

Title of meeting: Solent Transport Joint Committee

Date of meeting: 29th June 2020

Subject: Solent Transport Financial Update

Report by: Elain Youngman –Senior Finance Advisor, HCC
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Wards affected: Affects all parts of the Solent area as the four local Highway & Transport Authorities make up Solent Transport.

Key decision: No

Full Council decision: No

1. Purpose of report

1.1 This report brings the Solent Transport financial reporting up to date. It contains the proposed budget for 2020/21 and presents provisional partner revenue contributions for 2020/21, and the latest position on the reserves including seeking approval for a ring fenced reserve for the Sub Regional Transport Model (SRTM) upgrade. This report also summarises the final 2018/19 and 2019/20 revenue positions.

2. Recommendations

2.1 **Notes the final outturns for the 2018/19 revenue budget and 2019/20 revenue budget.**

2.2 **Approves the ringfencing of surplus commissions on the existing SRTM to be carried forward to fund in part the next SRTM upgrade due in 2021.**

2.3 **Approves the proposed revenue budget for 2020/21.**

2.4 **Approves the proposed partner revenue contributions for 2020/21.**

2.5 **Considers the principle of increasing the partner revenue contributions for 2021/22 in line with inflation.**

2.6 **Approves as an exception to the on-going agreed arrangements for Solent Transport's financial management support, that the financial management and accounting role for the Future Transport Zones (FTZ) funding (previously Future Mobility Zones) be delegated to Southampton City**

Council (SCC) to reflect the location of the programme of work and the lead role of SCC in developing and signing off the bid.

3. Background

Introduction

- 3.1 In recent years, Solent Transport has operated with the support of a modest revenue budget, funded in full from partner contributions which have remained unchanged for a number of years. To date this provision has been broadly sufficient to maintain the level of work programme required by the Joint Committee members in support of the current business plan.
- 3.2 Whilst in previous years there have been two financial reports each year, Solent Transport Joint Committee has not held a public meeting since February 2019. This meeting therefore represents the first opportunity to confirm the 2018/19 outturn, as well as the final results for the 2019/20 year just ended.
- 3.3 The report also puts forward the proposed budget for the 2020/21 financial year, along with the level of partner contributions required to support the proposed budget.

2018/19 and 2019/20 financial results

- 3.4 This is the first opportunity to formally record the previous years' results which are summarised in the tables below (negative variances represent savings against budget). Detailed figures and explanations of the outturn positions are shown in appendices 1 and 2.

Table 1: Summary outturn

	2018/19	2019/20
	£'000	£'000
Budget	262	227
Outturn	150	96
Variance	(112)	(131)

- 3.5 Although the final position for both years (as shown in Table 1) is a saving against the budget, it should be noted that the budget included a planned draw from reserves to fully fund planned expenditure. Therefore, the balance in the general reserve has actually decreased over the two year period (as shown in Table 2).

Table 2: Summary of reserves

	General reserve	SRTM Reserve
	£'000	£'000
Opening balance 1/4/18	109	216
Draw	(72)	
Addition	37	75
Opening balance 1/4/19	74	291
Draw	(37)	
Addition	61	70
Opening balance 1/4/20	98	361
Proposed draw for 20/21 budget	(64)	
Remaining balance	34	

- 3.6 The SRTM (Sub Regional Transport Model) reserve, funded from surpluses on commissions from the existing SRTM, is held to contribute to the cost of the next upgrade, due in 2021. Approval is sought to add the £75,000 and £70,000 surpluses on commissions from 2018/19 and 2019/20 respectively to the SRTM reserve.

Revenue Budget 2020/21

- 3.7 The proposed budget for 2020/21 is shown in Table 3 below, and includes planned expenditure of £254,000, to be funded by £190,000 total Partner contributions and a £64,000 planned draw from the general reserve.

Table 3

Budget Heading	Budget 2019/20	Proposed Budget 2020/21	Change
REVENUE	£'000	£'000	£'000
Staff Pay & Expenses	146	172	26
Finance Support	5	5	0
Marketing	17	36	19
Solent Go – Back Office/Admin	28	26	(2)
Studies	31	15	(16)
Enhancement of Sub Regional Transport Model (SRTM)	0	0	0
SRTM Commissions	0	0	0
Total Revenue	227	254	27
Partner Contributions	(190)	(190)	0
Draw from reserves	(37)	(64)	27
Total Income	(227)	(254)	27

- 3.8 Table 3 also shows a comparison between the 2019/20 budget and the proposed 2020/21 budget. The overall increase is £27,000, which consists of a £26,000 increase in the staffing budget due to the full year effect of the Solent Transport manager role returning to a full-time post, and a £19,000 increase in marketing expenditure to be allocated to a Solent Transport rebrand and to support and deliver two conferences, offset by reductions in the Studies and Solent Go budgets. The studies budget will supplement the Solent Rail Continuing Modular Study Prep (CSMP) modelling study.
- 3.9 The staff budget is based on pay costs for 2019/20 and any increments due but does not allow for any potential pay award in 2020/21.
- 3.10 The proposed budget is based on the assumption that the SRTM projected net surplus of £361,000 from 2016/17 to 2019/20 is carried forward and ring-fenced to fund the next SRTM upgrade, in accordance with established principles. This includes £75,000 surplus in 2018/19 and £70,000 surplus in 2019/20.
- 3.11 Partner contributions have been fixed at current levels for some time, with no increase applied for inflation. In previous years, inflationary increases in expenditure have been offset by savings arising from the Solent Transport manager role being undertaken as a part time role. However, now that this role has resumed as a full-time position, the current level of Partner contributions is insufficient to meet the ongoing expenditure.
- 3.12 The 2020/21 proposed budget has been balanced by utilising a draw from the general reserve, however funding on-going expenditure from a finite source of funding is not sustainable going forwards, and based on the expected balance in the general reserve, could not continue beyond the current financial year.
- 3.13 The Joint Committee are therefore asked to agree to balance the budget by utilising the revenue reserve in 2020/21 with some alternative options to be considered as part of the budget setting process for 2021/22.
- 3.14 Details of current core partner revenue contributions for 2020/21 are contained in table 4 below.

Table 4

Authority	Current Contribution	Current Contribution %
Hampshire County Council	£90,000	47%
Southampton City Council	£40,000	21%
Portsmouth City Council	£40,000	21%
Isle of Wight	£20,000	11%
Total	£190,000	100%

- 3.15 Solent Transport has also been successful in securing £28.5m funding from the Department for Transport from its Future Transport Zone (FTZ) fund and will also be undertaking due diligence work on behalf of the successful Southampton City Region Transforming Cities Fund (TCF) bid. In both cases the approved

bids included an element to cover the additional staff resource required to manage and deliver this work and a further Transforming Cities Fund bid relating to the Portsmouth City Region remains under active consideration by Government.

- 3.16 The additional Solent Transport resource required across both workstreams is expected to be between 5-8 full time equivalent posts depending on confirmed workload and therefore funding, but the expectation is that any additional costs would be met from the grant and would not require additional partner contributions. These additional resources were considered in the Business Plan circulated in February 2020.
- 3.17 The proposed budget figures currently exclude both any additional staff costs relating to FTZ or TCF work, and the associated FTZ or TCF funding to match these costs, pending confirmation of exact requirements.
- 3.18 The Joint Committee is asked to note the leading role of Southampton City Council (SCC) within Solent Transport in developing the FTZ bid with the final submission signed off by SCC's section 151 officer and senior manager and much of the work located in Southampton City Council area. Given this situation, Hampshire County Council (HCC) with support from SCC and Solent Transport officers, is recommending that for this specific programme of work, financial and accounting responsibility is delegated from HCC to SCC and the funding received to date by HCC relating to the Future Transport Zones programme is transferred to SCC.

General Reserve Balance

- 3.19 As shown in Table 2 above, the actual balance in the general reserve as at 31 March 2020 is £98,000, and this is anticipated to reduce to £34,000 by 31 March 2021.

Conclusions

- 3.20 The final outturn position for the two financial years to 31 March 2020 both showed an underspend against the budget, however, a net draw from the general reserve was required to supplement the Partner contributions and fully fund the actual expenditure. In order to sustain the current level of expenditure, an increase to Partner contributions would be required, with consideration given to ongoing annual inflationary uplifts in contributions.
- 3.21 The balance in the revenue reserve has reduced to £98,000 and is expected to reduce further to £34,000 by the end of the current financial year.
- 3.22 If the recommendations in relation to the SRTM reserve in this report are approved, there would be a balance available of £361,000 to support the SRTM upgrade planned in 2021.

3.23 Solent Transport has been successful in securing £28.5m Future Transport Zone funding from the DfT. Approval is sought to give delegated authority to Southampton City Council for the financial management and accounting role specific to this funding, due to their key involvement in this bid.

4. Reasons for recommendations

4.1 To fulfil the requirements in providing the Solent Transport Joint Committee with:

- The final outturn position for 2018/19 and 2019/20
- A proposed revenue budget and partner contributions for 2020/21
- A review of reserve balances and proposed carry forwards
- A proposed financial management and accountability role in relation to Future Transport Zone funding of £28.5m.
- Proposed principles around additional resources

5. Integrated impact assessment

5.1 An integrated impact assessment is not required for this decision.

6. Legal implications

6.1 N/A

7. Finance/ resource implications

7.1 N/A

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Signed by:

Appendices:

Appendix 1: 2018/19 Revenue Budget Outturn
Appendix 2: 2019/20 Revenue Budget Draft Outturn

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location