

Wiltshire Council

Cabinet

10 September 2012

**Subject: Delivering the Local Sustainable Transport Fund Project -
'Improving Wiltshire's Rail Offer'**

Cabinet Member: Councillor Dick Tonge – Highways and Transport

Key Decision: No

Executive Summary

This report seeks Cabinet's approval to proceed with the Council's Local Sustainable Transport Fund (LSTF) project, 'Improving Wiltshire's Rail Offer', following the award of £4.250 million by the Department for Transport (DfT) on 27 June 2012.

The LSTF project has three main elements and a projected total cost of £5.750 million (funded through the grant and a local contribution of £1.500 million):

- (i) Support for improved rail services on the Westbury to Swindon line.
- (ii) Interchange improvements at a number of Wiltshire's railway stations.
- (iii) Supporting smarter choices measures.

The current Great Western refranchising process complicates the delivery of the improved train service. While the service has been included as a 'priced option' in the 'Great Western Franchise Invitation to Tender (ITT)' this means that the successful bidder's proposal will not be known until probably February/March 2013. The realistic start date for the improved train service is now December 2013.

The Council has engaged with First Great Western, the franchise bidders and the DfT regarding the need to undertake any necessary preparatory work for the train service. It is considered that the Council should await the outcome of the ITT process before committing any public funds to this work; although there are risks with this approach.

A variety of complementary sustainable transport measures were included in the bid to support the improved train service, as well as current train services.

There are a number of uncertainties and risks with the project, largely as a consequence of the Great Western refranchising process. Given this, it is recommended that while Cabinet approves the commencement and delivery of the package of complementary measures, the decision to approve the required funding for the train service post-March 2015 should be deferred to a future meeting.

Proposals

That Cabinet:

- (i) Welcomes the full grant award (£4.250 million) for the Council's Local Sustainable Transport Fund bid by the Department for Transport.
- (ii) Approves the commencement and delivery of the package of complementary sustainable transport measures (£4.550 million) and delegates the management of this project to the Service Director for Highways and Transport in consultation with the Cabinet Member for Highways and Transport.
- (iii) Approves the contribution of £0.300 million from the Local Transport Plan Integrated Transport Block allocation for 2012/13 to 2014/15, the contribution of circa £0.100 million 'in-kind' officer time and the allocation of up to £1.100 million developer contributions.
- (iv) Reiterates its in-principle support for an improved TransWilts rail service.
- (v) Notes the uncertainties and risks associated with the implementation of the improved train service and requests that officers further liaise with the Department for Transport, Great Western franchise bidders and other relevant parties regarding the improved Westbury to Swindon train service, and submit a further report to a future Cabinet meeting.

Reason for Proposals

To enable the LSTF project to commence so ensuring that the programme of measures and required spend can be made in accordance with the grant award.

Parvis Khansari
Service Director, Highways and Transport

Wiltshire Council

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Subject: Delivering the Local Sustainable Transport Fund Project – ‘Improving Wiltshire’s Rail Offer’

Cabinet Member: Councillor Dick Tonge – Highways and Transport

Key Decision: No

Purpose of Report

1. To seek approval to proceed with the Council’s Local Sustainable Transport Fund (LSTF) project, ‘Improving Wiltshire’s Rail Offer’, following the award of £4.250 million by the Department for Transport (DfT).

Background

LSTF process

2. In January 2011, the Government issued a new White Paper on transport entitled ‘Creating Growth, Cutting Carbon – Making Sustainable Local Transport Happen’. As part of this White Paper, the Government also announced the LSTF with detailed guidance being issued in February 2011. The overall purpose of the LSTF is “...to enable the delivery by local transport authorities of sustainable transport solutions that support economic growth while reducing carbon”.
3. Following consultation with a number of stakeholders and other interested parties, an expression of interest for a tranche two bid was submitted to the DfT on 6 June 2011.
4. During the summer, the Council met with a number of organisations, including the DfT, to discuss the bid proposal. This resulted in the Council commissioning its term consultant, Mouchel, to develop a bid for submission by 24 February 2012. Following further engagement with key stakeholders and relevant interested parties, the Cabinet Member for Highways and Transport approved the Council’s bid submission in the report ‘Local Sustainable Transport Fund – Bid Application’ (reference HT-006-12).
5. As set out in the bid application, the project has three main elements and a projected total cost of £5.750 million:
 - (i) Support for improved rail services on the Westbury to Swindon line.
 - (ii) Interchange improvements at Wiltshire’s railway stations (see paragraph 25).

- (iii) Supporting smarter choices measures (see paragraph 25).

Table 1: LSTF spending profile

£million	2012/13	2013/14	2014/15	Total
Revenue funding bid	0.332	1.247	1.117	2.696
Capital funding bid	0.138	0.812	0.604	1.554
Local contribution	0.200	0.688	0.612	1.500
Total	0.670	2.747	2.333	5.750

6. As shown in Table 1, the total amount of funding sought from the DfT was £4.250 million with a local contribution of £1.500 million planned to be made up of a mixture of in-kind contributions, Local Transport Plan (LTP) funding and developer contributions (this is in addition to the £0.650 million the Council paid for the purchase of former railway land adjacent to Melksham station in 2009). Full details of the bid are available from:
<http://www.wiltshire.gov.uk/council/howthecouncilworks/plansstrategiespolicies/tranportpoliciesandstrategies.htm>.
7. Following an initial DfT announcement on 24 May 2012 (where the Council's bid was placed in the category 'Projects still to be announced'), the bid was awarded full funding by the DfT on 27 June 2012. The DfT's award notification letter dated 4 July 2012 is attached at **Appendix 1**.
8. In terms of joint bids in which Wiltshire Council was a participant, the tranche one bid 'ITSO Smart Ticketing throughout all South West England' was awarded funding by the DfT in June 2011. The Council also submitted a joint tranche two bid, 'Sustainable Transport Solutions for England's Two Newest National Parks', which was led by Hampshire County Council. This was awarded £3.810 million by the DfT in June 2012. It should be noted that the Council only committed in-kind officers' time to both these joint bids.

Great Western refranchising

9. In May 2011, First Great Western (FGW) announced that it would not take up the option to extend its franchise beyond the end of March 2013 (subject to an extension of seven four-week rail periods at the Secretary of State's discretion). As a result of this decision, the DfT has commenced a franchise replacement process which is currently ongoing. As part of this process, an improved Westbury to Swindon (TransWilts) train service has been included as a 'priced option'¹ (see **Appendix 2**) in the 'Great Western Franchise Invitation to Tender (ITT)' published on 27 July 2012. In setting out the timetable for the refranchising (see Table 2), the ITT confirmed that the planned start date for the new 15 year franchise is 21 July 2013.

¹ Priced options enable bidders to submit delivery plans for specified options over and above the base franchise specification. The incremental price of each option is separately identified by each bidder with a proportion of that price (100% in the case of the TransWilts option) being added to the overall price of the base franchise specification.

Table 2: Refranchising timetable

Stage	Description	Party Responsible	Planned Date
Bid Preparation	Preparation of Bids	Bidders	July – Oct 2012
	Submission of Bids	Bidders	25 Oct 2012
Bid Evaluation & Negotiation of Bids	Evaluation of Bids, clarification, negotiation and agreement to terms of the Franchise Agreement and related documentation. Secretary of State consent to the Great Western franchise award	The Department and Bidder(s)	Oct 2012– Jan 2013
			Feb/Mar 2013
Mobilisation	Prepare for transfer of operations	Franchisee	Mar – July 2013

10. As part of the bid preparation process identified in Table 2 above, officers are meeting each of the four bidders (First Group, Arriva, National Express and Stagecoach) to discuss their bid proposals and their approach to the TransWilts 'priced option'.
11. One of the significant consequences of the refranchising process is that the Council has to liaise with FGW, as the current incumbent franchisee (which has certain contractual obligations to hand over the franchise in a fit state), to get the necessary preparatory work undertaken for a train service that will commence operation in the new franchise period.

Main Considerations for the Council

Support for an improved Westbury to Swindon train service

12. Based on engagement with FGW during the LSTF bid application process, the improved train service between Westbury and Swindon is for eight trains per day each way – approximately two hourly. The target start date for this service was May 2013.
13. As per a ministerial written statement by Theresa Villiers MP on 28 February 2011, the funding for the improved train service would need to be locally sourced for three years before the DfT would consider incorporating it within the franchise (as detailed in the DfT's 'Conditions Relating to the Funding of New or Enhanced Services Promoted by Local Bodies'). The funding for 2013/14 and 2014/15 is included within the £5.750 million rail bid. Local funding would therefore be required to support the train service from the end of the LSTF period in March 2015.
14. As part of the LSTF bid, FGW identified the following three year subsidy requirement if the train service commenced in May 2013:

Table 3: Annual subsidy requirement for Westbury to Swindon train service (2011 prices)

2013/14	2014/15	2015/16
£0.572m	£0.603m	£0.159m

Note: These figures are estimated and subject to the approval of FGW's board.

15. In line with the DfT's policy outlined in paragraph 13 and the subsidy estimate from FGW, the Council would be required to fund the train subsidy from the end of the LSTF period in April 2015 up to the end of the three year period in April 2016.
16. Given the estimated and informal nature of the subsidy figures set out in Table 3, and to restrict the Council's liability in these circumstances, the LSTF bid application specified a cap on the Council's contribution to the train service post-March 2015 of £0.250 million.
17. Subsequent to the bid application, however, it has been established through discussions with FGW that a train service start in May 2013 is unrealistic and that a more realistic start date is December 2013. This date has since been reflected in the TransWilts priced option included in the ITT (see **Appendix 2**).
18. Based on the refranchising timetable shown in Table 2, information on the successful bidder's approach to the TransWilts priced option (i.e. train service annual subsidy cost and proposed start date) will not be available until probably February/March 2013. At this point the situation regarding the rail subsidy requirement post-March 2015 should be a lot clearer, with accurate figures provided by the successful bidder. Given this, it will be necessary to submit another report to Cabinet setting out the outcome and implications of the ITT priced option process and detailing the rail subsidy requirement which will be placed upon the Council for the improved rail service.
19. It should be noted that GO-OP, a potential open access train operator, is working towards running a two-hourly service between Westbury and Birmingham (Moor Street) which could have profound implications on the TransWilts service proposal in terms of track access and timetabling. However, as stated in the LSTF bid application, should GO-OP be successful in implementing its service aspirations then it is considered that this would provide a satisfactory train service improvement. The LSTF project could then be adjusted to purely accommodate the complementary measures planned at various rail stations as the objective for an improved rail service would have been satisfied by the open access train operator. The potential change to the project will be looked at if the open access train operator bid is successful and officers will prepare a report to detail changes if this is the case.

Train service preparatory work and start up costs

20. As stated in paragraph 11, the Council has liaised with FGW, as the current incumbent franchisee, to seek to ensure that the necessary preparatory work for the improved train service is undertaken. There are three aspects to this work: rolling stock provision; timetabling and track access; and train crew recruitment and training.

21. Ahead of the Council submitting its LSTF bid application, FGW sent a confidential letter to the DfT setting out three different options for sourcing the additional rolling stock that would be required to operate the improved train service between Westbury and Swindon. While the DfT did not separately appraise the options, it did consider that FGW had sufficient plans in place in relation to rolling stock.
22. In a subsequent meeting, however, FGW has stated that it would now not be able to provide the required rolling stock and that it would be up to the new franchisee to source this rolling stock. More recent engagement with two of the franchise bidders has suggested that while the procurement of rolling stock is a challenge, they would seek to develop workable solutions for a December 2013 train service start. Officers are currently seeking clarification from the DfT concerning these rolling stock matters.
23. In communicating with the DfT on rolling stock, FGW also confirmed that it could apply for the track access rights for the proposed train service. Again, the DfT considered that this demonstrated that FGW had sufficient plans in place in relation to track access. More recently, FGW has begun drawing up a workable December 2013 service timetable and confirmed that it will engage with Network Rail.
24. The requirement to recruit and train the necessary train crew for the proposed improved service only came to light in March 2012 after the submission of the LSTF bid application. FGW has stated that as the recruitment and training period for train drivers is typically up to 20 months, this process needs to be started as soon as possible in order to meet the proposed service start of December 2013. However, recent meetings with two of the franchise bidders has indicated that while the recruitment and training of train crew is a challenge, it should be feasible to complete this process in the period March 2013 to December 2013. Given this, it is considered that the Council should await the outcome of the ITT process before committing any of the Council's funds towards recruitment and training costs; although there is a risk that this approach could delay the start of the train service beyond December 2013. It is the ultimate aim that the successful bidder will fund all staff recruitment and training costs for the improved service. Officers are currently seeking clarification from the DfT concerning these train crew matters.

Package of complementary sustainable transport measures

25. To support the improved Westbury to Swindon service, as well as the current train services in Wiltshire, a package of complementary sustainable transport measures, totalling £4.550 million, were included in the bid application including, in outline, the following (also see **Appendix 3**):
 - (i) Increased cycle parking and walking/cycling route improvements in and around Chippenham, Melksham, Salisbury, Trowbridge, Warminster and Westbury stations.
 - (ii) Support for bus service improvements: alterations to the Melksham town bus service to better serve the rail station; reintroduction of a Warminster

- rail station to Longleat bus service; and the extension of Amesbury to Salisbury buses to the rail station.
- (iii) Parking improvements and the opening of a northern entrance at Melksham rail station.
 - (iv) Implementation of a bus-rail interchange at the northern entrance of Salisbury rail station and traffic management measures in the vicinity of the station.
 - (v) Introduction of a bike hire scheme and electric charging points at Chippenham, Salisbury and/or Trowbridge.
 - (vi) Better travel information (e.g. signage and real time information) and use of travel planning initiatives (e.g. marketing, station travel plans and personalised travel planning) at Chippenham, Melksham, Salisbury, Trowbridge, Warminster and Westbury to encourage a greater take up of sustainable transport modes (e.g. walking, cycling and public transport).
 - (vii) Limited funding pot for improvement measures at the smaller rail stations in Wiltshire.
26. The bus service improvements are expected to at least break even by March 2015 and therefore require no ongoing Council subsidy. The services identified in the complementary measures were assessed on a Value for Money (VfM) basis by officers within Passenger Transport to ensure they would be financially viable following the initial funding from the LTSF bid. If the services require subsidy following 2014/15, a decision by offices will need to be taken to either adjust/cease services or reprioritise current funding to incorporate as part of the public bus service provided by the Council.
27. Following initial work by Mouchel, officers are developing a project management and resource plan to implement all the complementary measures by March 2015. Delivery of the individual measures is likely to involve engagement with key local stakeholders and, where required, the commissioning of expert consultants.

Environmental and Climate Change Considerations

28. The project will allow additional funding to be invested in sustainable transport options which should help reduce carbon and air pollution emissions. **Appendix 4** provides further details.

Equalities Impact of the Proposal

29. The project will allow additional funding to be invested in sustainable transport options which should increase the opportunity for those people without access to a car to travel to jobs and key services and facilities. **Appendix 4** provides further details.

Risk Assessment

Risks that may arise if the proposed decision and related work is not taken

1.	Loss of government grant funding and resultant negative reputational impact both at a national and local level from not implementing the
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	project.
2.	Inability to spend all the grant funding in a timely manner within the LSTF period to the end of March 2015.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

	Risk	Action to mitigate the risk
1.	Insufficient progress on 'start-up' actions (rolling stock provision, timetabling and track access arrangements, and train crew recruitment and training).	<ul style="list-style-type: none"> Proactively engage with FGW and the franchise bidders. Liaise with DfT to address any significant issues. Early engagement with new franchisee.
2.	Unpredictable outcomes from refranchising 'priced option' process: <ul style="list-style-type: none"> higher train service subsidy costs no available rolling stock and/or train crew later service start date. 	<ul style="list-style-type: none"> Proactively engage with franchise bidders during ITT process. Liaise with DfT to seek to address any significant issues.
3.	Further delay in the start of the new franchise which reduces the likelihood of the new franchisee being able to introduce the new train service in December 2013.	<ul style="list-style-type: none"> Proactively engage with FGW and the franchise bidders. Liaise with DfT to seek to address any significant issues.
4.	Approval of GO-OP's track access contract application.	<ul style="list-style-type: none"> Seek advice from the Office of Rail Regulation. Maintain good communications with GO-OP. Acknowledge that the GO-OP proposal would provide an initial satisfactory train service improvement.
5.	Difficulty in achieving the timely delivery of significant project measures (e.g. Salisbury station enhancements).	<ul style="list-style-type: none"> Project plan to be in place by September 2012. Early engagement with relevant stakeholders and partners.
6.	Failure to secure the required developer contributions.	<ul style="list-style-type: none"> Early communication with DfT. Reduce project measures.

Financial Implications

30. The DfT grant award letter dated 13 July 2012 (see **Appendix 5**) sets out the terms under which the Secretary of State for Transport is prepared to award grant under Section 31 of the Local Government Act 2003 to Wiltshire Council for the LSTF.

31. The DfT's funding contribution to the project (£4.250 million) will be paid as revenue and capital grant over the period 2012/13 to 2014/15.
32. It is proposed that the Council's commitment to the £1.500 million local contribution will be made up of £0.300 million of LTP capital grant funds and circa £0.100 million of revenue funding (made up of officer time to facilitate the development and delivery of the project). It is anticipated that the remaining part (£1.100 million) will be made up of developer contributions towards sustainable transport measures (secured through Section 106 legal agreements and the proposed Community Infrastructure Levy) and limited monetary and in-kind contributions from local stakeholders and partners.
33. The spend profile of the LSTF Rail bid and the funding from the DfT and Council contributions are set out below (see Table 4).

Table 4: Package spend profile

	£m	2012-13	2013-14	2014-15	Total
Rail Service Improvements	Revenue	0.000	0.572	0.628	1.200
	Capital	0.000	0.000	0.000	0.000
Complementary Measures - Hub Elements	£m	2012-13	2013-14	2014-15	Total
	Revenue	0.170	0.070	0.030	0.270
	Capital	0.235	1.255	1.050	2.540
Complementary Measures - Line Elements	£m	2012-13	2013-14	2014-15	Total
	Revenue	0.230	0.740	0.575	1.545
	Capital	0.030	0.080	0.025	0.135
Complementary Measures - Wilts Network Measures	£m	2012-13	2013-14	2014-15	Total
	Revenue	0.005	0.015	0.010	0.030
	Capital	0.000	0.015	0.015	0.030
TOTAL		0.670	2.747	2.333	5.750

Funded By:

DfT Funding	£m	2012-13	2013-14	2014-15	Total
	Revenue	0.332	1.247	1.117	2.696
	Capital	0.138	0.812	0.604	1.554
Council Contribution					
<i>Revenue Funding</i>	Revenue	0.033	0.033	0.034	0.100
<i>Developer Contributions</i>		0.040	0.117	0.093	0.250
<i>LTP Capital</i>	Capital	0.100	0.100	0.100	0.300
<i>Developer Contributions</i>		0.027	0.438	0.385	0.850
TOTAL		0.670	2.747	2.333	5.750

Note: Subject to re-profiling of 2012-13 and 2013-14 revenue figures to take account of train service preparatory costs.

34. The requirement of the LTP capital budget for the three year period has been built into the LTP Programme and will form part of the LTP Programme Annual Cabinet Member Report.
35. The revenue funding will be made up of 'in kind' contributions of officer's time. The salary budgets for these officers have been built into the 2012/13 budgets

and so this element will not be an additional cost requirement on budgets; it will be the diversion of officer's time from their day-to-day tasks onto the LSTF project.

36. The developer contributions have yet to be formally identified and agreed at the point of writing this report. Officers are confident, however, that the £1.100 million will be able to be secured over the period to March 2015 through new and specific legal agreements for sustainable transport improvements on sites in Salisbury, Westbury, Warminster, Trowbridge, Melksham and Chippenham. With the adoption of the new Community Infrastructure Levy (CIL) officers are also confident this will provide further flexibility in order to secure the developer contributions required.
37. The majority of the developer contributions are required in 2013/14 (£0.555 million) and 2014/15 (£0.478 million) and so there is a lead period to allow officers to work to identify the contributions required. Officers are confident the £0.067 million required in 2012/13 can be secured or used from existing developer contributions.
38. The £1.100 million represents a major risk element for the locally sourced funding. Should it appear that the £1.100 million is not going to be achievable, consideration would have to be given to cutting elements of the scheme within the project. The situation regarding the securing of developer contributions would require regular updates and will be covered in the report once the situation over the successful bidder and rail subsidy has been clarified.
39. As set out in paragraph 13, locally sourced funding will be required to support the rail service from April 2015 up to the end of the third year of the train service. As the incumbent franchise operator, FGW has provided a subsidy figure; however, this is purely an estimate provided by the incumbent franchisee – the actual subsidy requirement identified by the successful bidder to the new Great Western franchise through the priced option process may be different and could be subject to further negotiation with the Council. To restrict the Council's liability in these circumstances, the LSTF bid application and the previous paper on the LSTF rail bid specified a cap on the Council's contribution to the rail service post-March 2015 of £0.250 million.
40. There is a risk that the subsidy requirement post March 2015 is greater than the £0.250 million cap stated above and that the subsidy requirement is for longer than just the 2015/16 financial year. It is also unclear at the point of writing the report where the funds for the rail subsidy will be secured from within the Council; there are currently no budgets earmarked to fund this subsidy. Once the subsidy figures are confirmed by the successful bidder, officers will prepare a report (as mentioned in paragraph 18) to detail the subsidy requirement placed upon the Council and identify potential budgets for funding this. A decision will need to be made at this point as to whether the subsidy requirement placed on the Council is acceptable in order to secure the improved rail requirements.

Legal Implications

41. The Great Western ITT (section 2.10) sets out the following requirement for the bidders:

“Each Specified Priced Option shall be expressed as a clearly defined commitment with clear time plans for implementation that fully describe the circumstances and conditions under which the requested Priced Option may be delivered, including the benefits that will be achieved and how Bidders have, and will, engage with stakeholders in implementing these Priced Options. Bidders should clearly identify any risks, constraints or other factors that may affect deliverability, and set out how they might be mitigated or removed”.

42. Based on the outputs of the above process, the Council will need to determine if it wants to enter into a contract with the winning bidder to fund the specified TransWilts priced option for a three year period. As stated in the ITT document (section 4.11.5):

“After three years of operation a VfM assessment will take place after which point the Department [for Transport] will fund the services, the Local Authorities will fund the services or they will cease”.

43. The procurement of consultancy and other services to help support and deliver the LSTF project will be undertaken in accordance with the Council's 'Procurement and Contract Rules'.

Options Considered

44. Option 1 – to not take forward the LSTF project. However, this would not enable the Council and relevant local communities to benefit from £4.250 million of Government grant funding.
45. Option 2 – to approve the project in its entirety including the train service element. While this ultimately is the aspiration of the Council, it is considered that the uncertainties and risks with the train service (due to the refranchising process) do not make this option a realistic proposition at the moment.
46. Option 3 – to approve the commencement and delivery of the package of complementary sustainable transport measures (£4.550 million), but to await the outcome of the refranchising ITT process and discussions with the DfT before committing funding to subsidise the train service post-March 2015. This is considered to be the most pragmatic option in the current circumstances.

Conclusions

47. The full award of the LSTF bid provides the opportunity to significantly improve the train service between Westbury and Swindon, and to provide enhanced sustainable transport choices for people accessing a number of Wiltshire's rail stations.
48. The Great Western refranchising process creates a number of significant issues particularly in relation to implementing the improved train service.
49. A clear position on the train service will only become known when the output of the Greater Western Franchise process is available probably in February/March 2013.

50. Given the above, it is considered that the Council should not commit public funds to any train service preparatory costs at this stage.
51. Overall, largely as a result of the refranchising process, there are a number of uncertainties and risks associated with the train service element of the LSTF project.
52. Delivering the package of complementary sustainable transport measures by March 2015 is a significant but achievable challenge for the Council.
53. In view of the above conclusions, it is considered that Cabinet should approve the commencement and delivery of the package of complementary sustainable transport measures (£4.550 million), but defer the decision to approve the required funding for the improved Westbury to Swindon train service post-March 2015 to a future meeting (see Option 3 above).

Parvis Khansari
Service Director, Highways and Transport

Report Author:
Robert Murphy
Principal Transport Planner
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Date of report: August 2012

The following unpublished documents have been relied on in the preparation of this report:

None

Appendices:

- Appendix 1 – Department for Transport award notification letter dated 4 July 2012.
- Appendix 2 – TransWilts priced option text from Great Western Franchise ITT
- Appendix 3 – Proposed complementary measures.
- Appendix 4 – Summary of LSTF outcomes.
- Appendix 5 – Department for Transport grant award letter dated 13 July 2012.