



Solutions for government

Forde House
Newton Abbot

E-mail:
democraticservices@teignbridge.gov.uk

9 September 2024

STRATA - JOINT SCRUTINY COMMITTEE

Dear Councillor

You are invited to a meeting of the above Committee which will take place on **Tuesday, 17th September, 2024** in the **East Devon District Council, Council Chamber, Blackdown House, Honiton** at **3.00 pm**

Yours sincerely

Phil Shears
Managing Director

Distribution:

- | | |
|---|------------------------------|
| (1) The Members of the Strata - Joint Scrutiny Committee: | |
| Councillor Marcus Hartnell | East Devon District Council |
| Councillor Yehudi Levine | East Devon District Council |
| Councillor Susan Westerman | East Devon District Council |
| Councillor Paul Knott | Exeter City Council |
| Councillor Susannah Patrick | Exeter City Council |
| Councillor Michael Mitchell | Exeter City Council |
| Councillor John Radford | Teignbridge District Council |
| Councillor Martin Smith | Teignbridge District Council |
| Councillor Andrew Swain | Teignbridge District Council |

A link to the agenda on the Council's website is emailed FOR INFORMATION (less reports (if any) containing Exempt Information referred to in Part II of the agenda), to:

- (1) All other Members of the Council
- (2) Representatives of the Press
- (3) Requesting Town and Parish Councils

If Councillors have any questions relating to predetermination or interests in items on this Agenda, please contact the Monitoring Officer in advance of the meeting

AGENDA

Part I

1. Apologies for absence

2. Election of Chair 2024/25

Based on the existing annual rotational protocol for the position of Chair, the Chair is to be appointed from the Teignbridge District Council Members. Previous Chairs were: Exeter City Council 2023/24, East Devon District Council 2022/2023, and Teignbridge District Council 2021/22.

3. Minutes (Pages 5 - 8)

To approve the minutes of the last meeting.

4. Declarations of Interest

Councillors are reminded of the need to declare any disclosable pecuniary interests that relate to business on the agenda.

5. Questions from the Public Under Procedural Rules

A period of up to 15 minutes will be set aside to deal with questions to the Committee from members of the public.

Each individual will be restricted to speaking for a total of 3 minutes.

Where a question does not relate to an agenda item details of questions should be notified to the Proper Officer of the Relevant Council at least two working days prior to the meeting.

6. Question from Members of the Councils under Procedure Rules

To receive questions from Members of the Councils.

Where a question does not relate to an agenda item details of questions should be notified to the Proper Officer of the Relevant Council at least two working days prior to the meeting.

7. Financial - Outturn (Pages 9 - 44)

8. Financial - Budget Monitoring (Pages 45 - 50)

9. Strata Audit Report (Pages 51 - 70)

Date of Next Meeting

The next scheduled meeting will be held on 17 February 2025

If you would like this information in another format, please e-mail
info@teignbridge.gov.uk

STRATA - JOINT SCRUTINY COMMITTEE**TUESDAY, 13 FEBRUARY 2024****Present:**

Councillors Levine, Westerman, Knott (Chair) and Clarence

Apologies:

Councillors Hartnell, Leadbetter, patrick, Radford and Smith

Officers in Attendance:

Trish Corns, Democratic Services Officer
Suzanne Edwards, Strata Finance Director
Steve Mawn, Director of IT and Digital Transformation
Christopher Morgan, Trainee Democratic Services Officer

**These decisions will take effect from 10.00 a.m. on Tuesday 20 February 2024
unless called-in or identified as urgent in the minute**

21. MINUTES

It was proposed by Councillor Clarence and seconded by Councillor Levine that the minutes of the previous meeting be agreed as a correct record and signed by the Chair.

A vote was taken.

RESOLVED

That the minutes of the previous meeting be agreed as a correct record and signed by the Chair.

22. DECLARATIONS OF INTEREST

None.

23. QUESTIONS FROM THE PUBLIC UNDER PROCEDURAL RULES

None.

24. QUESTION FROM MEMBERS OF THE COUNCILS UNDER PROCEDURE RULES

None.

25. SCRUTINY OF STRATA JOINT EXECUTIVE COMMITTEE DECISIONS 30 JANUARY 2024

The Strata Director introduced the item to the committee.

The Committee discussed the use of chat bots for Council websites, licensing costs, and third party costs. It was noted that strata includes non IT costs such as postage and printing.

It was proposed by Councillor Clarence and seconded by Councillor Knott that the decisions made by the Joint Executive Committee are agreed by the Joint Scrutiny Committee.

A vote was taken.

RESOLVED

That the decisions made by the Joint Executive Committee are agreed by the Joint Scrutiny Committee.

The Committee also reviewed the finances of Strata. This included benchmarking costs against other councils and the national average. Finances mentioned included considerable third party costs, moving to the cloud, postage and printing, business transformation, and staffing which included some non-IT staff. Peers from outside councils had been interested in Stratas costs and services. Strata had achieved several millions in savings this year.

In response to a question, it was clarified how much is spent on Microsoft software.

26. APPOINTMENT OF NOMINATED REPRESENTATIVES

Democratic Services introduced the item to the Committee.

It was noted by members of the Committee that 24 hours would be the most appropriate deadline for appointment of a representative with the Chairs' agreement.

It was agreed that members of the Committee should be aware of the virtues of their role and of attending meetings, and that recruitment process of members onto the Committee should be considered in the future.

RESOLVED

That as per the existing Terms of Reference, Committee Members' are able to nominate representatives up to 24 hours before a meeting in their absence.

The meeting started at 3.35 pm and finished at 4.15 pm.

Chair
Cllr Paul Knott

This page is intentionally left blank

STRATA JOINT EXECUTIVE COMMITTEE STRATA JOINT SCRUTINY COMMITTEE

DATE OF MEETING: 3 SEPTEMBER 2024
17 SEPTEMBER 2024

PUBLICATION DATE: 13 AUGUST 2024

REPORT OF: STRATA FINANCE

SUBJECT: STRATA BUDGET MONITORING OUTTURN - 2023-24

1. PURPOSE

- 1.1 This report advises on the financial position of Strata at the end of 2023-24.

2. BACKGROUND

- 2.1 The Company has been given a total of £7.38 million to run the IT Services in 2023-24 along with funding for various capital projects. The Company also maintains an account for additional purchases throughout the year, which is invoiced to each Council based on actual purchases made.

3. MAIN IMPLICATIONS

Strata Budget Monitoring to 31 March 2024

3.1 Savings as per Business Plan

The 2023-24 Business Plan has revised the savings profile set out in the original Business Case over the initial ten year period of the Company. The savings were split into cashable revenue savings and savings to the Councils from not having to implement specific capital projects individually.

A breakdown of the revised saving summary is set out below.

		Projected Revenue Savings	Actual Revenue Savings	Variance
2015-16	Year 1	(262,098)	(232,000)	30,098
2016-17	Year 2	(20,000)	(100,000) ¹	(80,000)
2017-18	Year 3	(252,836)	(565,000)	(312,164)
2018-19	Year 4	(381,961)	(620,000)	(238,039)
2019-20	Year 5	(853,888)	(1,074,000) ²	(220,112)
2020-21	Year 6	(696,167)	(1,051,000) ³	(354,833)
2021-22	Year 7	(747,804)	(1,260,111)	(512,307)
2022-23	Year 8	(702,415)	(1,079,832) ⁴	(377,417)
2023-24	Year 9	(754,254)	(952,756)	(198,502)
2024-25	Year 10	(749,133)		749,133
Total		(5,580,419)	(6,934,698)	

¹ Although savings of £310,000 were delivered, Strata asked for £210,000 to be used for specific service improvements. This was agreed by the three Councils.

² Strata reduced the payments for the Councils by £500,000 at the start of the year.

³ In response to the challenges the Councils faced as a result of the restrictions imposed in response to Covid-19 Strata identified an additional c£340,000 of one off savings on top of the £696,167. The outturn position was broadly in line with that projection.

⁴ The three Councils agreed for £512k of excess revenue savings from 2021-22 to be handed back to Strata in 2022-23 to fund delayed expenditure (Capital and Revenue) from 2021-22 and a programme of organisational change which commenced during 2022-23. £125k of this additional income was not spent in 2022-23 and is included in the Actual Revenue Savings.

The three Councils agreed for £377k of excess revenue savings from 2022-23 to be handed back to Strata in 2023-24 to fund delayed revenue expenditure from 2022-23 and a programme of organisational change which commenced during 2023-24. £198k of this additional income was not spent in 2023-24 and is included in the Actual Revenue Savings. As approved in the 2024-25 Business Plan the £198k savings in excess of the 2023-24 Projected Revenue Savings of £754k will be handed back to Strata in 2024-25 as the organisational change programme continues, to provide resources where gaps have been identified in capacity and skills to deliver the objectives of the Councils.

3.2 Key Variations from Revenue Budget

Strata has delivered £952,756 of revenue savings in 2023-24 (Appendix A) and has refunded £452,000 (on top of the £500,000 Contract Payment reduction at the beginning of the year). The key variations are set out below:

Expenditure Type	Actual Over / (Underspend) £	Detail
Employees	336,989	<ul style="list-style-type: none"> Higher cost due to organisational change consultancy fees (funded by 2022-23 profit hand back) 2023-24 pay award higher than budgeted
Supplies & Services	(69,700)	<ul style="list-style-type: none"> Lower spend on some contracts and lower telephony costs due to renegotiated contract prices Partially offset by higher than budgeted Microsoft licencing costs due to increased volumes and telephony cost due to mobile data overages and copper line rental cost increases
Taxation on Interest	18,136	<ul style="list-style-type: none"> Higher taxation due to higher interest received on cash reserves
Income - Revenue	(420,515)	<ul style="list-style-type: none"> Additional income from 2022-23 profits handed back to Strata by the Councils to fund organisational change consultancy fees and higher recharges to the Councils from Document Centre services
Investment Interest	(62,589)	<ul style="list-style-type: none"> Higher interest received from cash reserves (partially offset by Corporation Tax charge)

3.3 Council Recharge Account

The Councils also request additional equipment for which they are subsequently invoiced. This account is brought to zero at the year end.

3.4 Statement of Accounts

The Statement of Accounts are shown at Appendix B. These Statutory Accounts show the true financial position of the Company and are affected by items not included in the management accounts such as the Pension Fund position and depreciation. The Statutory Accounts were approved by the Board on 13 June 2024.

RECOMMENDATIONS

4.1 That the Joint Scrutiny Committee and Joint Executive Committee note the contents of the report.

Suzanne Edwards Finance Manager – Commercial	Contact details Tel: 01392 265150 E-mail: suzanne.edwards@exeter.gov.uk
---	---

This page is intentionally left blank

BUDGET MONITORING
31 March 2024



STRATA SERVICE SOLUTIONS - REVENUE BUDGET			
	REVENUE BUDGET	2023-24 OUTTURN	OUTTURN VARIANCE TO BUDGET
	£	£	£
EMPLOYEES	3,475,871	3,812,860	336,989
SUPPLIES & SERVICES	3,789,017	3,719,317	(69,700)
TRANSPORT	6,856	6,034	(822)
SUPPORT SERVICES	60,000	60,000	0
TAX ON INTEREST	0	18,136	18,136
INCOME - REVENUE	(7,565,998)	(7,986,513)	(420,515)
INVESTMENT INTEREST	(20,000)	(82,589)	(62,589)
Net (Income)/Expense	(254,254)	(452,756)	(198,502)
Savings distributed upfront	(500,000)	(500,000)	0
Total Net Income 2023-24	(754,254)	(952,756)	(198,502)

COUNCIL RECHARGE	
	ACTUAL TO DATE
	£
EMPLOYEES	49,122
SUPPLIES & SERVICES	1,233,945
TRANSPORT	0
INCOME	(1,283,066)
TO BE RECHARGED TO COUNCILS	0

This page is intentionally left blank

Strata Service Solutions Limited

**Annual Report and Financial Statements
Year Ended 31 March 2024**

Registration number: 09041662

Strata Service Solutions Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 9
Profit and Loss Account	10
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15 to 25
Non-statutory pages	26 to 27

Strata Service Solutions Limited

Company Information

Directors	Mr S P I Davey
	Ms J J Yelland
	Mr N A Blaney
Registered office	Civic Centre Paris Street Exeter Devon EX1 1JN
Auditors	PKF Francis Clark Statutory Auditor Centenary House Peninsula Park Rydon Lane Exeter Devon EX2 7XE

Strata Service Solutions Limited

Strategic Report for the Year Ended 31 March 2024

The directors present their strategic report for the year ended 31 March 2024.

Principal activity

The principal activity of the company is the provision of information technology services to East Devon District Council, Teignbridge District Council and Exeter City Council.

Fair review of the business

Turnover for the year amounted to £9,453,192 (2023: £9,332,734) with a profit before taxation for the year of £8,201 (2023: loss of £524,809). Net current assets are £1,289,995 (2023: £1,266,857) and the company has net assets totalling £806,803 (2023: net assets £365,738). The balance sheet has moved from Shareholders funds of £365,738 in 2023 to £806,803 due to a reduction in the Company's pension fund liability linked to interest rate increases in the year to 31 March 2024. The Directors are satisfied that the guarantee provided by the three owner Councils in respect of the Pension Fund liabilities means that the Company can continue to trade and invest in the infrastructure required to grow the Company.

The Company's mutual trading status means that it only conducts business with the three owner Councils.

Performance in the year exceeded the Business Plan expectations, and resulted in delivery of a £0.952 million benefit to the Owners. A proportion of this was delivered up front in the form of reduced payments. Savings were mainly achieved through renegotiating a number of contracts despite high inflationary increases impacting contract renewals as well as a significant staff pay award increase. Over the life of the Company, it has delivered refunds to the Councils totalling £6.934 million, well in excess of the targets set out in the original Business Plan.

Strata has updated its performance metrics in the last financial year, aligning them with industry best practices. The revised indicators now include service requests, incident occurrences, change requests, new projects, system uptime, and outages. These refined metrics provide a clearer focus, enabling prompt adjustments if any metric deviates from the norm or exceeds expectations for a given period. The Partnership has outlined an ambitious business plan for 2024/25, aimed at transforming partner interactions with the public. This transformation is supported by the adoption of industry best practices like ITIL and a revamped project and resource management process. In summary, the Company has surpassed financial expectations while investing in significant transformation initiatives for its owners.

Strata Service Solutions Limited

Strategic Report for the Year Ended 31 March 2024

Principal risks and uncertainties

The Company, owned by three Local Authorities, operates on fixed budgets, necessitating stringent management to achieve set objectives.

Current global economic conditions pose a risk of high inflation and reduced local government grants. Technology plays a pivotal role in revamping the councils' operational models and curbing overall expenditure, which is reflected in the business plan for 2024/25, emphasizing 'investment to save' strategies.

As the owners are Local Authorities, they are subject to political change, which can affect the Company. If political change does take place in one of the owners, there is still a requirement to give 18 months' notice after the end of the three year period prior to leaving the Company, which should allow for a full assessment of the Company moving forward. In reality, however, as the three Councils have merged the infrastructure on which they run their respective businesses, it would be financially challenging for one of the Councils to serve notice. A Council would have to put in place alternate infrastructure and compensate the other authorities for the additional costs that they would incur going forward. Further details are given in the accounting policies under Going Concern.

Approved by the Board on 13th June 24 and signed on its behalf by:



Ms J J Yelland
Director

Strata Service Solutions Limited

Directors' Report for the Year Ended 31 March 2024

The directors present their report and the financial statements for the year ended 31 March 2024.

Directors of the company

The directors who held office during the year were as follows:

Mr S P I Davey

Ms J J Yelland

Mr N A Blaney

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 13th June 24 and signed on its behalf by:



.....
Ms J J Yelland
Director

Strata Service Solutions Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Strata Service Solutions Limited

Independent Auditor's Report to the Members of Strata Service Solutions Limited

Opinion

We have audited the financial statements of Strata Service Solutions Limited (the 'company') for the year ended 31 March 2024, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Strata Service Solutions Limited

Independent Auditor's Report to the Members of Strata Service Solutions Limited

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Strata Service Solutions Limited

Independent Auditor's Report to the Members of Strata Service Solutions Limited

As part of our audit planning we obtained an understanding of the legal and regulatory framework that is applicable to the company. We gained an understanding of the company and the industry in which the company operates as part of this assessment to identify the key laws and regulations affecting the company. As part of this, we reviewed the company's website for indication of any regulations and certification in place and discussed these with the relevant individuals responsible for compliance. The key regulations we identified were health and safety regulations, breaches of The General Data Protection Regulation ("GDPR") and achieving accreditation to the public services network. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and relevant tax legislation.

We discussed with management how the compliance with these laws and regulations is monitored and discussed policies and procedures in place. We also identified the individuals who have responsibility for ensuring that the company complies with laws and regulations and deals with reporting any issues if they arise. As part of our planning procedures, we assessed the risk of any non compliance with laws and regulations on the company's ability to continue trading and the risk of material misstatement to the accounts.

We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements. The key incentive identified is to meet the targets set by the group and we determined that the principal risks were related to the overstatement of profit, either through overstating revenue, understating expenditure or management bias in accounting estimates.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Enquiries of management regarding their knowledge of any non compliance with laws and regulations that could affect the financial statements. As part of these enquiries we also discussed with management whether there have been any known instances of fraud.
- Discussed with the health and safety officer if any incidents have been reported during the year.
- Review of the GDPR policy and enquiries to management as to the occurrence and outcome of any reportable breaches.
- Reviewed the most recent certificate for accreditation to the public services network.
- Reviewed legal and professional costs to identify any possible non compliance or legal costs in respect of non compliance.
- Audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

Strata Service Solutions Limited

Independent Auditor's Report to the Members of Strata Service Solutions Limited

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Tom Beable (FCA) (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Centenary House
Peninsula Park
Rydon Lane
Exeter
Devon
EX2 7XE

Date: 18 July 2024

Strata Service Solutions Limited

Profit and Loss Account

Year Ended 31 March 2024

	Note	2024 £	2023 £
Turnover	3	9,453,192	9,332,734
Cost of sales		<u>(3,835,815)</u>	<u>(4,313,595)</u>
Gross profit		5,617,377	5,019,139
Administrative expenses		<u>(5,673,765)</u>	<u>(5,339,485)</u>
Operating loss	4	(56,388)	(320,346)
Other interest receivable and similar income		82,589	40,537
Interest payable and similar charges	7	<u>(18,000)</u>	<u>(245,000)</u>
Profit/(loss) before tax		8,201	(524,809)
Taxation	8	<u>(18,136)</u>	<u>(7,702)</u>
Loss for the financial year		<u><u>(9,935)</u></u>	<u><u>(532,511)</u></u>

The notes on pages 15 to 25 form an integral part of these financial statements.
Page 10

Strata Service Solutions Limited

Statement of Comprehensive Income

Year Ended 31 March 2024

	Note	2024 £	2023 £
Loss for the year		(9,935)	(532,511)
Remeasurement gain on defined benefit pension schemes	14	<u>451,000</u>	<u>9,987,000</u>
Total comprehensive income for the year		<u>441,065</u>	<u>9,454,489</u>

The notes on pages 15 to 25 form an integral part of these financial statements.
Page 11

Strata Service Solutions Limited

Balance Sheet

31 March 2024

	Note	2024 £	2023 £
Fixed assets			
Intangible assets	9	1,307,206	1,318,194
Tangible assets	10	<u>493,094</u>	<u>677,056</u>
		<u>1,800,300</u>	<u>1,995,250</u>
Current assets			
Stocks		24,970	16,948
Debtors	11	2,892,445	1,939,768
Cash at bank and in hand		<u>1,005,617</u>	<u>716,980</u>
		3,923,032	2,673,696
Creditors: Amounts falling due within one year	12	<u>(2,633,037)</u>	<u>(1,406,839)</u>
		1,289,995	1,266,857
Net current assets		3,090,295	3,262,107
Total assets less current liabilities		<u>(2,094,492)</u>	<u>(2,259,369)</u>
Deferred income	12	995,803	1,002,738
Net assets excluding pension liability		<u>(189,000)</u>	<u>(637,000)</u>
Net pension liability	14	806,803	365,738
Net assets		<u>806,803</u>	<u>365,738</u>
Capital and reserves			
Called up share capital	15	3	3
Profit and loss account		<u>806,800</u>	<u>365,735</u>
Total equity		<u>806,803</u>	<u>365,738</u>

Approved and authorised by the Board on 13th June 24 and signed on its behalf by:



.....
Ms J J Yelland
Director

Company Registration Number: 09041662

Strata Service Solutions Limited

Statement of Changes in Equity

Year Ended 31 March 2024

	Share capital £	Profit and loss account £	Total £
At 1 April 2023	3	365,735	365,738
Loss for the year	-	(9,935)	(9,935)
Other comprehensive income	-	451,000	451,000
Total comprehensive income	-	441,065	441,065
At 31 March 2024	3	806,800	806,803

	Share capital £	Profit and loss account £	Total £
At 1 April 2022	3	(9,088,754)	(9,088,751)
Loss for the period	-	(532,511)	(532,511)
Other comprehensive income	-	9,987,000	9,987,000
Total comprehensive income	-	9,454,489	9,454,489
At 31 March 2023	3	365,735	365,738

The notes on pages 15 to 25 form an integral part of these financial statements.
Page 13

Strata Service Solutions Limited

Statement of Cash Flows

Year Ended 31 March 2024

	Note	2024 £	2023 £
Cash flows from operating activities			
Loss for the year		(9,935)	(532,511)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	635,613	648,989
Loss on disposal of tangible assets		-	11,571
Finance income		(82,589)	(40,537)
Finance costs	7	18,000	245,000
Corporation tax	8	18,136	7,702
		<u>579,225</u>	<u>340,214</u>
Working capital adjustments			
Net pension movement	14	(15,000)	730,500
Increase in stocks		(8,022)	(5,679)
Increase in trade debtors	11	(952,677)	(208,283)
Increase/(decrease) in trade creditors	12	1,215,764	(395,089)
Decrease in deferred income		<u>(164,877)</u>	<u>(147,926)</u>
Cash generated from operations		654,413	313,737
Corporation tax paid		<u>(7,702)</u>	<u>(491)</u>
Net cash flow from operating activities		<u>646,711</u>	<u>313,246</u>
Cash flows from investing activities			
Interest received		82,589	40,537
Acquisitions of tangible assets		(49,836)	(197,204)
Acquisition of intangible assets		<u>(390,827)</u>	<u>(498,845)</u>
Net cash flows from investing activities		<u>(358,074)</u>	<u>(655,512)</u>
Net increase/(decrease) in cash and cash equivalents		288,637	(342,266)
Cash and cash equivalents at 1 April		<u>716,980</u>	<u>1,059,246</u>
Cash and cash equivalents at 31 March		<u><u>1,005,617</u></u>	<u><u>716,980</u></u>

The notes on pages 15 to 25 form an integral part of these financial statements.
Page 14

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its principal place of business and registered office is:

Civic Centre

Paris Street

Exeter

Devon

EX1 1JN

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting and statement of compliance

The company's financial statements have been prepared in accordance with FRS 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland.

There are no material departures from FRS 102.

The functional currency of Strata Service Solutions Limited is considered to be pounds sterling because that is the currency of the economic environment in which the company operates.

Going concern

Each year the Company produces a Business Plan, setting out projected financial returns for the following period (latest three years) based on the agreed funding mechanism. The latest Business Plan runs to 2026-27 and projects that the costs of the business will be met by the Company's income stream in each year. This is based on known cost pressures and income increases in line with inflation.

As disclosed within the Strategic Report, the Local Authority owners are required to give 18 months' notice, in order to terminate services. At the date of approval of the financial statements, no owner had served notice.

On this basis, the directors have prepared the financial statements on a going concern basis.

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

Key sources of estimation uncertainty

The directors have considered the judgements and estimation uncertainties included in these financial statements and the accounting policies applied and concluded that these do not have a significant effect on the amounts recognised in the financial statements or lead to a risk of causing a material misstatement of the carrying amounts of assets and liabilities within the next financial year. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only, or in the period of revision and future periods if the revision affects both current and future periods.

The items in the financial statement where these judgements and estimates have been made include:

Due to advancements in technology the estimation of the useful economic life of intangible assets, which predominately are made up of software, is deemed to be a key estimate. The carrying amount is £1,307,206 (2023 - £1,318,194).

Due to advancements in technology the estimation of the useful economic life of tangible assets, which predominately are made up of computer equipment, is deemed to be a key estimate. The carrying amount is £493,094 (2023 - £677,056).

Defined benefit pension liability - assumptions surrounding the discount rate, future salary increases, inflation and future pension increased are considered key estimates. There is also an asset ceiling in place. The carrying amount is £(189,000) (2023 - £(637,000)).

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the provision of information technology services to the relevant councils. Turnover is shown net of value added tax, returns, rebates and discounts. Fees are invoiced quarterly and recognised in the period to which they relate. Revenue is accrued or deferred as appropriate.

Government grants

Government grants relating to fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the expenditure is incurred.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class

Computer equipment

Depreciation method and rate

5-10 years straight line

Intangible assets

Intangible assets are stated in the balance sheet at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost over their useful life as follows:

Asset class

Software

Amortisation method and rate

3-5 years straight line

Stocks

Stocks represent consumable stock and are carried at cost less provision for impairment.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined benefit pension obligation

A liability is recognised on the balance sheet in respect of defined benefit pension plans and is calculated as the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. Where the fair value of the plan assets exceeds the present value of the defined benefit obligation an assessment is made about the ability to realise pensions assets through reductions in future employer's contributions, which can result in a ceiling being placed on the value of the net asset that can be recognised. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

3 Turnover

The analysis of the company's revenue for the year from continuing operations, all of which is attributable to the United Kingdom, is as follows:

	2024	2023
	£	£
Fee income	8,817,579	8,207,098
Grant income	635,613	1,125,636
	<u>9,453,192</u>	<u>9,332,734</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

4 Operating loss

Arrived at after charging

	2024	2023
	£	£
Depreciation expense	233,798	222,382
Amortisation expense	401,815	426,607
Loss on disposal of property, plant and equipment	-	11,571

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2024	2023
	£	£
Wages and salaries	2,972,793	2,905,922
Social security costs	282,338	260,380
Pension costs, defined benefit scheme - service charge	507,000	1,127,000
	3,762,131	4,293,302

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2024	2023
	No.	No.
Administration and support	71	70

6 Auditor's remuneration

	2024	2023
	£	£
Audit of the financial statements	12,700	7,500

7 Interest payable and similar expenses

	2024	2023
	£	£
Net finance costs in respect of defined benefit pension scheme	18,000	245,000

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

8 Taxation

Tax charged in the profit and loss account

	2024 £	2023 £
Current taxation		
UK corporation tax	<u>18,136</u>	<u>7,702</u>

The tax on the profit for the year is higher than the standard rate of corporation tax in the UK (2023 - lower than the standard rate of corporation tax in the UK) of 25% (2023 - 19%).

The differences are reconciled below:

	2024 £	2023 £
Profit/(loss) before tax	<u>8,201</u>	<u>(524,809)</u>
Corporation tax at standard rate	2,050	(99,714)
Effect of expense not deductible in determining taxable profit (tax loss)	18,597	107,416
Marginal relief	<u>(2,511)</u>	<u>-</u>
Total tax charge	<u>18,136</u>	<u>7,702</u>

By virtue of its members, the company has been set up as a mutual trading company and as such the tax charge for the year is only applied to its external investment income, being interest receivable.

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

9 Intangible assets

	Software £	Total £
Cost or valuation		
At 1 April 2023	4,220,765	4,220,765
Additions	390,827	390,827
Disposals	(9,293)	(9,293)
	<u>4,602,299</u>	<u>4,602,299</u>
At 31 March 2024		
Amortisation		
At 1 April 2023	2,902,571	2,902,571
Amortisation charge	401,815	401,815
Amortisation eliminated on disposals	(9,293)	(9,293)
	<u>3,295,093</u>	<u>3,295,093</u>
At 31 March 2024		
Carrying amount		
At 31 March 2024	<u>1,307,206</u>	<u>1,307,206</u>
At 31 March 2023	<u>1,318,194</u>	<u>1,318,194</u>

10 Tangible assets

	Computer equipment £	Total £
Cost or valuation		
At 1 April 2023	2,137,192	2,137,192
Additions	49,836	49,836
	<u>2,187,028</u>	<u>2,187,028</u>
At 31 March 2024		
Depreciation		
At 1 April 2023	1,460,136	1,460,136
Charge for the year	233,798	233,798
	<u>1,693,934</u>	<u>1,693,934</u>
At 31 March 2024		
Carrying amount		
At 31 March 2024	<u>493,094</u>	<u>493,094</u>
At 31 March 2023	<u>677,056</u>	<u>677,056</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

11 Debtors

	2024 £	2023 £
Trade debtors	136,177	188,532
Other debtors	5,757	11,476
Prepayments and accrued income	<u>2,750,511</u>	<u>1,739,760</u>
	<u>2,892,445</u>	<u>1,939,768</u>

12 Creditors

	2024 £	2023 £
Due within one year		
Trade creditors	853,537	669
Corporation tax	18,136	7,702
Social security and other taxes	169,766	208,705
Outstanding defined contribution pension costs	53,454	48,383
Other creditors	3,469	3,513
Accrued expenses	<u>1,534,675</u>	<u>1,137,867</u>
	<u>2,633,037</u>	<u>1,406,839</u>
Deferred income		
Government grants	<u>2,094,492</u>	<u>2,259,369</u>

13 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2024 £	2023 £
Not later than one year	71,013	71,103
Later than one year and not later than five years	<u>41,477</u>	<u>112,580</u>
	<u>112,490</u>	<u>183,683</u>

Lease payments recognised as an expense in the year were £78,511 (2023: £53,527).

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

14 Pension and other schemes

Defined benefit pension schemes

Local Government Pension Scheme (LGPS)

The assets and liabilities of the scheme were transferred to the company on 1 November 2014 when the employees, who are members of the scheme, were transferred to the company from East Devon District Council, Teignbridge District Council and Exeter City Council. As part of the arrangements for the transfer, the Councils have provided guarantees to meet their share of their respective liabilities to the scheme in the event of the insolvency of the company.

The date of the most recent comprehensive actuarial valuation was 31 March 2024. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2026 and will set contributions for the period 1 April 2026 to 31 March 2029. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £533,000 (2023 - £1,379,000).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2024 £	2023 £
Fair value of scheme assets	14,466,000	12,426,000
Present value of defined benefit obligation	<u>(13,669,000)</u>	<u>(13,063,000)</u>
	797,000	(637,000)
Impact of asset ceiling (*)	<u>(986,000)</u>	<u>-</u>
Defined benefit pension scheme deficit	<u><u>(189,000)</u></u>	<u><u>(637,000)</u></u>

(*) The asset ceiling applied at 31 March 2024 reflects that the company's ability to realise the full economic benefits of the net pensions asset of £797,000, calculated under the accounting standards for post-employment benefits, through reductions in future employer's contributions is limited, due to the company's LGPS funding commitments.

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

	2024 £
Present value at start of year	13,063,000
Current service cost	507,000
Interest cost	628,000
Benefits paid net of transfers in	(137,000)
Contributions by scheme participants	179,000
Change in demographic assumptions	(165,000)
Experience loss on defined benefit obligations	33,000
Change in financial assumptions	(439,000)
Present value at end of year	<u>13,669,000</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2024 £
Fair value at start of year	12,426,000
Interest income	610,000
Return on plan assets, excluding amounts included in interest income/(expense)	866,000
Employer contributions	530,000
Contributions by scheme participants	179,000
Benefits paid	(137,000)
Administrative expenses	(8,000)
Fair value at end of year	<u>14,466,000</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2024 £	2023 £
Cash and cash equivalents	326,000	148,000
Equity instruments	9,745,000	8,527,000
Debt instruments	3,287,000	2,657,000
Property	1,111,000	1,089,000
Other assets	(3,000)	5,000
	<u>14,466,000</u>	<u>12,426,000</u>

Return on scheme assets

	2024 £	2023 £
Return on scheme assets	<u>1,476,000</u>	<u>(165,000)</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes.

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	2024	2023
	%	%
Discount rate	4.95	4.80
Future salary increases	3.90	3.90
Future pension increases	2.90	2.90
Inflation	3.15	3.10

Post retirement mortality assumptions

	2024	2023
	Years	Years
Current UK pensioners at retirement age - male	22.00	22.00
Current UK pensioners at retirement age - female	23.00	23.00
Future UK pensioners at retirement age - male	23.00	23.00
Future UK pensioners at retirement age - female	24.00	24.00

15 Share capital

Allotted, called up and fully paid shares

	No.	2024	No.	2023
		£		£
Ordinary shares of £1 each	3	3	3	3

16 Commitments

Other financial commitments

The Company entered into one commitment at the year end relating to the Finance Convergence project.

The total amount contracted for but not provided in the financial statements was £200,017 (2023 - £237,136).

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2024

17 Related party transactions

Key management personnel

The directors are not remunerated from this company, other key management remuneration is as follows:

Key management compensation

	2024 £	2023 £
Salaries and other short term employee benefits	81,142	12,702
Post-employment benefits	15,660	2,121
Consultants fees	-	232,830
	<u>96,802</u>	<u>247,653</u>

Summary of transactions with other related parties

Entities with joint control over the company

The company recognised turnover of £9,451,579 (2023: £9,331,188) to the Councils which jointly control it. At the year end £136,177 (2023: £188,518) was owed to the company by the Councils.

Entities under common control

During the year an entity under common control received services from the company to the value of £1,358 (2023: £1,402). At the year end £nil (2023: £nil) was owed to the company by the company under common control.

Strata Service Solutions Limited

Detailed Profit and Loss Account

Year Ended 31 March 2024

	2024 £	2023 £
Turnover		
Fee income	8,817,579	8,207,098
Grant income	<u>635,613</u>	<u>1,125,636</u>
	<u>9,453,192</u>	<u>9,332,734</u>
Cost of sales		
Opening stock	(16,948)	(11,268)
Closing stock	24,970	16,947
Wages and salaries	(2,972,793)	(2,905,922)
Staff NIC (Employers)	(282,338)	(260,380)
Staff pensions (Defined benefit)	(507,000)	(1,127,000)
Staff training	(34,994)	(20,433)
Other employment costs	<u>(46,712)</u>	<u>(5,539)</u>
	<u>(3,835,815)</u>	<u>(4,313,595)</u>
Gross profit	5,617,377	5,019,139
Gross profit (%)	59.42%	53.78%
Administrative expenses		
Administrative expenses	<u>(5,673,765)</u>	<u>(5,339,485)</u>
Operating loss	(56,388)	(320,346)
Other interest receivable and similar income		
Other finance income	(82,589)	(40,537)
Interest payable and similar charges		
Interest on defined benefit pension scheme	<u>(18,000)</u>	<u>(245,000)</u>
Profit/(loss) before tax	<u>8,201</u>	<u>(524,809)</u>

Strata Service Solutions Limited

Detailed Profit and Loss Account

Year Ended 31 March 2024

	2024 £	2023 £
Administration costs		
Repairs and maintenance	10,992	14,561
Telephone and fax	404,555	360,149
Licences and support	1,563,400	1,128,167
Office expenses	-	550
Computer software and maintenance costs	2,012,771	2,170,207
Printing, postage and stationery	627,807	644,102
Trade subscriptions	17,310	18,177
Sundry expenses	38,660	67,940
Travel and subsistence	6,034	5,352
Advertising	129,379	138,232
Auditor's remuneration	12,700	7,500
Internal audit costs	9,783	9,100
Legal and professional	203,338	113,062
Bank charges	1,423	1,826
Amortisation of intangible assets	401,815	426,607
Depreciation of computer equipment (owned)	233,798	222,382
(Profit)/loss on disposal of tangible fixed assets	-	11,571
	<u>5,673,765</u>	<u>5,339,485</u>

This page is intentionally left blank

STRATA JOINT EXECUTIVE COMMITTEE STRATA JOINT SCRUTINY COMMITTEE

DATE OF MEETING: 3 SEPTEMBER 2024
17 SEPTEMBER 2024

PUBLICATION DATE: 13 AUGUST 2024

REPORT OF: STRATA FINANCE

SUBJECT: STRATA BUDGET MONITORING – JUNE 2024-25

1. PURPOSE

- 1.1 This report advises on the financial position of Strata at the end of June 2024.

2. BACKGROUND

- 2.1 The Company has been given a total of £8.299 million to run the IT Services in 2024-25 along with funding for various capital projects. The Company also maintains an account for additional purchases throughout the year, which is invoiced to each Council based on actual purchases made.

3. MAIN IMPLICATIONS

Strata Budget Monitoring to 30 June 2024

3.1 Savings as per Business Plan

The original ten year Business Case has met its objectives and saving profile therefore the 2024-25 Business Plan has moved away from delivering a savings profile and has shifted to a transformational focus. The programme of transformation has identified the requirement for additional resources for its delivery. The 2024-25 Business Plan sets out a plan for the costs which will be met by the Contract Payment without a planned saving to be delivered to the Councils as in previous years.

A breakdown of the revised revenue saving summary is set out below.

		Projected Revenue Savings	Actual Revenue Savings	Variance
2015-16	Year 1	(262,098)	(232,000)	30,098
2016-17	Year 2	(20,000)	(100,000) ¹	(80,000)
2017-18	Year 3	(252,836)	(565,000)	(312,164)
2018-19	Year 4	(381,961)	(620,000)	(238,039)
2019-20	Year 5	(853,888)	(1,074,000) ²	(220,112)
2020-21	Year 6	(696,167)	(1,051,000) ³	(354,833)
2021-22	Year 7	(747,804)	(1,260,111)	(512,307)
2022-23	Year 8	(702,415)	(1,079,832) ⁴	(377,417)
2023-24	Year 9	(754,254)	(952,756) ⁵	(198,502)
2024-25	Year 10	-	-	-
Total		(4,671,423)	(6,934,698)	

¹ Although savings of £310,000 were delivered, Strata asked for £210,000 to be used for specific service improvements. This was agreed by the three Councils.

² Strata reduced the payments for the Councils by £500,000 at the start of the year.

³ In response to the challenges the Councils faced as a result of the restrictions imposed in response to Covid-19 Strata identified an additional c£340,000 of one off savings on top of the £696,167. The outturn position was broadly in line with that projection.

⁴ The three Councils agreed for £512k of excess revenue savings from 2021-22 to be handed back to Strata in 2022-23 to fund delayed expenditure (Capital and Revenue) from 2021-22 and a programme of organisational change which commenced during 2022-23. £125k of this additional income was not spent in 2022-23 and is included in the Actual Revenue Savings.

⁵ As in 2022-23 excess revenue savings were handed back to Strata in 2023-24 to help fund a programme of organisational change which commenced during 2022-23. £198k of this additional income was not spent in 2023-24 and is included in the Actual Revenue Savings.

3.2 Key Variations from Revenue Budget

Strata is projecting an additional surplus in 2024-25 (Appendix A) however due to the procurement of a number of new high value contract services as set out in the Business Plan the surplus is expected to change as the true cost of the services become known as the procurements progress. The key variations are set out below:

Expenditure Type	Projected Over / (Underspend) £	Detail
Employees	50,166	<ul style="list-style-type: none"> Higher cost due to redundancy costs offset by reductions in other areas of the budget. There may be an opportunity to capitalise some staff costs on infrastructure projects if needed to reduce this adverse variance
Supplies & Services	(175,817)	<ul style="list-style-type: none"> Lower cost mainly related to delivery of Business Plan initiatives. Budget allows for slight overvalue of cost due to timings of large procurements to be delivered in 2024-25 however contract values are still uncertain therefore this variance is subject to change until procurements have progressed further
Taxation on Interest	5,241	<ul style="list-style-type: none"> Higher taxation due to higher interest received on cash reserves
Income - Revenue	(1,430)	<ul style="list-style-type: none"> Higher income due to recharges relating to General Election services provided by the Document Centre Offset by lower than forecast Mobile Phone recharges due to renegotiated tariffs
Investment interest	(15,433)	<ul style="list-style-type: none"> Interest from cash deposits higher due to continued high Base Rate

As in the previous two financial years, in order to support Strata through a program of organisational change £198k of additional savings from the financial year 2023-24 were returned to Strata for revenue spend in addition to business as usual spend. Of the £198k additional savings received in 2024-25 £24k has been spent to date. The remaining £174k is being held as a contingency should Strata incur additional resource costs in the delivery of the transformation programme.

3.3 Council Recharge Account

The Councils also request additional equipment for which they are subsequently invoiced. This account is brought to zero at the year end.

RECOMMENDATIONS

- 4.1 That the Joint Scrutiny Committee and Joint Executive Committee note the contents of the report.**

Suzanne Edwards Finance Manager – Commercial	Contact details Tel: 01392 265150 E-mail: suzanne.edwards@exeter.gov.uk
---	---

BUDGET MONITORING
30 June 2024



STRATA SERVICE SOLUTIONS - REVENUE BUDGET

	REVENUE BUDGET	ACTUAL & COMMITMENTS to 30 JUNE 2024	PROJECTED 2024-25 OUTTURN	OUTTURN VARIANCE TO BUDGET
	£	£	£	£
EMPLOYEES	4,074,578	886,701	4,124,744	50,166
SUPPLIES & SERVICES	4,346,439	2,655,610	4,170,622	(175,817)
TRANSPORT	7,455	635	7,459	4
SUPPORT SERVICES	60,000	0	60,000	0
TAX ON INTEREST	0	0	5,241	5,241
INCOME - REVENUE	(8,476,323)	(2,554,326)	(8,477,752)	(1,430)
INVESTMENT INTEREST	(12,150)	(10,056)	(27,583)	(15,433)
Net (Income)/Expense	(0)	978,563	(137,270)	(137,270)
2023-24 Profit handback	198,000	23,625	23,625	(174,375)

COUNCIL RECHARGE

	ACTUAL TO DATE
	£
EMPLOYEES	15,750
SUPPLIES & SERVICES	335,991
TRANSPORT	0
INCOME	(183,133)
TO BE RECHARGED TO COUNCILS	168,608

This page is intentionally left blank

MEETING	JEC/JSC Strata Board
DATE OF MEETING	3rd September 2024/17th September 2024
SUBJECT OF REPORT	INTERNAL AUDIT 2023-24 ANNUAL REPORT
LEAD OFFICER	Steve Mawn
RECOMMENDATIONS	For Information.
EXECUTIVE SUMMARY	<p>The draft Internal Audit activity provides independent assurance to the Strata Senior Leaders, Board Members and Shareholders that governance, risk management and controls are sufficient in ensuring delivery of the Service's objectives.</p> <p>It is important to mention that the Strata Board has not yet reviewed the draft audit report due to its scheduling alongside elections and report release date. Partner authorities may challenge some aspects of the report where inaccuracies are present or where work has been done to address issues. Significant efforts have been made by partner authorities to implement robust governance since the audit began.</p> <p>The Internal Audit 2023-24 Annual Report sets out the work completed during 2023-24 and provides the Head of Internal Audit Opinion for 2023-24.</p> <p>Key Points are :</p> <p>Overall "Reasonable assurance" defined as</p> <p>"There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited."</p> <ul style="list-style-type: none"> • <i>The report sets a general positive tone and highlights the considerable effort the Strata Board undertook in 23/24 and subsequently continued by the ICT director.</i> • <i>Assurance that a good governance and strong strategy are in place.</i> • <i>Assurance that a proactive cyber security framework is in place and a defined plan is in place to move to the CAF.</i>

	<ul style="list-style-type: none"> • Assurance that Service Delivery has moved Moving to an ITIL framework and is showing benefit. • Limited assurance given to business continuity and Backups – Relating to current Global estate and is being address via the 24/25 business plan with the new laptop build deployment.
APPENDICES	Internal Audit 2023-24 Annual Report

1. **INTRODUCTION**

The aim of the report is to provide the Board with;

- progress in delivery against the 2023-24 plan, and as the work is complete for that year,
- the Head of Internal Audit's Opinion on the adequacy and effectiveness of the Internal Control Framework.

2. **Internal Audit Opinion**

- The Annual Internal Audit Opinion is that of “**Reasonable Assurance**”.
- The full Internal Audit 2023-24 Annual Report is detailed at Appendix A.
- The opinion is derived from the provision of Reasonable assurance against the following headings.
 - Strategy and Governance
 - Cyber Security
 - Service Delivery

3. **NEXT STEPS**

Strata Board to review on xxx and formal distribution thereafter.

Progress and the outcome of the 2024-25 Audit Plan will be reported back to the Board at relevant timescales, driven by the work completed.

Internal Audit Report

Strata ICT Audit

Strata Services Solutions -
ICT Partnership
organisation of Exeter, East
Devon and Teignbridge

January 2024

Official

Devon Audit Partnership

Devon Audit Partnership (DAP) has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid-Devon, South Hams & West Devon, Torridge and North Devon councils and we aim to be recognised as a high quality public sector service provider.

We work with our partners by providing professional internal audit and assurance services that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards (PSIAS) along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

1 Introduction

Strata Service Solutions has three founding partners (The Partners), East Devon District Council (EDDC), Exeter City Council (ECC) and Teignbridge District Council (TDC). At the time, the creation of Strata in 2014 represented an innovative approach.

The approach has proved successful as Strata has delivered in excess of one million pounds in cashable savings. Of significant importance moving forward is that it positioned the Partners well as many Councils around the country increasingly look to enter similar partnership arrangements.

In its Policy Briefing on Technology related trends for the public sector in 2019, SOCITM identified that 'Partnering and Sharing Locally' as a key trend for Councils who 'need to adopt and share in order to remain solvent'. It further identified that there is a requirement for deep integration of services across traditional boundaries.

Strata remains well positioned to add value to the Partners and fulfilling the role of an effective strategic enabler and an 'agent for change'.

* SOCITM is the premier professional body for IT leadership and management and digitally enabled services delivered for public benefit

2 Audit Opinion

Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
-----------------------------	--

3 Executive Summary

The past four years have been extremely challenging for Strata and the Partners alike, with the Covid Pandemic and ongoing financial constraints creating unfamiliar and difficult operational environments. Strata have also experienced a period of relative instability with a turnover of four IT Directors in a fourteen-month period and the loss of experienced managers and operational staff. These issues created a poor environment for effective change and service improvement and it is accurate to state that there was a period of relative stagnation.

The new (and permanent) IT Director commenced in their role in July 2023 and, being a permanent appointment, provides Strata with the opportunity for fresh impetus and the incorporation of effective ideas for service delivery improvement. They have introduced changes to the way that Workstream and Project prioritisation are governed and this should enable Strata to better focus on delivery.

DAP maintains its long-term position that Strata are a fundamental component for enabling change for the three Partner organisations. Recent years have seen the increasing of partnering arrangements and the rejuvenation of the Unitary Authority approach. The Partners still remain in a strong position to exploit their own enabler for change. With resources limited, Strata will provide best value for money if new projects and solution-based business change benefits all three Partner organisations.

Such are the financial pressures on Councils that there appear to be few opportunities to maintain services at a satisfactory level without fairly radical changes to end to end processes. The use of new technologies and taking advantage of existing opportunities such as those offered on the Microsoft 365 (M365) platform could all contribute. The Partners have very limited retained client capabilities and Strata should have a clear role in the identification of potential opportunities.

The IT Director has instigated material changes to both organisational structure and key functions. This should help improve operational value for money, make better use of available resources and further strengthen service delivery processes. The creation of a Technical Design Architect (TDA) strengthens future infrastructure estate design and ensures that potential new software applications are formally considered for alignment with strategies and technical direction.

The Cyber Threat Landscape continues to cause concern amongst the Information Commissioners Office (ICO) and security professionals. The recent National Cyber Security Centre's (NCSC) Annual Report highlights the ever-evolving cyber threat landscape and the need for compliance with its advice. DAP provided a brief overview of the changing risks within last years report and advocated that *"An assessment of the effectiveness of Information Security governance should be conducted to ensure that Leadership Teams at all Partner Councils are sufficiently informed of the cyber risk environment in which they operate."* Strata need to continue to provide leadership and timely advice in this area.

DAP has utilised the NCSC Cyber Essentials framework to provide assurance that security baselines are in place and sufficiently mitigate common risks. Strata's strong IT security capabilities measuring well against this framework, which does remain a valid assessment tool. However, whilst we still consider this framework to be of value, the National Cyber Security Strategy (2021 to 2030) introduces the Cyber Assessment Framework (CAF). This dramatically improves on the "Ten Steps" which it effectively replaces and, provides a new framework upon which an organisations cyber resilience will be measured.

The emphasis is on taking a risk management approach to assessing each individual organisations needs so that mitigations are appropriate to its own requirements. The CAF will likely require much greater collaboration and standardisation between the Partners as risk and governance process differences will be highlighted as a weakness. Interestingly, the need to have greater policy standardisation has been identified within an Exeter City Council (ECC) audit report and this helps provide an example to be followed for areas of process related policies.

There remain opportunities to reduce software estates which would help free up capacity as well as reducing some information security risks, information management overheads and aid compliance (DPA 2018).

Despite the challenges of recent years, Strata remain well positioned to provide both Business as Usual (BAU) services and the enabling platform from which the Partners can look to perform the necessary Digital Transformation required to optimise financial and human resources. Much greater collaboration and alignment must be achieved if all parties are to gain best value for money, making service solutions more effective, efficient and economic to deliver.

4 Observations and Findings

4.1 Strategy & Governance

DAP's initial Strata IT report identified that *"potentially the biggest risk associated with the chosen strategic direction is that the three founding partners do not maintain a strong single vision for Strata."* Following their appointment, the new IT Director identified weaknesses in the governance structures which negatively impacted a range of areas, but also the ensuring of good customer satisfaction amongst Partner Senior Management.

This is something that may have been neglected in the past, there being a great deal of difference between the satisfaction of general users and that of the strategic decision makers. The IT Director has worked closely with the Partners to identify and introduce a new governance structure and Strata mandate. This will provide greater clarity of roles and responsibilities and help ensure that the Partners collectively identify and prioritise the work that Strata undertake.

The revised governance structure includes the Architecture Board, which will inform joint decision making on technology across the 3 partners. DAP have previously highlighted the lack of 'retained client' capabilities within the Partner authorities and the lack of an ICT Roadmap, with the latter recognised within Strata's Mandate and Key Responsibilities.

The objectives of the ICT Architecture Board capture the requirements for ensuring that previous weaknesses can be addressed as does the introduction of a Technical Design Architect role. This senior position will be responsible for the design of the future infrastructure estate and ensure any new software application is formally considered and complements the future direction.

Whilst Strata has successfully delivered significant cashable savings, the challenges faced by the Partner Council's require a collective and collaborative approach to drive shared digital transformation. This is fundamental to the Partners ability to successfully deliver its future services and they must better utilise Strata as a strategic enabler.

DAP is to look at governance during quarter four of the 2023/24 financial year.

4.2 Cyber Security

<i>The Cyber Security Table of Disparity</i>		
Function	Partner Councils	Cyber Criminals
<i>Governance Arrangements</i>	Complex, bureaucratic and slow to respond.	Clear, autocratic and responsive.
<i>Business Objectives</i>	Statutory, moral and complex.	Financial gain.
<i>Financial Resources</i>	Reducing and difficult to allocate to meet specific granular service objectives.	Growing, pooled and allocated as required to achieve financial gain.
<i>Time Resources</i>	Reducing and increasingly pressurised.	Allocated as required to meet with objectives.
<i>Technological Resources</i>	Cost limited and allocated to meet specific business needs.	Able to take advantage of rapid advances in computing power.
<i>Knowledge Resources</i>	Shrinking organisations with difficult recruitment & Retention environment.	Ever expanding with 'lesser' actors increasingly being provided with code to use and develop.

Background

The proliferation of the use of malware, and particularly ransomware, is an alarming consequence of the ever-increasing reliance upon information technology and use of logical data assets. The greater the opportunities, the greater the number of those wishing to exploit those opportunities. Almost all the logical data we hold has a financial value and Cyber Crime can be conducted from anywhere in the world.

The geo-political ramifications, especially of the Ukrainian conflict, adds additional jeopardy to this picture. The regular news accounts of Ransomware, which has afflicted a number of councils in the last five years, and the increasing threat of data being extracted as a form or extortion to avoid disclosure, is all too common. These not only serve as a reminder of the impact that a cyber-attack can have on an organisation, but also the value of basic good practice.

Unsurprisingly the NCSC Annual Review 2023 identifies an increasing Russian threat within a specific case study, with 'Patriotic' actors able to work with less constraint than the state. But it is perhaps the highly successful Russian organised criminal gangs who also offer Ransomware as a Service (RaaS) that can potentially be considered of increasing concern.

NCSC write *"The ransomware model continues to evolve, with a well-developed business model, facilitating the proliferation of capabilities through RaaS. This is lowering the barriers to entry and smaller criminal groups are adopting ransomware and extortion tactics which are making a huge impact."* Again, it follows that the greater the number of actors, the greater the attacks, the greater the opportunity.

Within this 'Russian' case study the NCSC does confirm that it is poor cyber hygiene (not following NCSC advice), and not sophistication, being the main reason for falling victim to ransomware. This is confirmed by the Insurance sector that have recently identified that organisations following the Cyber Essentials framework made 80% less claims.

The recent Government Cyber Security Strategy (2022 to 2030) however introduces the Cyber Assessment Framework as the new standard Cyber approach for all UK government bodies and agencies. The Local Government Association has provided a Local Government variant which better meets the security posture expected of this sector.

Government and Industry consensus is that it is not a question of “if” but “when” organisations are compromised by a Cyber incident. The need to have resilience and recovery plans and, the ability to reinstate services following a successful cyber-attack, is now imperative.

July 2023 Review Findings

The level of control in the six areas reviewed remains at a good standard (Reasonable Assurance) with strengths being provided by technical, procedural and ‘human’ controls. Since our most recent review, there have been notable improvements have been made to strengthen the level of assurance of the overall control environment. Strata’s PSN Certification for the three councils was renewed/ achieved during February 2023.

It is very evident that Strata subscribes to the mantra of Security in Depth which adds redundancy and resiliency to limit the impact of a particular security control failing or, failure to detect a particular threat. The increasing use of a combination of local onsite service delivery and ‘Cloud’ (third party hosted) adds further complications. Robust change processes and attention to detail is required, particularly when formerly onsite solutions are migrated to the cloud, where the risks are often subtly different.

The loss or compromise of individual network devices can present an organisation with a range of challenges, but the virtualised VMware environment adopted by Strata provides certain benefits. With all data being held centrally, the Partners’ data is more readily protected against a potential malware infection spreading across the computerised estate. A further advantage exists due to all user devices receiving a new image each time a session is commenced and so any compromised device is effectively re-built, negating the need to physically re-image individual machines.

High privilege accounts have always been a challenge to manage appropriately and securely. The Azure Active Directory (Azure AD) is used for hybrid and cloud platforms and offers additional functions and opportunities for organisations. Azure AD Multi-Factor Authentication (MFA) is utilised for all Strata high privilege accounts and use is appropriately restricted within the network and security teams. Further work is to be conducted to segregate and monitor global admin accounts which should only be rarely used.

A minimal number of ‘end of support’ servers exist and these must be appropriately managed to maintain security before update to SQL Server 2016 devices. The 2022 Windows Server infrastructure introduces more security by default and the ability to manage security using security through default and fine tuning using the Security Compliance Manager. The ongoing upgrading of server infrastructure is a major contributor to network security and Strata must continue to advocate the ongoing update of network hardware to benefit from technological advances.

DAP commonly advocate the rationalisation of the software estate for security, value for money and compliance reasons, as well as the administrative management and support overheads they create. This also applies to the use of servers, but with the increasing recognition of the material environmental impacts of ICT infrastructure and its carbon footprint.

The reduction of servers and the software they support should always be explored. Additional steps have been taken to improve the quality of information provided by logs. Monitoring is conducted to permit logs to be more effectively analysed and supplement alerts and warnings already embedded within existing software and workflow configuration.

Strata are experienced users of the Logpoint Security Information & Event Management solution (SIEM) for identifying threats from these technical logs from various systems

including MS Defender and will further explore the use of the Microsoft (MS) Sentinel SIEM if the licencing programme is upgraded to 'E5'.

Patch Management, Firewall and Malware arrangements utilise a combination of well-known solutions. The Head of Security and Compliance maintains an up-to-date awareness of current threats and mitigations, which allows for security and operational needs to be kept in balance. All four firewall appliances have been replaced as well as the network load balancer.

Overall IT business continuity has been improved by the introduction of joined-up Business Continuity Plan (BCP) Disaster Recovery Plan (DRP) testing across the Partners and Strata. However, there remains work to be done to ensure that the detailed operational needs and incident responses of the Partner Council are better embedded into plans and understanding.

The **details of observations and recommendations have not been published as part of this report**. A total of nine recommendations were made by DAP, with two 'High', five 'Medium' and two 'Low' priority actions agreed with management.

The following table summarises our assurance opinions on each of the individual areas covered during the Cyber review. Detailed Opinion Statements can be found in Appendix A. Definitions of the assurance opinion ratings can be found in the Appendix B.

1.	Boundary firewalls and internet gateways - Information, applications and computers within the organisation's internal networks are protected against unauthorised access and disclosure from the internet, using boundary firewalls, internet gateways or equivalent network devices.	Reasonable Assurance
2.	Secure Configuration - Computers and network devices are configured to reduce the level of inherent vulnerabilities and provide only the services required to fulfil their role.	Reasonable Assurance
3.	Access Control - User accounts, particularly those with special access privileges (e.g. administrative accounts) are assigned only to authorised individuals, managed effectively and provide the minimum level of access to applications, computers and networks.	Reasonable Assurance
4.	Malware protection - Computers that are exposed to the internet are protected against malware infection through the use of malware protection software.	Reasonable Assurance
5.	Patch Management - Software running on computers and network devices are kept up-to-date and have the latest security patches installed.	Reasonable Assurance
6.	Backup & Business Continuity - Backup procedures exist to safeguard the system and system data and provide for an appropriate 'point in time' restoration that accords to business needs.	Limited Assurance

4.3 Service Delivery

4.3.1 Alemba vFire ITSM & Asset Management

Background

It is fair to say that the development of the Alemba vFire IT Service Management (ITSM) solution has been slow. The Covid Pandemic occurred soon after its implementation and operational focus was rightly on keeping services running and effective during a challenging period for all. There has also been a period of consolidation and leadership changes that also negatively impacted progress.

Alemba vFire incorporates ITIL best practice principles, including key functions such as Change, Incident and Problem Management and, Request Fulfilment. This marries well with the new IT Directors intent to further strengthen key ITIL processes. The use of workflows and ITIL based configuration within the solution provide opportunities to reduce BAU and take advantage of further automation.

Asset Management within Strata has previously been severely impacted by the lack of ITSM development. Having previously used a bespoke 'in-house Configuration Management Database (CMDB) solution, that became impossible to maintain, a commercial offering was required. As an interim solution, spreadsheets were then utilised to provide the records of hardware and software assets. Understandably, these records contained inaccuracies and were difficult and time consuming to maintain.

Exeter City Council were sufficiently concerned to conduct their own audit which focussed of user devices and highlighted the weaknesses in record keeping and Joiner Mover Leaver (JML) processes as well as a lack of clarity about overall ownership of assets. Whilst the largely financial risk related issues identified by ECC have now been remedied, it must always be recognised that weak asset management provides poor operational value and introduces financial, reputational and security risks.

IT asset management (also known as ITAM) is the process of ensuring that all IT assets are accounted for, deployed, maintained, upgraded, and disposed of securely. In order to manage security risks to the organisation, a clear understanding of service dependencies is required. Assets should be clearly identified and recorded so that it is possible to identify those that are important to the delivery of the essential functions, and to know what needs to be protected.

Benefits that may be gained should relate to improvements in asset management and the CMDB. The use of a core repository to record hardware, software and end user devices potentially allows for more effective and efficient asset management and improved association of incidents and problems with Configuration Items (CI's).

Asset Management

Strata have made significant and material progress to address previous weaknesses in administering IT assets. The fundamental requirement to create and maintain an accurate CMDB on the ITSM has been completed, although work to further improve data quality is ongoing and incorporated into BAU activities. By creating a CMDB upon a recognised internationally utilised ITSM, Strata can now gain the benefits the workflow and asset management tools available.

Housekeeping and other BAU activities are in place to continue to update and validate the accuracy and integrity of asset records. In using a dedicated and fully functioning CMDB, Strata can now take advantage of opportunities to use software tools and scripts to extract and triangulate logical data. Activities include linking payroll data with the Active Directory used to manage network devices and access.

Governance and ownership are also pending improvement, with responsibilities for hardware and software assets being formally assigned to positions within the re-structured Service Desk Team. The Service Desk Manager has also had formal conversations with the Team so that the importance of the asset management processes and the role that they individually perform.

An additional benefit of utilising structured quality data is that it creates opportunities to harvest intelligence to aid management decisions and allow for the publishing of real-time information using dashboards. Strata are currently using Microsoft PowerBI to create dashboards to create inward and outward facing information.

Whilst it is considered by DAP that the software tools, and associated operational tasks, that have been put in place, the performing of periodic spot checks to confirm user ownership and locality of devices may add an additional layer of validation. This would apply to both the CMDB record and the software tools and processes in place to manage hardware assets.

Using a range of intelligence sources to optimise hardware and software asset utilisation can always be improved to gain best value from all IT assets. Now that proper foundations have been put in place, Strata should continue to explore how this area can be continually improved.

In summary, the establishment of a robust CMDB has helped mitigate risks, improve value for money and improve security as follows:

Function	Observed Improvements
Plan	Improves the ability to identify what ICT assets are required to meet the needs of the business and estimate future budgetary requirements. Potential for greater use of monitoring and metrics to provide intelligence around asset utilisation and the total cost of ownership.
Procure	Ensures that the assets are appropriately specified and best value is achieved when committing to a purchase. Also contributes to budgetary control and information security by reducing shadow IT and rogue IT procurements.
Deploy	Processes have been introduced to ensure all assets are built into the CMDB, labelled with unique reference, appropriately distributed and stored.
Manage	The ability to manage IT assets relies on accuracy and visibility and so the creation of an effective CMDB and processes to maintain quality dramatically improve the ability (and potential opportunities) to improve the other four asset management functions.
Retire	Provides greater visibility so that the suitability, warranty and age to manage retirement (understanding costs and arrange for safe disposal).

4.3.2 Financial Management

Strata have also made progress in terms of financial management, something that is remains a challenge to many local government IT service providers whose roots stem from their previous 'in-house' function. Of fundamental importance to Strata and the Partners is the ability to benefit from more granular budgeting monitoring and reporting, enabling better forecasting of budget underspend, which in turn will lead to better in year use of resource.

The more effective use of the CMDB, and associated use of validating software tools, allows for more detailed financial analysis. The allocation of cost centres against hardware and software Configuration Items (CI)*, is providing Strata with information to more accurately re-charge costs.

Software licenses can now be managed with the aid of PowerBI dashboards and benefit from having clearer visibility on key information required to administer them. This is not only important for improving compliance management, but crucially, allows for ensuring that licence costs can be minimised through optimising the licences allocated, better understanding minimal licence requirements and permitting more timely negotiation of new agreements. Reporting Dashboards have also been provided to facilitate the Partners in viewing up to date Contract Management information.

- * Configuration Items are items within/ used within the network environment that must be uniquely distinguished to allow for their appropriate management.

4.3.3 Operational Functions

The lack of an evolved ITSM also limits the obtaining of value for money and delivery of service improvements. ITIL functions such as Event, Change and Incident Management processes all benefit from the existence of structured process mapping, workflow and data. Improvements again exist in the provision of up-to-date dashboard information.

Strata have employed a service design professional to assist with the development of their ITIL functions and processes. This is timely as this allows for better development of the ITSM processes and workflows which should add value to key processes and functions. Early results include the revision of Internal Service Level Agreements (SLAs) for Incident and Problem Management as well as Service Requests.

The effective fulfilment of non-standard work requests has previously been challenging and difficult to administer. Work has been focussed over the past twelve months to address this so that these requests can be processed more efficiently and effectively. It is important to process non-standard work requests efficiently so that capacity can be maximised and reduce the need for formal projects to be created.

Agile principles have been applied and requested work displayed on a Kanban Board to provide the Partners with increased visibility. This allows them to see all scheduled work which, crucially, enables better prioritisation. This approach has resulted in a 20% reduction in the number of queued requests freeing capacity to focus on priority work.

4.3.3 User Management or Joiner/ Mover/ Leaver (JML) Process

JML processes are notoriously difficult to manage in a way that achieves high levels of process compliance that would better safeguard user and asset management standards. There remains a need to embed standard JML processes across the three Partner authorities. Utilising the CMDB to hold user information and assign CI's aids significant improvement to end-to-end JML processes.

Whilst work to ensure better consistency is underway, there may be a period of adjustment where practices are changed to facilitate alignment. As alluded to earlier in this report, the CAF will require better alignment of non-technical processes such as Supplier Management, Risk Management, and Business Continuity Planning. Any lesson learnt from any process alignment would be of value to any CAF related changes and any future partnership working.

A task to identify where a user has not logged onto the network for 30 days is undertaken so that the user account can be suspended, better safeguarding network security and, where appropriate, contact service areas for to understand the reason for network absence. This also provides a compensating control where Strata have not been appropriately updated by Partner HR services.

4.3.4 Minimising the Software Estate

There are material inefficiencies in maintaining too many business solutions for the Partners. DAP have always promoted to the importance for organisations to minimise the software estate and, with Strata providing services to the three Partners, there is both an increase in risk and opportunities.

One of Strata's new principles is that of 'system simplicity' and it is clearly defined that Strata will *"look to reduce and consolidate our software estate and collaborate and combine processes where appropriate"*. Whilst that some capacity would be required to undertake the work to reduce the estate, there are many financial, operational benefits to

be gained as well as mitigating information risks.

Most public sector organisations are struggling to maintain the necessary capacity to ensure that services are delivered and so the reduction of the number of systems administer contributes freeing up capacity that could be better utilised. The rationalising and alignment of the combined software estates to create financial savings and efficiencies has been one of the business change drivers for the Partners since the creation of Strata.

The reduction of the Partners software estate is not only fundamentally important to the reduction of costs and improved information management, but also information and network security.

There are four clear security weaknesses in having too large a software estate, namely:

- Knowledge - The expertise required to maintain a wide range of business solutions securely.
- Volume - The variety of middleware required to make them operate (often with known vulnerabilities).
- Capacity - Increased numbers of BAU and scan vulnerability remedial actions created consume resources.
- Patching – The higher the number of differing business systems, the easier it is to miss critical patching of the solution or supplementary software.

4.3.5 Information Security Governance

The true level of cyber threat is naturally only really understood by security professionals, Chief Information Officers (CIO) and appropriately knowledgeable IT Managers and IT professionals. It is, therefore, important that Strata continue to highlight the true nature and impact of a successful cyber-attack so that appropriate governance, communication and funding are consummate with the overall risk.

Individual services within the Partner Councils are overseen and governed by senior managers who are subject area experts and who understand how they can best operate with the resources they have. Since all IT Security expertise resides within Strata, there is a real and developing risk that information security understanding and decisions are not fully informed. Incorporating 'security by design' principles into the IT Roadmap and the Architecture helps ensure that new systems are fit for purpose in the current global threat landscape and also aid awareness and learning within key client-side roles.

Strata must continue to effectively convey a strong message so that the Partners recognise the level of risk posed by the need to modernise how we obtain, store and use information presents within the current cyber risk environment. Again, alignment of policy, practice and awareness training are significant contributors to effective risk management and mitigation.

Assurance Opinion on Specific Sections

The following table summarises our assurance opinions on each of the areas covered during the audit. These combine to provide the overall assurance opinion at Section 2 and Opinion Statements to support the levels of assurance for each Risk/Area covered are provided in Appendix A. Definitions of the assurance opinion ratings can be found in the Appendix B.

Risks / Areas Covered		Level of Assurance
1	Strategy & Governance	Reasonable Assurance

2	Cyber Security	Reasonable Assurance
3	Service Delivery	Reasonable Assurance

The findings and recommendations in relation to each of these areas are discussed in the "Detailed Audit Observations and Action Plan" appendix. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

Craig Moodie
Senior Auditor

Appendix A

Opinion Statements

1. Area Covered: Strategy & Governance	Level of Assurance
<p>Opinion Statement:</p> <p>The Strategic approach remains both valid and in line with the concept of greater partnering and collaboration. Business Plans have remained of a high quality and assists in detailing and measuring the value of services delivered. The use of metrics to evaluate service delivery and satisfaction remain effective, though use of goal driven metrics to reflect key business objectives can always be better evolved to remain valid. Changes to approach and governance arrangements will help provide better prioritisation and potentially help improve satisfaction at senior management levels within the Partner organisations.</p> <p>To date, the relatively low level of partnering and collaboration has limited the value of the delivery model and fails to take advantage of the opportunities available. The changes to both governance and the organisational structure made by the new IT Director should help to better inform work prioritisation and the IT Roadmap. This will assist in driving collaborative digital transformation, obtaining value for money and better serve Strata in its role as an enabler.</p> <p>The need to maintain robust Cyber Security to help mitigate the ever-evolving cyber threat landscape remains paramount to safeguarding service delivery. Adherence to NCSC guidance and frameworks is proven in helping organisations maintain good cyber hygiene and mitigate risks. Strata should continue to lead in this area so that Partners remain informed and security is built into design and live operation. The NCSC Cyber Assessment Framework (CAF) will require better alignment of governance arrangements, including information security policies and recognition of the value of taking a risk management approach.</p>	<p>Reasonable Assurance</p>
2. Cyber Security	Level of Assurance
<p>Opinion Statement:</p> <p>Firewall - All four firewall appliances have been regularly updated to mitigate against disclosed vulnerabilities. Logging and monitoring accords closely with good practice, using a recognised solution (Logpoint) and further supplementing with Surecloud for vulnerability scanning and port status reporting on 'undenied' inbound port traffic. PSN CoCo Compliance was achieved in February 2023.</p> <p>Secure Configuration – Server infrastructure is well administered with best practice observed as appropriate. However, Windows Server versions are varied and this requires careful management as older versions become outdated,</p>	<p>Reasonable Assurance</p>

unsupported and potentially insecure. There is also a need to keep compatibility with the many third party and in-house systems that tend to have a lag before supporting later versions. Again, another reason to rationalise and modernise.

The current operational requirement for approximately 480 servers represents a significant attack surface. Each server must be securely administered, costs money and has an environmental impact and the reduction in the number of systems used and the number of servers required would produce multiple benefits.

Access Control – This commonly challenging area is managed with a great deal of awareness and, importantly, high privilege accounts are subject to logging and monitoring. The move to the M365 platform, and current threat landscape, has prompted a review which is being undertaken to inform both the administering of high privilege accounts and, new policy. A commitment to Microsoft E5 licence would provide material opportunities for security and compliance improvements.

Malware Protection – Layers of controls (“defence in depth”), are provided by a variety of recognised software solutions providing good assurance. A proactive stance to email and web browser filtering is taken by the Security Team, helping to mitigate certain user behaviour risks. The deployment over a standard and more flexible desktop over the advantageous virtual desktop provides both administrative, security and incident response benefits.

Patch Management – A range of Microsoft and VMWare solutions are used to administer this crucial area. These update a virtualised ‘Golden Image’ which provides the standardisation so important in maintaining secure devices and environments.

Backup & Business Continuity – The key area of weakness relates to the increasingly hybrid arrangement with Microsoft 365 and the potential unavailability of services, most likely due to unforeseen internet connectivity issues. Business Continuity and Recovery plans are in place but these need to be revisited and finalised to better reflect current service area operational needs in the current threat environment. Good practice is followed in respect of frequent testing of the backup solution and the ability to restore systems and data, as is the existence of anti-ransomware for the Oakwood backup servers.

3. Area Covered: Service Delivery

Opinion Statement:

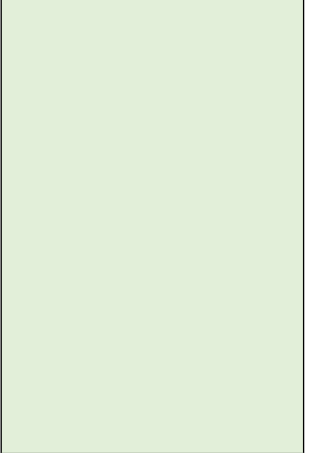
The new IT Director has identified the need for changes to a range of operational functions and processes. This will be further enhanced by the six month employment of a service design professional to assist in the embedding of new ITIL processes. Whilst ITIL processes have previously been followed, the IT Director is looking to instigate changes to better enable the delivery of the changing Partner requirements. This fits with the ITIL ethos of continual service improvement and that all processes must add value.

**Reasonable
Assurance**

The application of 'Agile' principles, and the creation of dashboards to allow for greater visibility, have resulted in a 20% reduction in the non-standard service request backlog. This is a material benefit as it frees up capacity for undertaking higher priority work and acts as an example of the benefits of continual service improvement.

The previously underdeveloped Alemba vFire ITSM has seen notable improvements with the Configuration Management Database (CMDB) now containing sufficient information to allow for significantly better Asset and Financial Management. There are clearly financial and budgetary benefits in ensuring that all assets are fully utilised and that their distribution is known. This also allows for more accurate allocation of costs and the identification of assets reaching end of life use which supports better budgetary visibility and planning. There are also security benefits to be gained.

JML processes are improving with compensating controls in place to provide for more timely and accurate administering of access to systems and data. However, further alignment of policy and process would provide better value for money, being more effective, efficient and economic to administer.



Scope and Objectives

The objective of this report is to provide an overview summary of the effectiveness of Strata’s ability to deliver IT services to the Partners and of the effectiveness of the internal controls and procedures in place.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation’s disclosure policies. This report is prepared for the organisation’s use. We can take no responsibility to any third party for any reliance they might place upon it.

Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the ‘OFFICIAL’ classification tier but may attract additional measures to reinforce the ‘need to know’. In such cases where there is a clear and justifiable requirement to reinforce the ‘need to know’, assets should be conspicuously marked: ‘OFFICIAL–SENSITIVE’. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

Definition of Observation Priority

Assurance	Definition		
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important observations made to improve internal control arrangements and manage identified risks.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Opportunity	An observation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These observations do not feed into the assurance control environment.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In conducting our work, we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk