

DECISION-MAKER:	Solent Transport Joint Committee	
SUBJECT:	Solent Transport Financial Update	
DATE OF DECISION:	21st June 2022	
REPORT OF:	Hampshire County Council as Accountable Body for Solent Transport	
<u>CONTACT DETAILS</u>		
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STATEMENT OF CONFIDENTIALITY		
N/A		
BRIEF SUMMARY		
<p>This report presents the Solent Transport final outturn position for 2021/22, the forecast outturn position compared to the approved original budget for 2021/22 and the forecast reserves position.</p> <p>The report also includes a financial update for the Future Transport Zone (FTZ) £28.5m Capital Programme funded by the Department for Transport (DfT) and financially administered by Southampton City Council (SCC).</p>		
RECOMMENDATIONS: That the Joint Committee		
	(i)	Notes the 2021/22 revenue budget final outturn position.
	(ii)	Approves the ringfencing and carry forward of the 2021/22 SRTM commissions surplus to support the funding of the SRTM upgrade.
	(iii)	Approve the 2022/23 revenue budget.
	(iv)	Notes the forecast reserves balance as at 31 st March 2023.
REASONS FOR REPORT RECOMMENDATIONS		
1.	<p>To fulfil the requirements in providing the Solent Transport Joint Committee with:</p> <ul style="list-style-type: none"> • The 2021/22 revenue budget final outturn position. • A revenue budget forecast outturn position for 2022/23. • A review of the final reserves position for 2021/22 and proposed carry forward position, and a forecast reserves position for 2022/23. 	

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. N/A

DETAIL (Including consultation carried out)

3. Introduction

This report presents the Solent Transport revenue budget final outturn position for 2021/22, including details of the current reserves position and a forecast of reserve balances for 2022/23.

The report also notes the draw from reserves in 2021/22 for the Solent Sub-Regional Transport Model (SRTM) Commissions deficit, to be drawn from the ringfenced reserve which provides for the SRTM upgrade.

JMC approval is also sought for the 2022/23 budget, details are included in the report and Table 3 below.

4. 2021/22 Revenue Budget Outturn Position

The revenue budget final outturn position for 2021/22 is detailed in Table 1 below and includes a net surplus in year of £119,000. The general revenue costs produced a surplus of £138,000 combined with a deficit of £19,000 relating to the Sub Regional Transport Model (SRTM) commissions, requiring a draw from the ring fenced SRTM reserve.

Table 1

Budget Heading	Budget 2021/22 £'000	Revenue Outturn 2021/22 £'000	Variation To Budget 2021/22 £'000
REVENUE	£'000	£'000	£'000
Staff Pay & Expenses	158	156	(2)
Finance Accountable body fees	5	5	0
Marketing	0	0	0
Solent Go – Back Office/Admin	27	18	(9)
Studies	0	0	0
Enhancement of Sub Regional Transport Model (SRTM)	0	0	0
SRTM Commissions	0	19	19
Other Costs	0	1	1
Net Expenditure	190	199	9

Other Income	0	(128)	(128)
Partner Contributions	(190)	(190)	0
Contribution to / (Draw from) reserves	0	119	119
Total Funding	(190)	(199)	(9)

Pay and expenses for the two core staff achieved a small underspend following a reduction in travel costs, which was largely as a result of changes in work practices following the covid pandemic, using teams calls and online meetings to replace face to face meetings. This underspend is partially offset by increased costs of the core staff following a 1.75% pay award which was agreed in March 2022 and backdated to 1st April 2021.

All Marketing and studies expenditure ceased in 2021/22 due to the current budget pressures with the exception of some activities directly related to the Future Transport Zone (FTZ) project, these costs were met directly from the FTZ budget held by Southampton City Council.

The final 2021/22 position for the SRTM commissions required a draw of £19,000 from SRTM ring fenced reserve, as per Table 5 below. The draw, whilst lower than anticipated, was required to fund interim works on the SRTM model and to meet the cost of staff time spent on managing SRTM. Before the SRTM is upgraded a validation exercise was commissioned to test the model remains suitable for its intended purpose.

Other costs were for the annual accountable body charge and the charge for the Solent Go back-office costs, which was £9,000 lower than anticipated. Back office costs for support provided by SCC's (Southampton City Council) Smartcities team will be met directly by HCC and Unicard, the supplier providing part of the MaaS (Mobility as a Service) solution will be charged to the FTZ programme in 2022/23.

All Partner contributions were received the current levels, which include no inflationary increase applied since 2013. The current Partner contributions only provide sufficient funding to meet the cost of the core staff, the Finance Accountable body fees and the annual Solent Go back-office charge.

Details of current core partner revenue contributions for 2021/22 are shown in table 4 below.

Additional income of £128,000 was received, detailed in Table 2 below, as a result of a more commercial approach to recharging staff time spent on project work, interest received against reserves and licence fees charged to local authorities for the use of the My Journey branding.

Table 2

	Other Income
FTZ Drone project	(67)
SRTM Management	(12)
Highways England - M27/M3 Travel Demand Management project	(3)
My Journey Branding Licence Fee	(45)
Interest against reserves	(1)
Total	(128)

Following the £19,000 draw from the SRTM reserve, the balancing £138,000 surplus has been added to the general reserve in 2021/22.

5. **2022/23 Revenue Budget**

The proposed 2022/23 budget is detailed in Table 3 below, providing only for essential expenditure, which can be fully funded by existing levels of partners contributions.

Table 3

Budget Heading	Budget
	2022/23
REVENUE	£'000
Staff Pay & Expenses	166
Finance Accountable Body fees	5
Marketing	0
Solent Go – Back Office/Admin	0
Studies	0
Enhancement of Sub Regional Transport Model (SRTM)	0
SRTM Commissions	0
Net Expenditure	171
Other Income	(43)
Partner Contributions	(190)
Contribution to / (Draw from) reserves	62
Total Funding	(171)

The budget includes planned core annual revenue expenditure of £171,000 which will be fully funded by Partner Contributions of £190,000, which have been fixed at this rate since 2013.

The staff pay costs budget meets the cost of the two permanent members of staff and includes an allocation of £6,000 for staff travel and expenses. The budget does not contain a built-in provision for an inflationary staff pay award in 2022/23, if this should occur the cost would need to be met from the staff time recharges income.

The Solent Transport budget will not be charged for the annual back office charge for Solent Go in 2022/23, as in previous years, this will be charged to FTZ in as part of the MaaS programme.

SRTM commissions are budgeted to break even, as it is difficult to predict the levels of use at the time of preparing the budget. Any surplus or deficit is normally transferred to the ring fenced reserve, following officers approval.

Any additional spend for new projects, marketing or studies will need to be self-funding, funded by staff time recharges or funded from reserves, whilst ensuring the reserve does not drop below the deminimus level of £10,000.

Partner contributions continue to be budgeted at the current levels, with no inflationary increase applied. The current Partner contributions only provide sufficient funding to meet the cost of the two core staff, the Finance Accountable Body fees and the annual Solent Go back-office charge.

Details of current core partner revenue contributions for 2022/23 are shown 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%

The budgeted £43,000 additional income is made up of £5,000 contribution from HCC Economy, Environment and Transport group to offset the Finance Accountable Body charge, £12,000 recharge for officer time spent on SRTM commissions and management and £26,000 towards the cost of officer's time utilised on FTZ project (Future Transport Zone). These charges are for additional Officers time above the level contracted for these projects. This additional income will be added to the general reserve at the end of 2022/23 unless it is utilised on additional revenue expenditure.

6. **Future Transport Zone (FTZ) Programme**

This FTZ programme is a significant piece of work, with £28.759m awarded for the programme by the Department for Transport in March 2020. The programme is funded to June 2024 and is expected to make future travel journeys across South Hampshire, Portsmouth, Southampton and the Isle of Wight Solent easier, smarter and greener. Solent Transport is responsible for leading the delivery and governance arrangements of the programme, with Southampton City Council as the Accountable Body.

The current FTZ capital project spend to 31st May 2022 is £6,101,148. Detailed financial reporting on the FTZ is undertaken separately to this report, however a summary of spend to the 31st May 2022 is included in Appendix 1.

7 **General Reserve Balance**

The general reserve balance as at 31st March 2022 is £193,000 as detailed in Table 5 below. This includes £10,000 which is a ringfenced reserve to meet potential HR costs in the event of the Partnership dissolution. The general reserve is expected to increase to £255,000 by the end of 2022/23 due to additional in year income generation.

Table 5: Summary of reserves

	General Reserve	SRTM Reserve
	£'000	£'000
Opening balance 1/4/2021	55	460
Final draw for 2021/22 budget		(19)
Additions	138	
Opening balance 1/4/2022	193	441
Proposed draw for 2022/23 budget	0	0

Additions	62	0
Closing balance 31/3/2023	255	441

The Sub Regional Transport Model (SRTM) reserve is held to fund upgrades of the SRTM, the latest upgrade was due in 2021/22 but the reserve was not sufficient to meet the anticipated cost of between £500,000 and £1.2million. To enable the full upgrade to progress additional commissions or other sources of funding are required. In the interim some additional work has been commissioned to extend the life of the current model.

8. **Conclusions**

Excluding the SRTM commissions, which are transferred to the SRTM reserve to fund future upgrades of the model, the final outturn position for 2021/22 shows a surplus against the budget, contributing £138,000 to the general reserve increasing the revenue reserve to £193,000.

The SRTM commissions in 2021/22 produced a £19,000 deficit, reducing the ring fenced SRTM upgrade reserve to £441,000.

The general reserve projected outturn for 2022/23 is £255,000 following a projected surplus of £62,000 incurred from recharging staff time against the externally funded FTZ project. The budget only includes essential expenditure only, but if additional expenditure is incurred this will reduce the balance added to the general reserve.

The SRTM reserve is currently projecting an outturn for 2022/23 of £441,000 following a balanced budget. This position is also subject to change depending on the volume and type of commissions received in year and any additional work required to the model prior to its upgrade.

RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
9.	
<u>Property/Other</u>	
10.	N/A - no property considerations associated with this decision
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
11.	N/A
<u>Other Legal Implications:</u>	
12.	N/A
RISK MANAGEMENT IMPLICATIONS	
13.	No tangible risks attached to this decision.
POLICY FRAMEWORK IMPLICATIONS	
14.	N/A

KEY DECISION?	N/A
WARDS/COMMUNITIES AFFECTED:	Affects all parts of Solent area as the four local Highway & Transport Authorities make up Solent Transport.
<u>SUPPORTING DOCUMENTATION</u>	

Appendices

1 Future Transport Zone Reporting – Total project expenditure 31st May 2022

Work Programme	Capital Budget	Capital Spend To 31 st May 2022
WP 1 – MaaS	£5,927,714	£3,482,781
WP2 – Solent Go	£781,500	£272,644
WP3 – Mobility Credits	£665,626	£0
WP4 – Bike Share	£2,399,730	£141,860
WP5 – Lift share	£308,038	£3,500
WP6 – DDRT	£771,000	£0
WP7 – E-Scooter	£880,000	£107,472
WP8 – Micro Consolidation	£2,499,447	£114,748
WP9 – Macro Consolidation	£885,192	£32,510
WP10 – Drones Logistics	£8,044,034	£320,880
Other – Staffing, marketing etc	£5,586,719	£1,624,754
TOTAL	£28,759,000	£6,101,148

Documents In Members' Rooms

1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
Other Background Documents	
Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)