

**Strata Service Solutions Limited**

**Annual Report and Financial Statements  
Year Ended 31 March 2021**

**Registration number: 09041662**

# Strata Service Solutions Limited

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# Strata Service Solutions Limited

## Company Information

<b>Directors</b>	Mr S P I Davey Mr R D Hodgson Mr P Nicholls
<b>Registered office</b>	Civic Centre Paris Street Exeter Devon EX1 1JN
<b>Auditors</b>	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 2021

The directors present their strategic report for the year ended 31 March 2021.

### 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 £7,836,280 (2020: £7,341,744) with a loss before taxation for the year of £499,417 (2019: loss of £1,160,170). Net current assets are £1,186,838 (2020: £1,063,056) but the company has net liabilities totalling £9,788,218 (2020: £5,360,801) due to the defined pension liability. In spite of the loss and net liability position, the Directors are satisfied that the guarantee provided by the three owner Council's 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 £1 million benefit to the Owners. Half of this was delivered up front in the form of reduced payments. Additional savings were achieved through renegotiating a number of contracts, principally the main broadband contracts for the owners, and through holding vacant posts to support the Councils whose income was badly affected by Covid-19. Over the life of the Company, it has delivered refunds to the Councils totalling £3.642 million well in excess of the targets set out in the original Business Plan.

The Directors draw attention to the fact that the Balance Sheet of the Company would be positive, if it were not for the Defined Pension Liability. It is a requirement of the Owners to offer this to our employees and as such it is backed by a full guarantee.

In summary, the Company has again exceeded expectations from a financial perspective, whilst continuing to deliver the other objectives required by the owners.

### Principal risks and uncertainties

The Company is owned by three Local Authorities. Budgets are fixed and must therefore be managed tightly, to deliver the objectives set for the Company.

As the Country continues to respond to the pandemic, there continues to be a significant effect on the income generated within the three owner Councils. Government support is due to end in June 2021, and there is a risk that further reduction in expenditure will be required, if further support is not forthcoming from Central Government. At this stage the Councils have not indicated that they will be reducing their payments to the Company and it is not anticipated that this will happen. At worst the Councils may seek an additional refund and the Company is prepared for this and has identified options, which will not impact on the operational or financial performance of the Company.

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.

## Strata Service Solutions Limited

Strategic Report for the Year Ended 31 March 2021

Approved by the Board on 28.05.21 and signed on its behalf by:



.....  
Mr R D Hodgson  
Director

## Strata Service Solutions Limited

### Directors' Report for the Year Ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

#### Directors of the company

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

Mr S P I Davey

Mr R D Hodgson

Mr P Nicholls

#### 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 28-05-21 and signed on its behalf by:



.....  
Mr R D Hodgson  
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 UK 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 2021, 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 2021 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's 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's 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, of which there were none.
- Discussed with the health and safety officer if any incidents have been reported during the year under The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ("RIDDOR").
- Review of the GDPR policy and enquiries to the Data Protection Officer 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.

## Strata Service Solutions Limited

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

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 be come 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.



Stephanie Henshaw (Senior Statutory Auditor)  
PKF Francis Clark, Statutory Auditor

Centenary House  
Peninsula Park  
Rydon Lane  
Exeter  
Devon  
EX2 7XE

Date: 7/6/21

## Strata Service Solutions Limited

### Profit and Loss Account

Year Ended 31 March 2021

	Note	2021 £	2020 £
Turnover	3	7,836,280	7,341,744
Cost of sales		<u>(3,405,661)</u>	<u>(3,551,672)</u>
Gross profit		4,430,619	3,790,072
Administrative expenses		(4,801,574)	(4,794,101)
Other operating income	4	<u>6,538</u>	<u>-</u>
Operating loss	5	(364,417)	(1,004,029)
Other interest receivable and similar income		-	10,859
Interest payable and similar charges	8	<u>(135,000)</u>	<u>(167,000)</u>
Loss before tax		(499,417)	(1,160,170)
Taxation	9	<u>-</u>	<u>(2,063)</u>
Loss for the financial year		<u><u>(499,417)</u></u>	<u><u>(1,162,233)</u></u>

## Strata Service Solutions Limited

### Statement of Comprehensive Income

Year Ended 31 March 2021

	Note	2021 £	2020 £
Loss for the year		(499,417)	(1,162,233)
Remeasurement (loss)/gain on defined benefit pension schemes	15	<u>(3,928,000)</u>	<u>1,905,000</u>
Total comprehensive income for the year		<u><u>(4,427,417)</u></u>	<u><u>742,767</u></u>

# Strata Service Solutions Limited

## Balance Sheet

31 March 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	10	1,475,407	1,428,986
Tangible assets	11	<u>457,630</u>	<u>722,837</u>
		<u>1,933,037</u>	<u>2,151,823</u>
<b>Current assets</b>			
Stocks		9,775	9,219
Debtors	12	1,783,368	1,959,454
Cash at bank and in hand		<u>863,053</u>	<u>271,259</u>
		2,656,196	2,239,932
<b>Creditors: Amounts falling due within one year</b>	13	<u>(1,469,358)</u>	<u>(1,176,876)</u>
<b>Net current assets</b>		<u>1,186,838</u>	<u>1,063,056</u>
<b>Total assets less current liabilities</b>		3,119,875	3,214,879
<b>Deferred income</b>	13	<u>(2,515,093)</u>	<u>(2,650,680)</u>
<b>Net assets excluding pension liability</b>		604,782	564,199
Net pension liability	15	<u>(10,393,000)</u>	<u>(5,925,000)</u>
<b>Net liabilities</b>		<u>(9,788,218)</u>	<u>(5,360,801)</u>
<b>Capital and reserves</b>			
Called up share capital	16	3	3
Profit and loss account		<u>(9,788,221)</u>	<u>(5,360,804)</u>
<b>Total equity</b>		<u>(9,788,218)</u>	<u>(5,360,801)</u>

Approved and authorised by the Board on 28.05.21 and signed on its behalf by:



.....  
Mr R D Hodgson  
Director

Company Registration Number: 09041662



## Strata Service Solutions Limited

### Statement of Changes in Equity

Year Ended 31 March 2021

	Share capital £	Profit and loss account £	Total £
At 1 April 2020	<u>3</u>	<u>(5,360,804)</u>	<u>(5,360,801)</u>
Loss for the year	-	(499,417)	(499,417)
Other comprehensive income	-	<u>(3,928,000)</u>	<u>(3,928,000)</u>
Total comprehensive income	-	<u>(4,427,417)</u>	<u>(4,427,417)</u>
At 31 March 2021	<u>3</u>	<u>(9,788,221)</u>	<u>(9,788,218)</u>

	Share capital £	Capital contribution reserve £	Profit and loss account £	Total £
At 1 April 2019	<u>3</u>	<u>240,453</u>	<u>(6,344,024)</u>	<u>(6,103,568)</u>
Loss for the period	-	-	(1,162,233)	(1,162,233)
Other comprehensive income	-	-	<u>1,905,000</u>	<u>1,905,000</u>
Total comprehensive income	-	-	742,767	742,767
Transfer to profit and loss reserve	-	<u>(240,453)</u>	<u>240,453</u>	<u>-</u>
At 31 March 2020	<u>3</u>	<u>-</u>	<u>(5,360,804)</u>	<u>(5,360,801)</u>

## Strata Service Solutions Limited

### Statement of Cash Flows

Year Ended 31 March 2021

	Note	2021 £	2020 £
<b>Cash flows from operating activities</b>			
Loss for the year		(499,417)	(1,162,233)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	624,422	994,883
Loss on disposal of tangible assets		218,724	-
Finance income		-	(10,859)
Finance costs	8	135,000	167,000
Corporation tax	9	-	2,063
		<u>478,729</u>	<u>(9,146)</u>
Working capital adjustments			
Net pension movement	15	405,000	681,000
(Increase)/decrease in stocks		(556)	1,284
Decrease/(increase) in trade debtors	12	176,086	(215,856)
Increase/(decrease) in trade creditors	13	294,545	(805,908)
(Decrease)/increase in deferred income		<u>(135,587)</u>	<u>317,814</u>
Cash generated from operations		1,218,217	(30,812)
Corporation tax paid		<u>(2,063)</u>	<u>(1,538)</u>
Net cash flow from operating activities		<u>1,216,154</u>	<u>(32,350)</u>
<b>Cash flows from investing activities</b>			
Interest received		-	10,859
Acquisitions of tangible assets		(187,123)	(404,144)
Acquisition of intangible assets		<u>(437,237)</u>	<u>(523,831)</u>
Net cash flows from investing activities		<u>(624,360)</u>	<u>(917,116)</u>
Net increase/(decrease) in cash and cash equivalents		591,794	(949,466)
Cash and cash equivalents at 1 April		<u>271,259</u>	<u>1,220,725</u>
Cash and cash equivalents at 31 March		<u><u>863,053</u></u>	<u><u>271,259</u></u>

# Strata Service Solutions Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 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 four years) based on the agreed funding mechanism. The latest Business Plan runs to 2024-25 and projects a positive financial position in each year. This is based on known cost pressures and income increases in line with inflation. As the Company is set up to deliver savings to the Owners there is a significant buffer of income in excess of £0.5 million in each year of the plan, which will protect the Company from risks to its going concern status.

The continuing impact of Covid 19 on the business has been considered. The company is continuing to trade as usual, subject to social distancing requirements, and this is expected to continue to be the case as the councils continue to operate and require support. Further, there has been no change to the support from the three councils as detailed above. Whilst the restrictions put in place continue to have a significant impact on the owners' income, the continuing provision of an effective IT support system is critical to Council's operational and strategic response. Whilst some additional reduction in costs may be required, the Directors and management team have identified a number of options which will not impact on the operational or financial performance of the Company. The directors therefore do not believe that Covid 19 will have an impact on the company's ability to continue trading.

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 2021

### 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 £1,475,407 (2020 - £1,428,986).

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 £457,630 (2020 - £722,837).

Defined benefit pension liability - assumptions surrounding the discount rate, future salary increases, inflation and future pension increased are considered key estimates. The carrying amount is £(10,393,000) (2020 - £(5,925,000)).

### 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.

During the year the company recognised Coronavirus Job Retention Scheme ("CJRS") grant income from the Government designed to mitigate the impact of COVID-19. The company has elected to account for such grants under the accruals model as permitted by FRS102. Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure.

### 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.

# Strata Service Solutions Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 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.

### 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	Depreciation method and rate
Computer equipment	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	Amortisation method and rate
Software	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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. 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.



# Strata Service Solutions Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### Financial instruments

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

The company holds the following basic financial instruments:

- Short term trade and other debtors and creditors

These instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

### 3 Revenue

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:

	2021 £	2020 £
Fee income	6,904,881	6,665,094
Grant income	931,399	676,650
	<u>7,836,280</u>	<u>7,341,744</u>

### 4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021 £	2020 £
Miscellaneous other operating income	<u>6,538</u>	<u>-</u>

### 5 Operating loss

Arrived at after charging

	2021 £	2020 £
Depreciation expense	233,606	377,339
Amortisation expense	390,816	617,544
Loss on disposal of property, plant and equipment	<u>218,724</u>	<u>-</u>



# Strata Service Solutions Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 6 Staff costs

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

	2021	2020
	£	£
Wages and salaries	2,303,127	2,233,502
Social security costs	229,561	219,060
Pension costs, defined benefit scheme	810,000	1,034,000
	<u>3,342,688</u>	<u>3,486,562</u>

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

	2021	2020
	No.	No.
Administration and support	<u>74</u>	<u>76</u>

### 7 Auditor's remuneration

	2021	2020
	£	£
Audit of the financial statements	<u>6,914</u>	<u>5,500</u>

### 8 Interest payable and similar expenses

	2021	2020
	£	£
Net finance costs in respect of defined benefit pension scheme	<u>135,000</u>	<u>167,000</u>

# Strata Service Solutions Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 9 Taxation

Tax charged in the profit and loss account

	2021 £	2020 £
<b>Current taxation</b>		
UK corporation tax	<u>-</u>	<u>2,063</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Loss before tax	<u>(499,417)</u>	<u>(1,160,170)</u>
Corporation tax at standard rate	(94,889)	(220,432)
Effect of expense not deductible in determining taxable profit (tax loss)	<u>94,889</u>	<u>222,495</u>
Total tax charge	<u>-</u>	<u>2,063</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.

### 10 Intangible assets

	Software £	Total £
<b>Cost or valuation</b>		
At 1 April 2020	4,558,582	4,558,582
Additions	<u>437,237</u>	<u>437,237</u>
At 31 March 2021	<u>4,995,819</u>	<u>4,995,819</u>
<b>Amortisation</b>		
At 1 April 2020	3,129,596	3,129,596
Amortisation charge	<u>390,816</u>	<u>390,816</u>
At 31 March 2021	<u>3,520,412</u>	<u>3,520,412</u>
<b>Carrying amount</b>		
At 31 March 2021	<u>1,475,407</u>	<u>1,475,407</u>
At 31 March 2020	<u>1,428,986</u>	<u>1,428,986</u>

## Strata Service Solutions Limited

### Notes to the Financial Statements

Year Ended 31 March 2021

#### 11 Tangible assets

	Computer equipment £	Total £
<b>Cost or valuation</b>		
At 1 April 2020	2,496,164	2,496,164
Additions	187,123	187,123
Disposals	<u>(675,531)</u>	<u>(675,531)</u>
At 31 March 2021	<u>2,007,756</u>	<u>2,007,756</u>
<b>Depreciation</b>		
At 1 April 2020	1,773,327	1,773,327
Charge for the year	233,606	233,606
Eliminated on disposal	<u>(456,807)</u>	<u>(456,807)</u>
At 31 March 2021	<u>1,550,126</u>	<u>1,550,126</u>
<b>Carrying amount</b>		
At 31 March 2021	<u>457,630</u>	<u>457,630</u>
At 31 March 2020	<u>722,837</u>	<u>722,837</u>

#### 12 Debtors

	2021 £	2020 £
Trade debtors	129,196	357,453
Other debtors	10,656	11,511
Prepayments and accrued income	<u>1,643,516</u>	<u>1,590,490</u>
	<u>1,783,368</u>	<u>1,959,454</u>

## Strata Service Solutions Limited

### Notes to the Financial Statements

Year Ended 31 March 2021

#### 13 Creditors

	2021 £	2020 £
<b>Due within one year</b>		
Trade creditors	-	11,236
Corporation tax	-	2,063
Social security and other taxes	171,345	131,249
Other creditors	2,672	2,677
Accrued expenses	<u>1,295,341</u>	<u>1,029,651</u>
	<u>1,469,358</u>	<u>1,176,876</u>
<b>Deferred income</b>		
Government grants	<u>2,515,093</u>	<u>2,650,680</u>

#### 14 Obligations under leases and hire purchase contracts

##### Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	87,889	87,889
Later than one year and not later than five years	79,843	165,762
Later than five years	-	1,971
	<u>167,732</u>	<u>255,622</u>

Lease payments recognised as an expense in the year were £86,110 (2019: £51,270).

# Strata Service Solutions Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 15 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 2021. 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 2022 and will set contributions for the period 1 April 2023 to 31 March 2026. 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 £951,000 (2020 - £1,207,000).

#### **Reconciliation of scheme assets and liabilities to assets and liabilities recognised**

The amounts recognised in the statement of financial position are as follows:

	2021 £	2020 £
Fair value of scheme assets	10,395,000	7,882,000
Present value of defined benefit obligation	<u>(20,788,000)</u>	<u>(13,807,000)</u>
Defined benefit pension scheme deficit	<u>(10,393,000)</u>	<u>(5,925,000)</u>

#### **Defined benefit obligation**

Changes in the defined benefit obligation are as follows:

	2021 £
Present value at start of year	13,807,000
Current service cost	796,000
Past service cost	14,000
Interest cost	325,000
Benefits paid net of transfers in	(127,000)
Contributions by scheme participants	157,000
Change in demographic assumptions	(148,000)
Experience loss on defined benefit obligations	(128,000)
Change in financial assumptions	<u>6,092,000</u>
Present value at end of year	<u>20,788,000</u>

# Strata Service Solutions Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

Past service costs relate to the estimate impact of the McCloud judgement.

### *Fair value of scheme assets*

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

	2021 £
Fair value at start of year	7,882,000
Interest income	190,000
Return on plan assets, excluding amounts included in interest income/(expense)	1,888,000
Employer contributions	411,000
Contributions by scheme participants	157,000
Benefits paid	(127,000)
Administrative expenses	(6,000)
Fair value at end of year	<u>10,395,000</u>

### *Analysis of assets*

The major categories of scheme assets are as follows:

	2021 £	2020 £
Cash and cash equivalents	107,000	92,000
Equity instruments	7,498,000	5,474,000
Debt instruments	820,000	748,000
Property	835,000	743,000
Other assets	<u>1,135,000</u>	<u>825,000</u>
	<u>10,395,000</u>	<u>7,882,000</u>

### *Return on scheme assets*

	2021 £	2020 £
Return on scheme assets	<u>2,078,000</u>	<u>(680,000)</u>

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.



# Strata Service Solutions Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### *Principal actuarial assumptions*

The principal actuarial assumptions at the statement of financial position date are as follows:

	2021	2020
	%	%
Discount rate	2.05	2.35
Future salary increases	3.85	2.80
Future pension increases	2.85	1.80
Inflation	3.50	2.60

### *Post retirement mortality assumptions*

	2021	2020
	Years	Years
Current UK pensioners at retirement age - male	23.00	23.00
Current UK pensioners at retirement age - female	24.00	24.00
Future UK pensioners at retirement age - male	24.00	24.00
Future UK pensioners at retirement age - female	25.00	26.00

## 16 Share capital

### Allotted, called up and fully paid shares

	No.	2021	No.	2020
		£		£
Ordinary shares of £1 each	3	3	3	3

## 17 Commitments

### Capital commitments

The Company entered into one commitment at the year end relating to the replacement income management software.

The total amount contracted for but not provided in the financial statements was £Nil (2020 - £153,322).

# Strata Service Solutions Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 18 Related party transactions

#### Key management personnel

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

#### Key management compensation

	2021 £	2020 £
Salaries and other short term employee benefits	85,521	83,232
Post-employment benefits	<u>14,282</u>	<u>12,235</u>
	<u>99,803</u>	<u>95,467</u>

#### Summary of transactions with other related parties

##### Entities with joint control over the company

The company recognised turnover of £7,594,179 (2020: £7,325,899) to the Councils which jointly control it. At the year end £129,196 (2020: £330,663) 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 £12,105 (2020: £15,139). At the year end £nil (2020: £1,809) was owed to the company by the company under common control.