

REPORT TO STRATA JOINT SCRUTINY COMMITTEE
Date of Meeting: 22 October 2015
Report of: Director with responsibility for Finance
Title: Budget Monitoring Report to 30 September 2015

1. What is the report about?

1.1 This report advises Members of the financial progress of Strata during the first six months of 2015-16. The report also provides a summary of the final Statement of Accounts for 2014-15.

2. Recommendations:

2.1 **That Members of the Joint Scrutiny Committee note the content of this report.**

3. What are the resource implications including non financial resources

3.1 The financial resources required to deliver the Strata service to the owner Councils are set out in the body of this report.

4. Report Details:

Statement of Accounts 2014-15

4.1 Attached at Appendix A are the final, audited Statement of Accounts for Strata Service Solutions. The key issues are set out below.

- The Company made a loss in the year of £3.476m, as a result of taking on the pension liabilities for staff that have transferred to the Company from the Councils. The pension liability totalled £4.022m;
- Taking out the impact of the pensions, the Company broadly broke even during 2014-15;
- As a result of the Pension Fund liability the Company has a negative balance sheet;
- The three owner Councils have provided a guarantee to the Pension Fund that they will cover all liabilities on the Fund in the event that Strata was unable to fulfil its commitments;
- As a result of the guarantee, the Auditors were satisfied that the Company is treated as a going concern and provided an unqualified opinion on the accounts.

4.2 The pension liability somewhat distorts what was a positive financial start for the Company, with much work undertaken in respect of delivering the business plan. As a result, the Board are meeting with their internal legal advisor to determine whether there is a solution that will eliminate the pension liability from the company's accounts and return it to the owner Councils, where it will have a much lower financial impact. The initial meeting took place on the 9th October and a verbal report on progress will be provided at the meeting.

Strata Budget Monitoring to 30 September 2015

Key Variations from Revenue Budget

4.3 The Strata budget is on track to deliver some savings for the Councils in 2015-16. The key variations are set out on the next page:

Expenditure Type	Over / (Underspend) Against profile	Detail
Employees	(76,995)	<ul style="list-style-type: none"> • The planned redundancies have taken place; • One employee is being charged to the Transformation Challenge Award (TCA) Grant; • Slightly below savings target.
Supplies & Services	711,655	<ul style="list-style-type: none"> • Overspend relates to expenditure of additional items requested by the Councils; • The Overspend is offset completely by additional income from the Councils to cover the purchases; • It is on track to be on budget, but will not deliver significant savings this year.
Income	(712,156)	<ul style="list-style-type: none"> • As noted above, this is the additional income to cover the items of expenditure in the Supplies and Services line.

Key Variations from Capital Budget

- 4.4 The capital project to deliver the data centre and other implementation projects is progressing. There is £307,000 left of the capital funds to deliver the remainder of the plan.

TCA Grant

- 4.5 A total of £745,840 was carried forward into this financial year of which £377,949 has been spent. It is anticipated that the rest will be used in this financial year and be sufficient to meet the anticipated expenditure.

5. What risks are there and how can they be reduced?

- 5.1 There is always the risk of unforeseen expenditure being required. The Board will receive regular updates on progress to enable early identification of problems arising.

DAVE HODGSON
Director

Contact for enquiries:
Democratic Services (Committees)
Exeter City Council
Room 2.3
(01392) 265275