterprise Hub facility to commence.

5.5 Whilst positive progress continues to be made, the Deal is currently managing a number of risks and issues. The most significant strategic entries are noted below.

- **Changes to capital and revenue costs:** As project FBCs are developed, Project Managers are adapting to a range of circumstances such as cost inflation from OBC profiles and changing financial conditions within the partners who are both delivering projects and contributing funding. A range of measures will be considered including value engineering construction plans to reduce cost, whilst working to prevent any change in the benefits to be realised and identifying alternative sources of funding.
- **Staff resources available to deliver Bus Revolution:** With increased resources required for key roles, including bus drivers and vehicle technicians, there is a risk that recruitment does not keep up with the numbers needed. This has the potential to slow down the pace of expansion and/or affect the operational model of the project. Efforts are being made to make recruitment an ongoing rather than cyclical activity and analysis of the constraints is to be carried out with a view to determining what is within the Council's control to achieve improved outcomes.

- **Workload of key stakeholders:** With a significant number of Growth Deal projects due to scale up during 2024, this has the potential to create demands on a finite number of key stakeholders, some of whom will have interests in multiple projects. Stakeholder identification and mapping will be carried out, with co-ordinated communications and engagement plans to be developed across the programme and projects to ensure any peaks of activity for particular groups are effectively managed.

5.6 Alongside risks and issues, Moray is faced with a positive opportunity that the Growth Deal and wider Economic Development Team are working to exploit. During the second half of 2023 the Council received further economic investment in the form of £18.3m from the Levelling Up Fund and £20m from the Long Term Plan for Towns Fund. Work will be delivered during Q4 23/24 to understand the milestones, linkages and resourcing requirements across the three funding programmes and these will then be managed through appropriate governance structures with a view to maximising the benefits to be realised for Moray.

6. **SUMMARY OF IMPLICATIONS**

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

Moray Growth Deal projects 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, expanding choices for residents, and improving livelihood and well-being.

(b) Policy and Legal

Each MGD 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 2023 Moray Growth Deal annual report in itself does not present any financial implications, but it does contain a section relating to the finances of the programme.

With an increasing number of projects either in delivery or in the advanced stages of developing their full business cases, it is expected that during the first half of 24/25 there will be more certainty around the financial profile for the remaining 7 years of the Deal. This in turn will allow Finance to understand cash flow requirements that the Council have committed to cover about the Government funding profile. Specifically, it will determine application of the £4m currently held in reserves.

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 2023 Moray Growth Deal annual report in itself does not present any risk implications, but it does reference risks being managed by the Moray Growth Deal SRO and PMO that have the potential to affect successful delivery.

Risk is a standing item at monthly Moray Growth Deal Programme Boards and is covered in meetings that the PMO 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 and any subsequent, significant change control activity.

(h) Climate Change and Biodiversity Impacts

As part of their review process with the Governments, Growth Deal projects need to take account of carbon and environmental considerations in full business cases, with net zero aspirations being integrated into design briefs for new properties.

(i) Consultations

The Depute Chief Executive (Economy, Environment and Finance), Head of Economic Growth and Development, the Legal Services Manager, the Equal Opportunities Officer the Chief Financial Officer and Democratic Services Manager have been consulted and comments received have been incorporated into the report.

In parallel with the above, a final version of the annual report will be prepared following extensive consultation and review with:

- Moray Growth Deal Programme Board
- Moray Economic Partnership (MEP)
- Moray Growth Deal Business Assembly
- The Scottish and UK Governments

A final version of the annual report will be provided to Council for noting at its meeting on 22 May 2024.

7. CONCLUSION

7.1 This paper provides a draft copy of the Moray Growth Deal's 2023 annual report for the Council to review and comment upon.

- 7.2 The Council is asked to delegate authority for the Depute Chief Executive (Economy, Environment and Finance) 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 engagement with Key stakeholders including the Scottish and UK Governments has concluded.**

Author of Report: Michael Kelly, Moray Growth Deal Programme Manager
Background Papers:

- ¹ [Full Deal documentation \(December 2021\)](#)
- ² [Approval of procurement requirements prior to the Housing Mix Delivery FBC being approved](#)
- ³ [Acquisition of property relating to South Street redevelopment activity \(relating to both the Housing Mix Delivery and Business Enterprise Hub projects\)](#)
- ⁴ Moray Growth Deal 21/22 annual report
[8 March 2023](#) and [24 May 2023](#)
- ⁵ [Approval of MICM FBC](#)
- ⁶ [Approval of Business Enterprise Hub and Housing Mix Delivery FBCs](#)

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