

DECISION-MAKER:	Solent Transport Joint Committee	
SUBJECT:	Solent Transport Financial Update	
DATE OF DECISION:	20th October 2021	
REPORT OF:	Hampshire County Council as Accountable Body for Solent Transport	
<u>CONTACT DETAILS</u>		
AUTHOR:	Name:	Elain Youngman Elain.Youngman@hants.gov.uk Kate Archer Kate.Archer@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 final outturn position for 2020/21, 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 2020/21 revenue budget final outturn position.
	(ii)	Approves the ringfencing and carry forward of the 2020/21 SRTM commissions surplus to support the funding of the SRTM upgrade.
	(iii)	Notes the 2021/22 revenue budget forecast outturn position.
	(iv)	The Joint Committee approves the proposed staff contract changes from temporary to permanent as set out in paragraph 6, agrees that Solent Transport will underwrite any associated employee liabilities and, in the event funding in the reserve currently set aside for this purpose is insufficient, the partner authorities will meet the balance required pro rata to their respective annual partner contributions.
	(v)	Notes the forecast reserves balance as at 31 st March 2022.
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 2020/21 revenue budget final outturn position. • A revenue budget forecast outturn position for 2021/22. • A review of the final reserves position for 2020/21 and proposed carry forward position, and a forecast reserves position for 2021/22. 	

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED																																									
2.	N/A																																								
DETAIL (Including consultation carried out)																																									
3.	<p>Introduction</p> <p>This report summarises the Solent Transport revenue budget final outturn position for 2020/21, including details of the current reserves position and a forecast of reserve balances for 2021/22.</p> <p>The report also seeks approval for the carry forward of the 2020/21 SRTM Commissions balance into the ringfenced reserve to provide funds for the SRTM upgrade.</p> <p>Also included in the report is a forecast budget outturn position for 2021/22 against the approved budget, based on planned income and expenditure to date.</p>																																								
4.	<p>2020/21 Revenue Budget Final Outturn Position</p> <p>The 2020/21 revenue budget final outturn position is detailed in Table 1 below and includes a net surplus in year of £91,000. The surplus combines a deficit of £8,000 to meet general revenue costs which is offset by a surplus of £99,000 relating to the Sub Regional Transport Model (SRTM) commissions. If the SRTM surplus is added to the STRM reserve in accordance with the previously agreed principle to meet the cost of the future SRTM upgrade, a draw from the revenue reserves of £8,000 would be required to balance the budget.</p> <p>Table 1</p> <table border="1"> <thead> <tr> <th>Budget Heading</th> <th>Budget 2020/21 £'000</th> <th>Revenue Outturn 2020/21 £'000</th> <th>Variation To Budget 2020/21 £'000</th> </tr> </thead> <tbody> <tr> <td>REVENUE</td> <td>£'000</td> <td>£'000</td> <td>£'000</td> </tr> <tr> <td>Staff Pay & Expenses</td> <td>172</td> <td>166</td> <td>(6)</td> </tr> <tr> <td>Finance Accountable body fees</td> <td>5</td> <td>5</td> <td>0</td> </tr> <tr> <td>Marketing</td> <td>36</td> <td>11</td> <td>(25)</td> </tr> <tr> <td>Solent Go – Back Office/Admin</td> <td>26</td> <td>26</td> <td>0</td> </tr> <tr> <td>Studies</td> <td>15</td> <td>0</td> <td>(15)</td> </tr> <tr> <td>Enhancement of Sub Regional Transport Model (SRTM)</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>SRTM Commissions</td> <td>0</td> <td>(99)</td> <td>(99)</td> </tr> <tr> <td>Other Costs</td> <td>0</td> <td>250</td> <td>250</td> </tr> </tbody> </table>	Budget Heading	Budget 2020/21 £'000	Revenue Outturn 2020/21 £'000	Variation To Budget 2020/21 £'000	REVENUE	£'000	£'000	£'000	Staff Pay & Expenses	172	166	(6)	Finance Accountable body fees	5	5	0	Marketing	36	11	(25)	Solent Go – Back Office/Admin	26	26	0	Studies	15	0	(15)	Enhancement of Sub Regional Transport Model (SRTM)	0	0	0	SRTM Commissions	0	(99)	(99)	Other Costs	0	250	250
Budget Heading	Budget 2020/21 £'000	Revenue Outturn 2020/21 £'000	Variation To Budget 2020/21 £'000																																						
REVENUE	£'000	£'000	£'000																																						
Staff Pay & Expenses	172	166	(6)																																						
Finance Accountable body fees	5	5	0																																						
Marketing	36	11	(25)																																						
Solent Go – Back Office/Admin	26	26	0																																						
Studies	15	0	(15)																																						
Enhancement of Sub Regional Transport Model (SRTM)	0	0	0																																						
SRTM Commissions	0	(99)	(99)																																						
Other Costs	0	250	250																																						

Net Expenditure	254	359	105
Other Income	0	(260)	(260)
Partner Contributions	(190)	(190)	0
Draw from general reserve	(64)	(8)	56
Contribution to SRTM Reserves	0	99	99
Total Funding	(254)	(359)	(105)

Pay and expenses for staff has achieved a small underspend following a reduction in travel costs, largely as a result of Covid 19 restrictions, and savings produced from the removal of the marketing officer post in December 2020. This underspend is partially offset by increased costs of the remaining 2 core staff following a 2.75% pay award (agreed in November and backdated to 1st April 2020).

Marketing and studies costs resulted in an underspend as the majority of work in these areas was 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.

The final 2020/21 position for the SRTM commissions returned a surplus of £99,000 which if approved, will be added to the SRTM ring fenced reserve, as per Table 4 below and held to fund the upgrade of the model in the future.

Additional income was received, matching one off costs incurred against specific projects in 2020/21, detailed in table 2 below.

Table 2

	Other Costs	Other Income
FTZ Drone project	200	(200)
Atkins review – FTZ	25	(25)
Marketing	23	(23)
Highways England - M27/M3 Travel Demand Management project	2	(9)
Active Travel	0	(3)
Total	250	(260)

The Partnership received additional income of £200,000 from the DfT relating to the FTZ project. This income was paid over to the University of Southampton to support the implementation of the Solent FTZ Drone project to provide a trial for a medical distribution service between the mainland and the IOW.

Further income of £60,000 was received to cover additional costs incurred including £25,000 for an Atkins review for the FTZ project funded by DfT, £23,000 marketing costs for the “New Norm” post covid, £9,000 additional costs for staff time spent on the Highways England funded M27/M3 Travel Demand Management project and a £3,000 contribution from Public Health towards research into Active Travel.

5.

2021/22 Revenue Budget Outturn Forecast

The approved 2021/22 budget is detailed in Table 3 below and includes the forecast outturn position. The 2021/22 budget is a streamlined budget providing for essential expenditure only, which is fully funded by partners contributions at existing levels.

Table 3

Budget Heading	Budget	Actuals to Date	Forecast Outturn	Variance To Budget
	2021/22	2021/22	2021/22	2021/22
REVENUE	£'000	£'000	£'000	£'000
Staff Pay & Expenses	158	64	158	0
Finance Accountable Body Fees	5	3	5	0
Marketing	0	0	0	0
Solent Go – Back Office/Admin	27	0	27	0
Studies	0	0	0	0
Enhancement of Sub Regional Transport Model (SRTM)	0	9	44	44
SRTM Commissions	0	0	0	0
Net Expenditure	190	76	234	44
Other Income	0	(2)	(66)	(66)
Partner Contributions	(190)	(190)	(190)	0
Contribution to general reserve	0	0	66	66
Draw from SRTM Reserves	0	0	(44)	(44)
Total Funding	(190)	(192)	(234)	(44)

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

In addition to the core revenue spend the SRTM commissions forecast a draw of £44,000 from the ringfenced reserve, partly to fund interim works on the

model, including a model wide validation exercise to ensure the model is fit for purpose, prior to the upgrade.

The budget, forecast and reserves reflect the assumption that any surplus or deficit from the SRTM Commissions will be added or drawn from the ring fenced SRTM reserve, in line with previous years.

In a bid to increase the SRTM reserve Solent Transport will continue to work in a more commercial manner, charging for any additional time spent on projects over and above its agreed commitment and to begin charging for activities that third parties benefit from.

The staff pay costs budget meets the cost of the two members of staff and includes a forecast of £6,000 for staff expenses. The budget and forecast contain no built-in provision for an inflationary pay award in 2021/22, if this should occur the cost would need to be met from reserves or other funding would need to be secured.

Other forecast costs are for the annual charges from the accountable body and the Solent Go back-office costs.

Partner contributions continue to be forecast 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. Any additional spend for marketing, studies or new projects will need to be self-funding, funded by an agreed increase in Partner Contributions or funded from reserves, ensuring the reserve does not drop below the deminimus level of £10,000.

Details of current core partner revenue contributions for 2021/22 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%

	<p>The receipt of £66,000 additional income is forecast made up of £5,000 contribution from HCC, £12,000 recharge for officer time spent on SRTM commissions, £49,000 towards the cost of officer's time utilised on FTZ (Future Transport Zone) and Highways England funded M27/M3 Travel Demand Management projects. These charges are for Officers time above the contracted level. This additional income will top up the general reserve at the end of 2021/22.</p> <p>An expected draw of £44,000 is required in 2021/22 from the SRTM reserve to fund the cost of the re-validation exercise of the 2019 model and the subsequent updates required.</p> <p>Currently there is no forecast for additional spend, but this may change as the year progresses.</p> <p>This position could improve as the year progresses, if there is an increase in activity from private sector clients, which generate more income. Other options being explored are to top slice a small percentage from capital bids to fund the SRTM upgrade.</p>
<p>6.</p>	<p>Staff</p> <p>The current Solent Transport staff are both employed on temporary contracts, which end in November 2021 and January 2022. It is proposed that both positions are made permanent with immediate effect to aid staff retention and provide service continuity.</p> <p>Both individuals will have accrued employment rights having been continuously employed for more than two years. Solent Transport has made provision in its General Reserve to meet potential employee liabilities including but not limited to potential future staff exit costs in relation to redundancy, this amount will be reviewed annually and continue to be ring fenced within the reserve but in the unlikely event this funding were to be insufficient it is recommended that the partner authorities meet the balance pro rata to their respective annual partner contributions.</p> <p>Furthermore, the Joint Committee is asked to indemnify the County Council against any liabilities, costs and expenses incurred by the County Council in respect of any claim or action brought by any of the employees for which the County Council hosts the posts on behalf of the partner authorities, any acts or omissions of the employees and any claims brought by any third party arising out of the acts or omissions of the employees during the course of their contracts of employment. This is in accordance with section 16 of the Joint Legal Agreement.</p> <p>The proposal as already been passed by The Solent Senior Management Board, in principal (27th May 2021) Joint Committee are asked to approve this contract change</p>

7.

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.

The current spend on the project is £1.2m with a further £900k committed to projects. Six fixed term staff have now been recruited in the FTZ Delivery Team including the programme manager. Work on the project is progressing well, with no financial risks identified. Detailed financial reporting on the FTZ will be undertaken separately to this report, however a summary of spend up to the end of August 2021 is included in Appendix 1.

8.

General Reserve Balance

The general reserve balance as at 31st March 2021 is £55,000 and includes 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 £121,000 by the end of 2021/22 due to additional income generated in year.

Table 5: Summary of reserves

	General Reserve	SRTM Reserve
	£'000	£'000
Opening balance 1/4/2020	63	361
Final draw for 2020/21 budget	(8)	0
Additions		99
Opening balance 1/4/2021	55	460
Proposed draw for 2021/22 budget	0	(44)
Additions	66	0
Closing balance 31/3/2022	121	416

The Sub Regional Transport Model (SRTM) reserve is held to fund upgrades of the SRTM. This upgrade was due in 2021/22 but the reserve is 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, the Business Plan - 2021/22, Review and Update Report contains information about recent work to extend the life of the current model as well as options under consideration to increase income to fund future upgrades.

9.	<p>Conclusions</p> <p>Excluding the SRTM commissions, which are transferred to the SRTM reserve to fund future upgrades of the model, the final outturn position for 2020/21 shows a pressure against the budget, requiring a draw from the general reserve of £8,000 to supplement Partner contributions and fully fund net expenditure, reducing the revenue reserve to £55,000. This is an improved position from previously forecast in the last report.</p> <p>The SRTM commissions in 2020/21 produced a surplus of £99,000, increasing the ring fenced SRTM upgrade reserve to £460,000.</p> <p>The general reserve projected outturn for 2021/22 is £121,000 following a projected surplus of £66,000 mainly resulting from recharging staff time against externally funded projects. Current projections include essential expenditure only, but if further expenditure is incurred this will reduce the balance added to the general reserve.</p> <p>The SRTM reserve is currently projecting an outturn for 2021/22 of £416,000 following a draw from the reserve. This position is also subject to change depending on the volume and type of commissions received in year.</p>
-----------	--

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 August 2021

Work Programme	Capital Budget	Capital Spend To 31 st August 2021	Committed Spend	Balance Available
WP 1 – MaaS	£5,927,714	£0	£316,000	£5,611,714
WP2 – Solent Go	£781,500	£5,000	£103,000	£673,500
WP3 – Mobility Credits	£665,626	£0	£0	£665,626
WP4 – Bike Share	£2,399,730	£86,272	£19,700	£2,293,758
WP5 – Lift share	£308,038	£0	£351,000	(£42,962)
WP6 – DDRT	£771,000	£0	£0	£771,000
WP7 – E-Scooter	£880,000	£60,488	£0	£819,512
WP8 – Micro Consolidation	£2,499,447	£0	£0	£2,499,447
WP9 – Macro Consolidation	£895,192	£0	£0	£895,192
WP10 – Drones Logistics	£8,044,034	£200,000	£0	£7,844,034
Other – Staffing, marketing etc	£5,586,719	£830,613	£108,000	£4,648,106
TOTAL	£28,759,000	£1,182,373	£897,700	£26,678,927

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)	