

**Title of meeting:** Solent Transport Joint Committee

**Date of meeting:** 8<sup>th</sup> October 2024

**Subject:** Financial Implications of Hampshire County Council's Departure from Solent Transport

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**Wards affected:** All

**Key decision:** No

**Full Council decision:** No

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**1. Purpose of report**

To outline the financial outcomes of HCC withdrawing from the Solent Transport partnership by 31 March 2025, and the forecast position of the reserves detailing how the balances could be disaggregated.

**2. Recommendations**

That the Joint Committee:

1. Notes the projected balance of the Solent transport operating budget at the closedown/transition point on 31 March 2025 when HCC withdraws from Solent Transport.
2. Notes the first call on reserves will be to pay for closedown/transition costs and other liabilities.
3. Notes the balance of the SRTM reserve is held by HCC and will be retained by HCC until such time as an alternate management arrangement for the model is agreed.
4. Notes that in the situation that HCC manage the model post 31 March 2025, that HCC will cover its costs of doing so on a no better no worse off basis.

**3. Background**

Hampshire County Council has served notice of its departure from Solent Transport by 31 March 2025 at the latest. Hampshire County Council is currently the accountable body for finances and the report sets out the forecasted financial position as at 31 March 2025 and outlines key financial issues that will need to be addressed. Any final decision will need to reflect whether Solent Transport is continued in some form or, alternatively, whether it is disbanded.

#### 4 Financial outcomes

The General reserve balance is proposed to be disaggregated as per the current contributions to the partnership set out in Table 1 below. Meaning each partners would receive the associated proportion of the general reserves balance upon closedown. If Solent Transport continues in some form then presumably the remaining partners would retain the sums in the successor body.

The SRTM reserve balance to be retained by HCC until such time as an alternate management arrangement for the model is agreed, and in the situation that HCC manage the model post 31 March 2025, that HCC will cover its costs of doing so on a no better no worse off basis.

**Table 1**

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

#### 5 Reserve Balances

As shown in Table 2 below, the forecast balance in the General reserve as of 31st March 2025 is £385,000 after a forecast contribution of £48,000, and a forecast drawdown of -£67,000 for potential redundancy costs for Solent Transport staff.

Also shown in Table 2 below, the Sub Regional Transport Model reserve has a current balance of £590,000. The final figure will be affected by any further income received this year.

The General reserve previously held a commitment of £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., If the General reserve is to be utilised for this purpose it would reduce the balance by an additional £72,000.

The FTZ project is subject to a decision to extend the scheme (also on this agenda). This would mean that current Solent Transport partnership may close down before the end of the FTZ scheme. The Solent Transport partners will change at the end of March 2025 with HCC withdrawing, but the three remaining LTA's are hopeful of working together in some future way as yet to be determined. A mechanism is therefore needed to continue to underwrite the FTZ if this is still required. A simple solution would be to delay redistribution of that part of the reserves balance until such time as the FTZ scheme has come to an end or that a decision on the FTZ project is made before the end of March 2025.

It makes practical sense to leave the current arrangement in place until such time as a updated SRTM model is available. Solent transport staff will be asked to commission the update via Hampshire procurement and handover the day to day operational requirements to a lead authority or to the successor body before March 2025. It is important to note, however, that this plan of action cannot be finalised until some outstanding questions have been addressed over the approach and value for money of the model update considering the age of the base data.

**Table 2**

<b>Reserves Summary</b>	<b>General Reserve</b>	<b>SRTM Reserve</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening balance 01/04/2024</b>	<b>404</b>	<b>590</b>
HR costs	-67	0
Additions	48	0
<b>Closing balance 31/03/2025</b>	<b>385</b>	<b>590</b>

**6. Reasons for recommendations**

To update the Solent Transport Joint Committee with:

- The financial outcomes of HCC withdrawing from the partnership
- A forecast position of the reserve balances for 2024/25

**7. Integrated impact assessment**

N/A

**8. Legal implications**

N/A

**9. Director of Finance's comments**

The report has been prepared by Hampshire County Council as the financial accountable body for Solent Transport

**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

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....