

JOINT SCRUTINY COMMITTEE & JOINT EXECUTIVE COMMITTEE

DATE OF MEETING: 7 JUNE 2016 & 21 JUNE 2016

PUBLICATION DATE: 24 MAY 2016

REPORT OF: STRATA BOARD

SUBJECT: STRATA BUDGET MONITORING Q4 - 2015/16

1. PURPOSE

- 1.1 This report advises Members of the final financial position of Strata for the 2015-16 financial year, including the refund reflecting the savings made in the year.

2. BACKGROUND

- 2.1 The Company has been given a total of £5.752 million to run the IT Services in 2015/16 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 Final Financial Position to 31 March 2016

3.1 Savings as per Business Plan

The original Business Case for Strata set out a savings profile 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 saving summary is set out below.

		Capital Expenditure Savings	Revenue Savings	Total
2015-16	Year 1	(443,932)	(262,098)	(706,030)
2016-17	Year 2	(272,522)	(254,052)	(526,574)
2017-18	Year 3	(319,822)	(482,836)	(802,658)
2018-19	Year 4	(259,609)	(627,961)	(887,570)
2019-20	Year 5	(129,300)	(769,653)	(898,953)
2020-21	Year 6	867,962	(858,293)	9,669
2021-22	Year 7	(138,000)	(933,626)	(1,071,626)
2022-23	Year 8	(9,884)	(927,313)	(937,197)
2023-24	Year 9	(196,902)	(949,680)	(1,146,582)
2024-25	Year 10	(374,300)	(984,040)	(1,358,340)
Total		(1,276,309)	(7,049,550)	(8,325,859)

In the current financial year therefore the savings expectation as per the Business Plan for Revenue is £262,098. The section below will set out performance against this target.

3.2 Key Variations from Revenue Budget

Strata had delivered a refund equivalent to 88% of the planned revenue savings for the Councils in 2015-16. The key variations are set out below and a summary is shown at Appendix A:

Expenditure Type	Projected Over / (Underspend)	Detail
Employees	158,941	<ul style="list-style-type: none"> The planned redundancies have taken place; The additional costs mask the saving in employee costs as they have been funded from carry forward TCA Grant. Savings in employees were slightly below target.

Expenditure Type	Projected Over / (Underspend)	Detail
Supplies & Services	(331,106)	<ul style="list-style-type: none"> Some savings anticipated this year as a result of contract novation (£21,500), but more will start on 1 April 2016 which will lead to a total of £66,800 a year against a savings target of £84,000. Further negotiations to be finalised; Unexpected rental costs in respect of data centre equipment at Teignbridge DC; Final bills from the three Councils were lower than anticipated.
Income - Revenue	(43,114)	<ul style="list-style-type: none"> Additional income in respect of identified budget lines at the three Councils, which were not identified in the Shareholder Agreement.
Investment interest / Tax	(9,064) net	<ul style="list-style-type: none"> Interest income less tax

3.3 Key Variations from Capital Budget

The capital project to deliver the data centre and other implementation projects is progressing. The Capital programme remains on track and there is sufficient funding available to complete the outstanding Telecoms element of the implementation plan.

3.4 TCA Grant

The TCA Grant funding and expenditure is included within the revenue budget and has now been utilised.

3.5 Council Recharge Account

The Councils also request additional equipment for which they are subsequently invoiced. At the year-end there are no outstanding payments to be made.

3.6 Draft Accounts

The draft accounts have been submitted to Francis Clark, the accountants, and the draft Profit & Loss account and Balance Sheet are set out in Appendix B. The main variations from the management accounts in Appendix A are that depreciation, amortisation and Pension Fund implications are added to the formal Statement of Accounts. The draft accounts show an improvement in the bottom line of Strata's Balance Sheet and this is shown after the refund has been accounted for.

RECOMMENDATIONS

That the Joint Scrutiny Committee and Joint Executive Committee notes the contents of the report.

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