

CHAPTER 13

Funding

13.1 Introduction

The County Council has a comprehensive programme of capital and revenue investment in sustainable transport.

13.2 Planning Guideline

The LTP is the mechanism through which the Council receives its capital funding for transport. Broadly, there are three main areas of funding: maintenance, integrated transport and major schemes (those over £5 million).

Maintenance funding is based on a formula used for the first round of LTPs and is divided between roads and bridges. The road allocation is based on the length and condition of an authority's roads, and the bridge allocation on the number of bridges requiring strengthening or major maintenance, and the size of an authority's bridge stock.

In terms of integrated transport, unlike the first round of LTPs, authorities cannot use their LTP2s as bidding documents. Instead, in order that the second round of LTPs is realistic and prioritised, the Government provides each authority with a funding level (known as the financial planning guideline) based on a formulaic approach. Given this, the programme set out by the LTP should be a prioritised programme to deliver the best possible value for the indicated capital funding levels.

Through use of the formula, the Government has attempted to match integrated transport block allocations more closely to the transport needs of an LTP area, and in particular, to an area's importance in the delivery of the shared priorities for transport.

The Government intends that around 75% of funding allocations for integrated transport in the second LTP period will be allocated formulaically. The remaining 25% or so will then be allocated according to a Government assessment of the LTP2 – the quality of LTP2 planning, the impact of LTP2 targets and the delivery of LTP1. Allocations are therefore likely to range from around 75% to 125% of the planning guideline amounts, depending on the assessment outcomes.

Following consultation in the Summer of 2005, a formulaic approach for integrated transport was adopted and used to determine the final financial planning guidelines, which were issued in December 2005.

The following table sets out Wiltshire's final planning guidelines for both integrated transport and maintenance:

Table13.1: Wiltshire's Planning Guideline

	2006/07	2007/08	2008/09	2009/10	2010/11
Integrated Transport	3.459m	3.679m	4.001m	4.347m	4.718m
Maintenance	12.962m	12.741m	13.379m	14.047m	14.750m
Total	16.421m	16.420m	17.380m	18.394m	19.468m

As stated in Chapter 1, the Council will not be bidding for any new major schemes during the second LTP period beyond those currently submitted.

13.3 Revenue and Other Resources

In addition to the capital funding provided by the Government through the LTP, other funding sources will be used to support transport improvements in Wiltshire over the next five years.

Given the predominantly rural nature of Wiltshire, the contribution that revenue funding and other sources of funding can make to the implementation of the LTP2 should not be underestimated. Revenue funding mainly comes from central Government in the form of a grant and from business rates and council tax. Other sources of funding include specific grants from Government and contributions from developers through the planning process.

Public Transport

Revenue funding is used to meet ongoing costs such as bus service support, community transport grants, and publicity and information. It is therefore of paramount importance to the achievement of LTP2 and Public Transport Strategy objectives. Current sources of revenue funding include the County Council's own budget, Rural Bus Subsidy Grant, District Councils, Rural Bus Challenge and the South West Rural Development Agency (who took over the Countryside Agency's responsibilities for funding Rural Transport Partnerships from April 2005). Contributions to the operation of cross-boundary services are also received from neighbouring local authorities.

With the exception of the loss of Rural Bus Challenge grant, funding levels are anticipated to remain at broadly similar levels in real terms over the next five years. However, over the same time period, public transport operating costs are expected to continue to rise at rates exceeding general inflation. Surveys by the Association of Transport Co-ordinating Officers (ATCO) have demonstrated year-on-year increases in contract costs across the UK of 10% or more over the last seven years, with the 2005 survey estimating that a budget increase of 9.9% would be required in 2006-07 to maintain services. A cost index produced by the Confederation of Passenger Transport (CPT) showed a 7.8% rise in bus operating costs in 2004. The factors underlying these national trends are still in evidence, and it is widely

expected that they will continue to lead to further significant cost increases over the next few years.

The growing difficulties over revenue funding represent the biggest challenge in delivering Wiltshire County Council's Public Transport Strategy (included at Appendix 4), and the greatest risk to achievement of the public transport targets in the LTP2. The County Council has over the last six years given a high priority to maintaining rural bus services, and has doubled its spend on public transport to meet increases in the costs of transport contracts. As a result, it is now in the top quartile of authorities for public transport spending per head of population. However, the pressures on local authority budgets are continuing to increase year-on-year including, amongst other things, the above inflation increases in transport costs referred to above. In addition, Wiltshire received the second lowest increase in the country in its annual financial settlement for 2006-07, and the indications are that the situation will be no better in future years. Although the Council would hope to maintain a level of per capita spending that reflects the high priority always given to public transport in public consultations, it will not be able to continue to fund above-inflation increases in costs or provide extra money if there are reductions in commercially-operated services. It is also very unlikely that County Council budgets will be able to be increased to replace the loss of Rural Bus Challenge funding.

Given these restrictions on local authority funding, all alternative sources of funding will be explored including the following funding opportunities:

The use of parking revenues:

This already happens in Salisbury, in that surplus parking revenue supports the Park & Ride bus services. Decriminalised Parking Enforcement will be introduced across the three other Districts in the County starting in September 2006. In the short-term, it is not anticipated that any surplus revenue will be generated. However, in time, any surplus income will be invested in improving transport services, including support for local town bus services in the Districts.

Developer contributions and Planning Gain:

The County Council will seek to secure developer funding to provide appropriate transport services and infrastructure to new developments. The Council is actively investigating the adoption of a more formalised methodology for assessing developer contributions.

Further bids for Government 'Kickstart' funding:

A bid for 'Kickstart' funding for a package of quality improvements on the Swindon to Chippenham corridor was successful in late 2005. The Government grant of £319,000 (over 3 years) will pay for an increased service frequency, with matching investment of £1.3 million from Stagecoach for new low floor buses and an extensive marketing campaign, and £280,000 from Wiltshire County Council for 60 new shelters and bus stop improvements. The aim is to attract an additional 120,000 passengers a year to the service, which will make it commercially viable

for the operator to continue to run the higher frequency service when the 'Kickstart' grant runs out.

RDA funding for developing community transport:

The Wiltshire and Swindon Rural Transport Partnership, which was set up in 1999 to improve transport and access in rural areas, supports and develops community transport (working with the Wiltshire & Swindon Community Transport Association) and has secured over £2 million for a range of transport and access projects to date. Future funding arrangements for rural transport and access are being reviewed by the South West Regional Development Agency (RDA) following the transfer of responsibility from the Countryside Agency in 2005, but it is hoped that the Partnership will be equally successful in securing funding in the future.

Greater emphasis on partnership working:

The County Council will work with operators to improve commercial viability through the development and marketing of their commercial services.

The County Council's Public Transport Strategy is included at Appendix 4. The strategy defines the County's aims and objectives for public transport, outlines the County's public transport investment programme, and examines in more detail the funding pressures and opportunities affecting the delivery of public transport services in Wiltshire.

Maintenance

Revenue funding makes an important contribution to the operation of the County Council's highway maintenance functions. In particular, it funds the day-to-day maintenance of the highway network, which includes grass cutting, weed control, gully emptying, minor carriageway and footway repairs, signing and road marking refurbishment and replacement.

These are areas where the public often notices the work carried out. In the past, surveys carried out by the County Council's Peoples Voice Panel have indicated some public dissatisfaction with the quality of some of these services. Often, public expectations are high with regard to these services, and finances are constrained because of other funding priorities across the range of services provided by the County Council.

To tackle these issues, the Wiltshire Strategic Board has identified the need to improve Wiltshire's Street Scene as a principal theme to champion over the next few years. The County Council is working in partnership with the four District Councils to take forward a Street Scene project to improve the environment and quality of life for residents of Wiltshire's towns and villages. The Street Scene project will address certain negative quality of life indicators that may contribute to increases in crime and the fear of crime, such as graffiti, abandoned vehicles, litter and the maintenance of street lighting. In addition, footway improvements and maintenance are being undertaken in areas that are known to have a poor rating in the People's Voice public satisfaction survey. The adoption of this co-ordinated

approach to improving Street Scene in the County presents the opportunity for the effective pooling of resources and it is anticipated that cost savings will be achieved. The Street Scene project will be used to monitor our standards as an authority and a Local Public Service Agreement (LPSA) has been agreed with the Office of the Deputy Prime Minister (ODPM).

The County Council seeks to maximize the benefits delivered by the routine maintenance of the highway network by the careful management of resources and the planning of work. The re-tendering of the Highways Consultancy and Works contracts has provided the opportunity to consider new ways of working whilst ensuring value for money.

Initiatives such as the County Council's Parish Lengthsman scheme have shown how services can be provided which are responsive to local needs. By working directly with the Parish Councils, it has been possible to carry out the day-to-day maintenance tasks, taking into account local priorities. With the Business Process Re-engineering of some of the highway services currently being undertaken by the County Council, it is intended to make even better use of the revenue funding available for highway maintenance.

13.4 Delivering Value for Money

The Council is committed to providing quality services irrespective of whether they are provided using in-house resources or by operating in partnership with private, voluntary or other public service providers. By planning service delivery with the corporate objectives in mind, best use is made of the available resources.

In order to obtain value for money, the Council's transport service lets a range of contracts in accordance with the Council's Procurement Strategy. The operation and effectiveness of these contracts is reviewed regularly to determine whether services and works are being procured in accordance with the need to provide value for money. The Council recently tendered new Highways Consultancy and Works Contracts, which will be in place in 2006, and value for money was a key criterion in setting the parameters of the new contracts.

The Council's transport service monitors and regularly reviews its operations and those of its private sector partners in order to identify improvements and efficiencies. It has put in place the Wiltshire Highways Partnership, which has improved the delivery of the routine highways maintenance functions of the Council by providing a more effective and responsive highway maintenance service. Bus contracts are re-tendered every three to five years, and small vehicle contracts annually or every three years, with 'good housekeeping' changes as required.

From the Best Value Reviews recently undertaken, it would appear that the quality and cost of services provided by the Council compares well with those of other authorities which often have higher levels of funding. However, it is accepted that there is a need to establish better comparisons and that there is a need to continue striving for further efficiencies, which will be clearly measured and evaluated. A review of sustainable procurement is currently underway across the transport

service to assess service standard and cost implications of encouraging a greater degree of sustainable procurement.

13.5 Financial Risk Management

The Council's transport service has a strong ethos and culture of risk control. Financial risks are managed effectively through the Medium Term Financial Plan and these tend to minimise capacity for significant shifts in budgets. An effective risk management system is in place, covering all major risks, identifying ownership of those risks, identifying the actions necessary to manage those risks and reviewing them on a quarterly basis. The transport service is also represented on a cross-Council task force which aims to improve the way that risk is managed across the Council.

One of the principal risks is the questionable ability of the Council to service the repayments required if approved borrowing continues to be taken up. Wiltshire County Council, at the time of writing, is a Floor Authority; i.e. one whose level of revenue grant is fixed, so any new approved supported borrowing has the effect of increasing the Formula but without any increase in grant to pay for the extra costs of borrowing.

Although the Council will take up its approved "supported" borrowing for 2006/07, the County Treasurer has warned that our revenue position is unlikely to improve in the short to medium term, and therefore the Council's capacity to meet the full revenue implications of future borrowing will need to be assessed.

The Council is aware that it is far from alone in facing this dilemma, and it will be working with the County Surveyor's Society to press for a way to resolve what is becoming a very real threat to future transport capital investment.