

DECISION-MAKER:	Solent Transport Joint Committee	
SUBJECT:	Solent Transport Financial Update	
DATE OF DECISION:		
REPORT OF:	Hampshire County Council as Accountable Body for Solent Transport	
<u>CONTACT DETAILS</u>		
AUTHOR:	Name:	Hayley Pothecary Hayley.Pothecary@hants.gov.uk Mark Wallace Mark.Wallace@hants.gov.uk
SOLENT TRANSPORT MANAGER	Name:	Conrad Haigh, Conrad.haigh@hants.gov.uk

STATEMENT OF CONFIDENTIALITY
N/A

BRIEF SUMMARY
<p>This report presents the Solent Transport forecast outturn position for 2022/23, the proposed revenue budget for 2023/24 based on current local authority contributions, and details how these affect the reserves.</p> <p>The report also includes a financial update for the Future Transport Zone (FTZ) £28.759m 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 forecast outturn for the 2022/23 revenue budget
	(ii)	Notes the forecast balance in reserves for 2022/23
	(iii)	Approves the proposed revenue budget for 2023/24
	(iv)	Notes the position of the Future Transport Zone

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 forecast outturn position for 2022/23 • A draft position of the reserve balances for 2022/23 • A proposed revenue budget and partner contributions for 2023/24

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	N/A

DETAIL (Including consultation carried out)**3. Introduction**

This report summarises the draft outturn position for the 2022/23 Solent Transport revenue budget and includes details of the current reserves position including a projection for 2022/23.

The report also seeks approval for the proposed budget for 2023/24, based on current partner contributions.

The report includes an update on the current levels of expenditure for the ten Future Transport Zone projects.

4. Revenue Budget Draft Outturn Position 2022/23

4.1 The draft revenue budget outturn position for 2022/23 is shown in Table 1 and includes a predicted £165,000 contribution to the general reserves.

4.2 The Staff pay budget does not contain a built-in provision for an inflationary staff pay award. For 22/23 the pay award has been agreed at £1,925 per post plus oncosts backdated to 1st April 2022. This will result in an increase in spend of £5,000 including the on-costs for the two core members of staff. This will be met within the core income budgets.

4.3 £5,000 has been incurred for an insurance bond payable to the Rail Delivery Group to allow the implementation of rail ticketing in the Breeze app for FTZ. This cost is deemed revenue in nature and cannot be funded by the FTZ capital grant.

4.4 Additional revenue expenditure is estimated at £10,000 for the cost of consultant support to deliver the Solent Transport Strategy Project commencing in February 2023. This is part of the £85k project budget already agreed, the remaining £75k spend is expected to occur during the 2023-24 financial year.

4.5 The Breeze Rail Ticketing Bond and consultant costs will be funded by additional income.

4.6 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 as part of the MaaS project budget. Please note that the operation of MaaS back office is currently being funded from revenue created by the e-scooter trial. If this ceases the Solent transport core revenue budget would once again incur this cost. In 2021/22 £18,000 was incurred for the MaaS back-office cost.

- 4.7** Studies and marketing costs are carried out directly in relation to the Future Transport Zone (FTZ) and therefore charged to the FTZ budget held by Southampton City Council.
- 4.8** Income is currently estimated at £166,000. This includes £146,000 for Officer's time recharged to the FTZ project, £72,000 of which relates to backdated recharges prior to 2022/23. These charges are for additional Officers time above the in-kind level committed by the FTZ bid for these projects. The remainder relates to a refund of £15,000 for officer time spent on management of the SRTM model, and a £5,000 contribution from Hampshire County Council to offset the Finance Accountable Body charge.
- 4.9** Partner contributions have been received as budgeted. There has been no inflationary increase applied to partner contributions since 2013, so this is a real terms cut of funding. The present contributions meet the core expenditure for 2022/23.

Table 1

Budget Heading	Budget	Revenue	Variation
	2022/23	Outturn	2022/23
REVENUE	£'000	£'000	£'000
Staff Pay & Expenses	166	171	5
Finance Accountable body fees	5	5	0
FTZ Breeze Insurance Bond	0	5	5
Consultancy for Solent Transport Strategy Project	0	10	10
Net Expenditure	171	191	20
Additional HCC Contribution	(5)	(5)	0
SRTM Commissions and Management Recharges	(15)	(15)	0
FTZ Project Time Recharges	(23)	(146)*	(123)
Partner Contributions	(190)	(190)	0
Contribution to / (Draw from) reserve	62	165	103
Total Funding	(171)	(191)	(20)

* Includes some back-dated charges for prior financial year.

Sub-Regional Transport Model

- 4.10** The current values for Sub-Regional Transport Model (SRTM) commission costs and income with the total forecast for 2022/23 are shown in Table 2 below.
- 4.11** SRTM commissions are currently forecasted as a £15,443 deficit. In line with normal processes, it has been assumed the deficit will be offset from the ring-fenced reserve, subject to formal approval.
- 4.12** Please note that following a successful funding application by Solent Transport, Transport for the South East intend to provide £62,000 of support to cover a large element of the maintenance/update work on the SRTM commissioned during 2022. This income may not be received until the 2023/24 financial year and has not been included in the figures in Table 2 below.

Table 2

SRTM Commissions	Current Actuals	2022/23 Forecast
SRTM Commission costs	£280,704	£280,704
SRTM Maintenance costs	£56,914	£86,722
Research and Data Fee income	£351,983	£351,983
Total (Surplus)/Deficit	(£14,365)	£15,443

5. Proposed Revenue Budget 2023/24

5.1 The proposed budget for 2023/24 is detailed in Table 3 below, providing only for essential expenditure of £182,000 which can be fully funded by existing levels of partners contributions at £190,000.

5.2 The proposed budget provides for an increase of £11,000 in Staff Pay and Expenses expenditure compared to the 2022/23 budget. This is to allow for the flat rate pay increase allocated in 2022/23 and an assumed pay increase of 5.2% for 2023/24.

5.3 The annual back-office charge for Solent Go in 2023/24 will continue to be charged to FTZ as part of the Mobility-as-a-Service (MaaS) programme therefore no budget has been included for Solent Transport.

Table 3

Budget Heading	Budget 2022/23	Proposed Budget 2023/24	Change
REVENUE	£'000	£'000	£'000
Staff Pay & Expenses	166	177	11
Finance Accountable Body fees	5	5	0
Net Expenditure	171	182	11
Additional HCC Contribution	(5)	(5)	0
SRTM Commissions and Management Recharges	(15)	(15)	0
FTZ Project Time Recharges	(23)	(23)	0
Partner Contributions	(190)	(190)	0
(Draw from) Contribution to reserves	62	51	11
Total Funding	171	182	0

5.4 The income recharges are for additional Officers time above the level contracted for these projects.

5.5 Any surplus income will be added to the general reserve at the end of 2023/24 unless it is utilised on further revenue expenditure.

5.6 Partner contributions continue to be budgeted at the current levels, with no inflationary increase applied. The current partner contributions provide

<p>5.7</p> <p>5.8</p>	<p>sufficient funding to meet the cost of the two-core staff and the Finance Accountable Body fees.</p> <p>It is worth noting that partner contributions have not been increased since 2013. If contributions had been increased by the Consumer Price Index (CPI) since 2013, then partner contributions would now be approximately £270,000.</p> <p>Details of current core partner revenue contributions for 2022/23 and 2023/24 are shown in table 4 below.</p> <p>Table 4</p> <table border="1" data-bbox="453 539 1150 1088"> <thead> <tr> <th>Authority</th> <th>Current Contribution £</th> <th>Current Contribution %</th> </tr> </thead> <tbody> <tr> <td>Hampshire County Council</td> <td>£90,000</td> <td>47%</td> </tr> <tr> <td>Southampton City Council</td> <td>£40,000</td> <td>21%</td> </tr> <tr> <td>Portsmouth City Council</td> <td>£40,000</td> <td>21%</td> </tr> <tr> <td>Isle of Wight</td> <td>£20,000</td> <td>11%</td> </tr> <tr> <td>Total</td> <td>£190,000</td> <td>100%</td> </tr> </tbody> </table>	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%
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Total	£190,000	100%																	
<p>6.1</p> <p>6.2</p>	<p>6. Future Transport Zone (FTZ) Programme</p> <p>The 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 has been provided 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 for this specific programme.</p> <p>The current FTZ capital project spend to 30th November 2022 is £9,151,778. Detailed financial reporting on the FTZ is undertaken separately to this report, however a summary of spend to the 30th November 2022 is included in Appendix 1.</p>																		

7. General Reserve Balance

7.1 As shown in Table 5 below, the balance in the general reserve as of 31st March 2023 is expected to be £358,000 after a £165,000 contribution generated by staff time recharges. There are commitments of £162,000 against the General Reserve (see paragraph 7.3), which would leave a balance of £196,000.

7.2 The Sub Regional Transport Model reserve is forecasted to reduce by £15,000 to £426,000. However, there may be additional income in the final quarter which could increase the reserves balance.

Table 5: Summary of Reserves

	General Reserve	SRTM Reserve
	£'000	£'000
Opening balance 1/4/2022	193	441
Proposed draw for 2022/23 budget – based on current projection	0	15
Additions (Forecast)	165	0
Closing balance 1/4/2023	358	426

7.3 The General reserve includes retaining £15,000 which is ringfenced for potential HR costs in the event of the Partnership being dissolved. There is a further £60,000 earmarked for the potential redundancy costs of FTZ staff which cannot be funded by the FTZ capital grant. A further £12,000 covers other additional revenue risks around the MaaS trial project, beyond those which are covered by SCC and PCC rental e-scooter income. £75,000 has been allocated to continue the consultancy to develop a Solent Transport Strategy and will be spent in the coming year. Funding these commitments has been made possible by securing additional income, such as recharging time to the FTZ programme.

7.4 The Sub-Regional Transport Model (SRTM) reserve is held to fund upgrades of the SRTM. A major update/upgrade to make the model fit for post-Covid travel patterns and behaviours is required, with the anticipated costs being between £1 million and £1.5 million. As the Reserve is not currently sufficient to meet this cost, additional work has been commissioned to extend the life of the current model as far as possible whilst additional commissions or other sources of funding are sought.

7.5 The SRTM reserve is expected to increase by £62,000 when Transport for the South East's proposed Local Capability Fund award towards maintenance and improvement costs in 2022/23 is received.

8. Conclusions	
8.1	The draft outturn position for 2022/23 shows a surplus against the budget, contributing £165,000 to the general reserve increasing the revenue reserve to £358,000. The contribution is £103,000 more than budgeted, due to recharging staff time spent on project work during the last two years. This secures funds for contingencies and/or future Solent Transport projects.
8.2	The General Revenue Budget for 2023/24 has been set with no increase in fees to Partners.
8.3	The SRTM reserve projects a closing balance of £426,000 for 2022/23. 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.
8.4	FTZ is reported on separately by Southampton City Council and is the lead for this particular project.

RESOURCE IMPLICATIONS

Capital/Revenue

9. Finance Update Report, spend is within the existing resources.

Property/Other

10. N/A - no property considerations associated with this decision

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

11. N/A

Other Legal Implications:

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 – Spend up to the end of November 2022

Work Programme	Capital Budget	Capital Spend To 30 th November 2022
WP 1 – MaaS	£5,927,714	£3,708,860
WP2 – Solent Go	£781,500	£272,644
WP3 – Mobility Credits	£665,626	£0
WP4 – Bike Share	£2,399,730	£1,378,337
WP5 – Lift share	£308,038	£16,975
WP6 – DDRT	£771,000	£12,509
WP7 – E-Scooter	£890,000	£278,468
WP8 – Micro Consolidation	£2,499,447	£213,443
WP9 – Macro Consolidation	£885,192	£77,984
WP10 – Drones Logistics	£8,044,034	£817,268
Other – Staffing, marketing etc	£5,586,719	£2,375,290
TOTAL	£28,759,000	£9,151,778

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Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
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Privacy Impact Assessment

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
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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)
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