

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

DATE OF MEETING: 30 MAY 2019
18 JUNE 2019

PUBLICATION DATE: 21 MAY 2019

REPORT OF: STRATA FINANCE

SUBJECT: STRATA BUDGET MONITORING OUTTURN - 2018/19

1. PURPOSE

- 1.1 This report advises on the financial position of Strata at the end of 2018-19, including both revenue and capital spend.

2. BACKGROUND

- 2.1 The Company has been given a total of £6.277 million to run the IT Services in 2017/18 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 2019

3.1 Savings as per Business Plan

The 2017-18 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.

		Capital Expenditure Savings	Projected Revenue Savings	Actual Revenue Savings	Variance
2015-16	Year 1	(443,932)	(262,098)	(232,000)	30,098
2016-17	Year 2	(312,522)	(20,000)	(100,000)*	(80,000)
2017-18	Year 3	(358,222)	(252,836)	(565,000)	(312,164)
2018-19	Year 4	(459,609)	(381,961)	(620,000)	(238,039)
2019-20	Year 5	(129,300)	(593,653)		593,653
2020-21	Year 6	867,962	(698,293)		698,293
2021-22	Year 7	(138,000)	(773,626)		773,626
2022-23	Year 8	(9,884)	(767,313)		767,313
2023-24	Year 9	(196,902)	(789,680)		789,680
2024-25	Year 10	(374,300)	(824,040)		824,040
Total		(1,554,709)	(5,363,500)	(1,517,000)	

* 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.

3.2 Key Variations from Revenue Budget

Strata has delivered £623,800 of revenue savings in 2018-19 (Appendix A) and has refunded £620,000. The key variations are set out below:

Expenditure Type	Projected Over / (Underspend)	Detail
Employees	130,407	<ul style="list-style-type: none"> Additional staff paid for by Councils (see income below).
Supplies & Services	(223,128)	<ul style="list-style-type: none"> Better discipline in identifying the costs of additional items funded by Councils. Improved contracts (financially).
Income - Revenue	(152,618)	<ul style="list-style-type: none"> Funding for additional staff for specific projects (offsets staffing overspend).
Transport	(7,413)	<ul style="list-style-type: none"> Based on current trends transport costs will be lower than budget.

The saving of £623,800 compares well against the original target of £381,961. Previous monitoring reports had highlighted the fact that the saving would be higher than outlined in the original business case.

3.3 Key Variations from Capital Budget

Strata's capital budgets are separated into two sections. The original infrastructure set out in the Business Plan and projects, either convergence or Council specific. The Council has received capital funds to finance all projects along with £150,000 a year towards improvements to the main network. At the end of 2017-18 the only aspect of the original infrastructure project that is outstanding is the telecoms project and there is £41,000 left to fund the completion of this work. In addition, Strata has spent £474,000 enhancing the capacity and stability of the datacentre and added a new customer contact centre. This has been funded via the annual capital contributions.

3.4 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.

3.5 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.

RECOMMENDATIONS

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

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