

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

DATE OF MEETING: 16 JUNE 2020
PUBLICATION DATE: 21 MAY 2020
REPORT OF: STRATA FINANCE
SUBJECT: STRATA BUDGET MONITORING OUTTURN - 2019/20

1. PURPOSE

- 1.1 This report advises on the financial position of Strata at the end of 2019-20, including both revenue and capital spend.

2. BACKGROUND

- 2.1 The Company has been given a total of £6.097 million to run the IT Services in 2019/20 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 2020

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)	(853,888)	(1,073,529)**	(219,641)
2020-21	Year 6	867,962	(696,167)		
2021-22	Year 7	(138,000)	(662,091)		
2022-23	Year 8	(9,884)	(701,005)		
2023-24	Year 9	(196,902)	(825,202)		
2024-25	Year 10	(374,300)	(908,996)		
Total		(1,554,709)	(5,564,244)	(2,590,529)	(819,746)

* 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.

3.2 Key Variations from Revenue Budget

Strata has delivered £1,073,529 of revenue savings in 2019-20 (Appendix A) and has refunded £573,529 (on top of the £500,000 reduction at the beginning of the year. The key variations are set out below:

Expenditure Type	Projected Over / (Underspend)	Detail
Employees	(95,980)	<ul style="list-style-type: none"> • Less additional staff paid for by Councils (see income below). • Lower overtime costs • Lower pension costs • Infrastructure restructure not complete
Supplies & Services	(139,694)	<ul style="list-style-type: none"> • Improved Broadband contracts (financially). • Improved 3rd party contracts • Higher cost – commercialisation work

Expenditure Type	Projected Over / (Underspend)	Detail
Income - Revenue	21,211	<ul style="list-style-type: none"> Lower funding for additional staff for specific projects (offset by lower staffing spend).
Transport	(440)	<ul style="list-style-type: none"> On budget

The refund of £573,529 compares well against the original target of £353,880.

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 as updated using the annual contribution from Councils 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.

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. The Accounts are subject to approval by the Board on 19 June 2020.

RECOMMENDATIONS

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

<p>Dave Hodgson Director (Finance Lead)</p>	<p>Contact details Tel: 01392 265292 E-mail: david.hodgson@exeter.gov.uk</p>
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