

**STRATA JOINT SCRUTINY COMMITTEE
STRATA JOINT EXECUTIVE COMMITTEE**

DATE OF MEETING: 27 JUNE 2023
5 OCTOBER 2023

PUBLICATION DATE: 9 JUNE 2023

REPORT OF: STRATA FINANCE

SUBJECT: STRATA BUDGET MONITORING OUTTURN - 2022-23

1. PURPOSE

1.1 This report advises on the financial position of Strata at the end of 2022-23.

2. BACKGROUND

2.1 The Company has been given a total of £7.562 million to run the IT Services in 2022-23 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 2023

3.1 Savings as per Business Plan

The 2022-23 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)* | (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)** | (220,112) |
| 2020-21 | Year 6 | (696,167) | (1,051,000)*** | (354,833) |
| 2021-22 | Year 7 | (747,804) | (1,260,111) | (512,307) |
| 2022-23 | Year 8 | (702,415) | (1,079,832) | (377,417) |
| 2023-24 | Year 9 | (754,122) | | 754,122 |
| 2024-25 | Year 10 | (749,133) | | 749,133 |
| Total | | (5,420,424) | (5,981,943) | |

* 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.

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

*** 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.

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 Councils have agreed in principle that the £377k savings in excess of the 2022-23 Projected Revenue Savings of £702k will be handed back to Strata in 2023-24 as the organisational change programme continues, subject to each Council's approval process, 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 £1,079,832 of revenue savings in 2022-23 (Appendix A) and has refunded £579,000 (on top of the £500,000 reduction at the beginning of the year). The key variations are set out below:

| Expenditure Type | Actual Over / (Underspend) £ | Detail |
|-------------------------|-------------------------------------|---|
| Employees | 427,628 | <ul style="list-style-type: none"> Higher cost due to IT Director and organisational change consultancy fees 2022-23 pay award higher than budgeted |
| Supplies & Services | (289,120) | <ul style="list-style-type: none"> Lower spend on key contracts e.g. Microsoft products, telephony Partially offset by higher than budgeted paper/postage costs due to significant inflationary increases and spend delayed from 2021-22 due to extended lead times on hardware |
| Transport | (23,899) | <ul style="list-style-type: none"> Significantly lower transport costs |
| Income - Revenue | (459,191) | <ul style="list-style-type: none"> Additional income from 2021-22 profits handed back to Strata by the Councils to fund delayed 2021-22 spend and organisational change consultancy fees |
| Investment Interest | (32,835) | <ul style="list-style-type: none"> Higher interest received from cash reserves |

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 draft 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 deficit and depreciation. The Statutory Accounts are subject to approval by the Board on 15 June 2023.

RECOMMENDATIONS

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

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