

Title of meeting: Solent Transport Joint Committee

Date of meeting: 8th October 2024

Subject: Solent Transport Financial Update

Report by: Hampshire County Council as Accountable Body for Solent Transport
Mark Easen, Mark.easen@hants.gov.uk
Tim Forrester, Tim.Forrester@southampton.gov.uk

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

This report presents the Solent Transport outturn position for 2023-24, the proposed revenue budget for 2024/25 based on current local authority contributions, and details how these affect the reserves.

The report also includes a financial update for the Future Transport Zone (FTZ) £28.7m Capital Programme funded by the Department for Transport (DfT) and financially administered by Southampton City Council (SCC).

2. Recommendations

That the Joint Committee:

- (i) Notes the outturn for the 2023/24 revenue budget
- (ii) Notes the balance in reserves for 2023/24
- (iii) Approves the proposed revenue budget for 2024/25
- (iv) Notes the position of the Future Transport Zone
- (v) Approves the Future Transport Zone funding reprofile

3. Background

This report summarises the outturn position for the 2023/24 Solent Transport revenue budget and includes details of the reserves position for 2023/24.

The report also seeks approval for the proposed budget for 2024/25, based on current partner contributions.

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

This report summarises the outturn position for the 2023/24 Solent Transport revenue budget and includes details of the reserves position for 2023/24.

The report also seeks approval for the proposed budget for 2024/25, based on current partner contributions.

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

Revenue Budget Outturn Position 2023/24

The revenue budget outturn position for 2023/24 is shown in Table 1 and includes a £94,000 contribution to the General reserves.

Part way through the year the Transport planner role became vacant, additional costs of £20,886 have been required to cover a period until a replacement was found, the underspend from the vacancy has offset the additional agency cost, a new Transport planner started in December 2023.

A commitment was set aside in the General reserve at the end of 2022/23 for consultancy fees relating to the Solent Transport Strategy Project, the project began in late 2022/23 and the final position for 2023/24 is below.

2022/23 expenditure	£11,000
2023/24 expenditure	£54,000
Total	£65,000

Additional revenue expenditure of £24,630 for the following items has also been incurred –

- £1,180 advertising costs for Principal Transport planner vacancy.
- £20,000 Revenue funding to FTZ programme (SCC) to underwrite the next stage of development/ implementation of the Breeze MaaS app.
- £1,500 for hosting the Solent Transport website.
- £1,950 relating to the removal of Gosport Ferry from the SolentGo back-office system, due to the announcement in late Dec 22 that the ferry would not run in 2024.

The Solent Transport budget will not be charged for the annual back-office charge for Solent Go, costs significantly increased in 2023/24, as in previous

years, and Solent Transport had to find £18,000 to cover the final six months of the year. We have been asked to extend the ITSO card use into 24/25 and the cost of this will be covered by Portsmouth City Council BSIP scheme, as it is seen as key to their delivery.

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.

Income for 2023/24 totalled £163,026.

£22,917 for Officer's time recharged to the FTZ project, these charges are for additional Officers time above the in-kind level committed by the FTZ bid for these projects.

£15,444 refund for officer time spent on management of the SRTM model.

£5,000 contribution from Hampshire County Council to offset the Finance Accountable Body charge.

£45,108 for interest on balances

£74,557 surplus from SRTM commissions

Partner contributions of £190,000 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 including the additional contribution from Hampshire County Council meet the core expenditure for 2023/24.

Table 1

Budget Heading	Budget 2023/24	Revenue Outturn 2023/24	Variation 2023/24
Revenue	£'000	£'000	£'000
Staff Pay & Expenses	177	176	(1)
Finance Accountable body fees	5	5	0
Consultancy for Solent Transport Strategy Project	0	54	54
Additional costs*	0	25	25
Net Expenditure	182	259	77
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
Interest on balances	0	(45)	(45)
SRTM Commissions surplus	0	(75)	(75)
Contribution to / (Draw from) reserve	51	94	43
Total Funding	(182)	(259)	(77)

Sub-Regional Transport Model

The outturn position for the Sub-Regional Transport Model (SRTM) commission costs and income for 2023/24 are shown in Table 2 below.

Table 2

SRTM Commissions	2023/24 Outturn
	£'000
SRTM costs	485
Research and Data Fee income	(560)
Total (Surplus)/Deficit	(75)

Proposed Revenue Budget 2024/25

The proposed budget for 2024/25 is detailed in Table 3 below, providing only for essential expenditure of £184,000 which can be fully funded by existing levels of partners contributions at £190,000.

The proposed budget provides for an increase of £2,000 in Staff Pay and Expenses compared to the 2023/24 budget. This allows for the agreed 3.88% pay increase in 2023/24 and an assumed pay increase of 3% in 2024/25. Please note, the small increase to 2024/25 was due to the 2023/24 budget being set too high assuming an increase of 5.2%.

Table 3

Budget Heading	Budget 2023/24	Proposed Budget 2024/25	Change
	£'000	£'000	£'000
Staff Pay & Expenses	177	179	2
Finance Accountable Body fees	5	5	0
Net Expenditure	182	184	2

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	51	49	(2)
Total Funding	(182)	(184)	(2)

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.

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

Any surplus income will be added to the General reserve at the end of 2024/25 unless it is utilised on further revenue expenditure.

Partner contributions continue to be budgeted at the current levels, with no inflationary increase applied. The current partner contributions provide sufficient funding to meet the cost of the two core staff and the Finance Accountable Body fees.

Details of current core partner revenue contributions for 2023/24 and 2024/25 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%

Future Transport Zone (FTZ) Programme

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 2025 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.

The current FTZ capital project spend to 30th November 2023 is £14,081,572. Reporting on the FTZ is undertaken separately to this report, however a summary of spend to the 30th November 2023 is included in Appendix 1.

A reprofiling of the FTZ funding allocations to individual work packages (WP) within the programme has been proposed to reallocate an identified saving of £1.4m, from the Theme 2 – Drones Logistics work package to cover known/forecast funding requirements across other areas of the programme; specifically for Theme 1 – MaaS (Breeze) platform work package (£1m) and toward Programme – Other (Staffing, marketing, procurement/legal support, Monitoring & Evaluation and programme contingency - £400k).

The reason for this reprofile request is to enable project budgets to adapt to emerging need within the overarching framework of the funded programme. Following further scoping, project planning/definition and market analysis an identified saving of £1.4M has been identified within the Drones Logistics work package. Reduction of budget and transfer of this saving will not negatively impact on the agreed deliverables set out for this work package. In parallel the success of the MaaS (Breeze) work package has provided opportunities for extending the duration of the trial platform in line with the FTZ timescales and opened up further integrations and development options to improve ongoing commercial viability – with the proposed £1m reallocation enabling these. The additional £400k proposed reallocation to Programme - Other will help mitigate and safeguard risk across the programme (including: Staffing, marketing, procurement/legal support, Monitoring & Evaluation and programme contingency)). There is no change to the overall funding commitment (provided by DfT grant) that has previously been approved by Joint Committee and it remains as per the funding grant award. A summary of the reprofile proposed is included in Appendix 2. The full programme remains deliverable within the ringfenced DfT grant that is allocated.

General Reserve Balance

As shown in Table 5 below, the balance in the General reserve as of 31st March 2024 is £404,000 after a £19,000 contribution. There are commitments of £87,000 against the General reserve (see paragraph 7.4), which would leave a balance of £317,000.

Also shown in Table 5 below, the Sub Regional Transport Model reserve has a balance of £515,000 after a £75,000 contribution.

It's worth noting the variance between the opening balances of the reserve compared to the forecast closing balance reported previously. The increase in the General reserve is mainly due to additional interest and the increase in the SRTM reserve was due to the Local Capability Fund award.

The General reserve includes commitments of £15,000 ringfenced for potential HR costs in the event of the Partnership being dissolved, a further £60,000 earmarked for the potential redundancy costs of FTZ staff, which cannot be funded by the FTZ capital grant, and £12,000 to cover other additional revenue risks around the MaaS trial project, beyond those which are covered by SCC and PCC rental e-scooter income. Funding these commitments has been made possible by securing additional income, such as recharging time to the FTZ programme.

Table 5

Reserves Summary	General Reserve	SRTM Reserve
	£'000	£'000
Opening balance 01/04/2023	385	515
Proposed draw for 2023/24 budget	0	0
Additions	19	75
Closing balance 31/03/2024	404	590

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 £1m and £1.5m. As the reserve is not currently sufficient to meet this cost, additional work continues to be commissioned to extend the life of the current model where possible, although this cannot continue as a long-term plan as the model will eventually not be fit for purpose.

The Transport for the South East (TfSE) are assessing whether they can complete a 'regional' transport model which could replace or work alongside the SRTM. Although this could potentially be the solution to the SRTM funding shortfall, it is not guaranteed that the creation of a model will be viable for them or whether the TfSE have enough funding for it themselves, which could still lead to funding requests from Local Transport Authorities within this region.

Conclusions

The outturn position for 2023/24 is a surplus against the budget, contributing £19,000 to the General reserve, increasing the balance to £404,000.

The General revenue budget for 2024/25 has been set with no increase in fees to Partners.

The SRTM reserve has a closing balance of £590,000 for 2023/24.

A funding reprofile of the FTZ programme has been undertaken to reallocate budget savings from Theme 2 – Drone Logistics area of the programme to Theme 1 – MaaS (Breeze) and to Programme – Other in order to reflect specific programme area funding requirements. FTZ funding is reported on separately by Southampton City Council who act as the lead authority on behalf of Solent Transport for this particular programme of activity.

4. Reasons for recommendations

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

- The outturn position for 2023/24
- A position of the reserve balances for 2023/24
- A proposed revenue budget and partner contributions for 2024/25

Capital/Revenue

Finance Update Report, spend is within the existing resources.

5. Integrated impact assessment

NA

6. Legal implications

NA

7. Director of Finance's comments

NA

Appendices:

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
Future Transport Zone – Spend up to the end of November 2023	Attached
Future Transport Zone – Proposed programme funding reprofile	Attached

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by Solent Transport Senior Management Board on 4th September 2024.

1. Future Transport Zone – Spend up to the end of November 2023

Work Programme	Current Capital Budget	Capital Spend to 30th Nov 2023
WP 1 – MaaS	£6,810,084	£5,116,509
WP2 – Solent Go	£480,000	£290,356
WP3 – Mobility Credits	£570,000	£0
WP4 – Bike Share	£2,836,564	£2,042,946
WP5 – B4B (previously Lift share)	£300,000	£101,865
WP6 – DDRT	£675,000	£107,132
WP7 – E-Scooter	£856,136	£484,068
WP8 – Micro Consolidation	£1,979,256	£427,116
WP9 – Macro Consolidation	£793,309	255,416
WP10 – Drones Logistics	£6,915,611	£1,593,832
Other – Staffing, marketing etc	£6,543,041	£3,662,332
TOTAL	£28,759,000	£14,081,572

2. Future Transport Zone – Proposed programme funding reprofile

Work Programme	Current approved Budget profile	Proposed Budget profile
WP 1 – MaaS	£6,810,084	£7,810,084
WP2 – Solent Go	£480,000	£480,000
WP3 – Mobility Credits	£570,000	£570,000
WP4 – Bike Share	£2,836,564	£2,836,564
WP5 – B4B (previously Lift share)	£300,000	£300,000
WP6 – DDRT	£675,000	£675,000
WP7 – E-Scooter	£856,136	£856,136
WP8 – Micro Consolidation	£1,979,256	£1,979,256
WP9 – Macro Consolidation	£793,309	793,309
WP10 – Drones Logistics	£6,915,611	£5,515,611
Other – Staffing, marketing etc	£6,543,041	£6,943,041
TOTAL	£28,759,000	£28,759,000