

<b>DECISION-MAKER:</b>	<b>Solent Transport Joint Committee</b>	
<b>SUBJECT:</b>	<b>Solent Transport Financial Update</b>	
<b>DATE OF DECISION:</b>	<b>4<sup>th</sup> March 2021</b>	
<b>REPORT OF:</b>	<b>Hampshire County Council as Accountable Body for Solent Transport</b>	
<b><u>CONTACT DETAILS</u></b>		
<b>AUTHOR:</b>	<b>Name:</b>	<b>Elain Youngman, <a href="mailto:Elain.youngman@hants.gov.uk">Elain.youngman@hants.gov.uk</a> Kate Archer, <a href="mailto:Kate.archer@hants.gov.uk">Kate.archer@hants.gov.uk</a></b>
<b>SOLENT TRANSPORT MANAGER</b>	<b>Name:</b>	<b>Conrad Haigh, <a href="mailto:Conrad.haigh@hants.gov.uk">Conrad.haigh@hants.gov.uk</a></b>

<b>STATEMENT OF CONFIDENTIALITY</b>
N/A

<b>BRIEF SUMMARY</b>
This report presents the Solent Transport draft outturn position for 2020/21, the proposed revenue budget for 2021/22 based on current local authority contributions, and details how these affect the reserves.

<b>RECOMMENDATIONS: That the Joint Committee</b>		
	<b>(i)</b>	Notes the draft outturn for the 2020/21 revenue budget.
	<b>(ii)</b>	Approves the proposed revenue budget for 2021/22.
	<b>(iii)</b>	Notes the forecast balance in reserves.

<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	To fulfil the requirements in providing the Solent Transport Joint Committee with: <ul style="list-style-type: none"> <li>• The draft outturn position for 2020/21</li> <li>• A proposed revenue budget and partner contributions for 2021/22</li> <li>• A draft position of the reserves balances for 2020/21 &amp; 2021/22.</li> </ul>

<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
2.	N/A

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

This report summarises the draft outturn position for the 2020/21 Solent Transport revenue budget and includes details of the current reserves position including projections for 2020/21 and 2021/22.

The report also seeks approval for the proposed budget for 2021/22, based on current Partner Contributions.

4. **Revenue Budget Draft Outturn Position 2020/21**

The draft revenue budget outturn position for 2020/21 is shown in Table 1 below, and includes a predicted in year surplus of £110,000. However, £130,000 of this surplus relates to Sub Regional Transport Model (SRTM) commissions which if added to the STRM reserve in accordance with the previously agreed principle to meet the cost of future SRTM upgrade, would require a draw from the revenue reserve of £20,000 to balance the budget.

**Table 1**

<b>Budget Heading</b>	<b>Budget 2020/21 £'000</b>	<b>Revenue Outturn 2020/21 £'000</b>	<b>Variation 2020/21 £'000</b>
<b>REVENUE</b>			
Staff Pay & Expenses	172	167	(5)
Finance Accountable body fees	5	5	0
Marketing	36	11	(25)
Solent Go – Back Office/Admin	26	27	1
Studies	15	0	(15)
Enhancement of Sub Regional Transport Model (SRTM)	0	0	0
SRTM Commissions	0	(130)	(130)
Other Costs	0	200	200
<b>Net Expenditure</b>	<b>254</b>	<b>280</b>	<b>26</b>
Other Income	0	(200)	(200)
Partner Contributions	(190)	(190)	0
Contribution to / (Draw from) reserves	(64)	110	169
<b>Total Funding</b>	<b>(254)</b>	<b>(280)</b>	<b>(26)</b>

In order to meet this budget Solent Transport has gone through a process of in year savings. This has achieved a small net staffing underspend consisting

of savings from the marketing officer post, which has been removed from the structure from December, and a reduction in travel costs due to the impact of Covid-19 restrictions, offset by increased costs due to the 2.75% pay award (agreed in November and backdated to 1<sup>st</sup> April 2020). This has been factored into the budget going forward.

Studies and marketing costs are showing underspends as the majority of work in these areas has been carried out directly in relation to the Future Transport Zone (FTZ) and therefore charged to the FTZ budget. The marketing spend reflects work on the rebranding of Solent Transport and an upgrade of the Solent Transport website.

An additional £200,000 income was received from the FTZ project, which was passed directly to Southampton University to implement the Solent FTZ Drone medical distribution trial service from the mainland to the IOW.

SRTM commissions are predicted to provide a surplus in year of £130,000, if approved this will be added to the SRTM ring fenced reserve.

Solent Transport Senior Management Board (SMB) has instructed Solent Transport to be more commercial in their outlook for recouping funds for work completed and this is covered in the business plan being considered as a separate item on the agenda.

### Proposed Revenue Budget 2021/22

The proposed budget for 2021/22 is shown in Table 2 below, and includes planned expenditure of £190,000, to be fully funded by £190,000 total Partner contributions, which has been fixed at this rate since 2013.

**Table 2**

Budget Heading	Budget	Proposed Budget	Change
	2020/21	2021/22	
REVENUE	£'000	£'000	£'000
Staff Pay & Expenses	172	158	(14)
Finance Accountable Body fees	5	5	0
Marketing	36	0	(36)
Solent Go – Back Office/Admin	26	27	1
Studies	15	0	(15)
Enhancement of Sub Regional Transport Model (SRTM)	0	0	0
SRTM Commissions	0	0	0
<b>Net Expenditure</b>	<b>254</b>	<b>190</b>	<b>(64)</b>
Partner Contributions	(190)	(190)	0
(Draw from) reserves	(64)	0	64
<b>Total Funding</b>	<b>(254)</b>	<b>(190)</b>	<b>64</b>

The proposed budget provides for a reduction of £64,000 in expenditure compared to the 2020/21 budget, removing all non-essential spend, including marketing and studies, to ensure a balanced budget that is fully funded from existing contributions.

The staff pay costs budget has been reduced by £22,000 to reflect the removal of the marketing post, but has been increased by £10,000 to reflect the 2020/21 pay award as above, the cost of pay increment increases and travel costs. The budget has assumed no inflationary pay award for 2021/22 at this time, other funding would need to be identified for any future pay award or drawn from reserves.

The proposed budget is based on the assumption that the SRTM projected net surplus of £130,000 from 2020/21 is added to the ring fenced SRTM reserve, in line with previous years.

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 2 core staff, the Finance Accountable Body fees and the annual Solent Go back office charge. Should additional spend be required for marketing, studies or new projects, then either Partner Contributions will need to increase or additional funding will need to be secured.

Details of current core partner revenue contributions for 2020/21 and 2021/22 are shown in table 3 below.

**Table 3**

<b>Authority</b>	<b>Current Contribution £</b>	<b>Current Contribution %</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>

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

This FTZ programme is a significant piece of work, with £28.75m awarded for the programme by the Department for Transport in March 2020. Solent Transport is responsible for leading the delivery and governance arrangements of the programme, with Southampton City Council as the Accountable Body.

Work on the project is beginning to start in earnest, with temporary staff currently in post and recruitment to permanent posts underway. Detailed financial reporting on the FTZ will be undertaken separately to this report, however a summary of spend up to the end of January 2021 is included in Appendix 1.

**7. General Reserve Balance**

As shown in Table 4 below, the balance in the general reserve as at 31st March 2021 is expected to be £43,000. This includes £10,000 which is ringfenced for potential HR costs in the event of the Partnership being dissolved.

**Table 4: Summary of reserves**

	<b>General reserve</b>	<b>SRTM Reserve</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening balance 1/4/2020</b>	<b>63</b>	<b>361</b>
Proposed draw for 20/21 budget – based on current projection	(20)	
Additions		130
<b>Opening balance 1/4/2021</b>	<b>43</b>	<b>491</b>
Proposed draw for 20/21 budget	0	
Additions	0	0
<b>Closing balance 31/3/2022</b>	<b>43</b>	<b>491</b>

The Sub Regional Transport Model (SRTM) reserve is funded from surpluses from SRTM commissions and is held to fund future upgrades to the SRTM, with the next planned upgrade due in 2021 at an anticipated cost of between £500,000 and £1.2 million. Therefore further commissions or other sources of funding could be required for the upgrade. Potential options are currently being considered (further information about the upgrade is included within the Business Plan).

**8. Conclusions**

Excluding the SRTM commissions (which are transferred to the SRTM reserve for the cost of future upgrades in line with a previous decision of the Joint Committee), the draft outturn position for 2020/21 shows a pressure against the budget, requiring a draw from the general reserve of £20,000 to supplement Partner contributions and fully fund net expenditure.

The balance in the revenue reserve is expected to reduce to £43,000 by the end of the current financial year, equating to only two months of budgeted operating spend.

The SRTM commissions are expected to produce a surplus of £130,000 in 2020/21, increasing the ring fenced SRTM upgrade reserve to £491,000. This is at the lower end of the expected cost range for the upgrade, and therefore further funding will need to be identified if the upgrade is to proceed.

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

<b>KEY DECISION?</b>	N/A
<b>WARDS/COMMUNITIES AFFECTED:</b>	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 January 2021**

<b>WP</b>	<b>Capital</b>	<b>Revenue</b>	<b>Spend YTD</b>
WP 1 - <u>MaaS</u>	£5,927,714		0
WP 2 – Solent Go	£781,500		0
WP 3 – Mobility Credits	£665,626		0
WP 4 – Bike Share	£2,399,730		0
WP 5 – Lift share	£308,038		0
WP 6 - DDRT	£771,000		0
WP 7 – E-Scooter	£880,000		£144,000
WP 8 – Micro Consolidation	£2,499,447		0
WP 9 – Macro Consolidation	£895,192		0
WP 10 – Drones Logistics	£8,044,034		£200,000
Other – Staffing, marketing etc	£5,586,719		£505,000
<b>TOTAL</b>	<b>£28,759,000</b>		<b>£849,000</b>

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**Documents In Members' Rooms**

1.	None
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**Equality Impact Assessment**

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

<b>Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.</b>	No
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**Other Background Documents**

**Other Background documents available for inspection at:**

<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>

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