

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

**DATE OF MEETING:** 15 JUNE 2017  
20 JUNE 2017

**PUBLICATION DATE:** 06 JUNE 2017

**REPORT OF:** DIRECTOR RESPONSIBLE FOR FINANCE

**SUBJECT:** STRATA BUDGET MONITORING OUTTURN - 2016/17

### **1. PURPOSE**

- 1.1 This report advises on the financial performance of Strata during 2016-17, including both revenue and capital spend.

### **2. BACKGROUND**

- 2.1 The Company has been given a total of £6.252 million to run the IT Services in 2016/17 along with funding for various capital projects. This includes over £300,000 of additional income to deliver Council specific 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 2016/17**

#### **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.

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

However, approval to move staff to new Strata Terms and conditions meant that a revenue saving of only £26,964 was projected at the start of the financial year.

### 3.2 Key Variations from Revenue Budget

The Strata budget has delivered £310,950 of revenue savings for 2016-17. The key variations are set out on the next page:

Expenditure Type	Over / (Underspend)	Detail
Employees	(51,695)	<ul style="list-style-type: none"> <li>The planned redundancies are lower than estimated in the Budget.</li> <li>Vacancies have contributed significantly to the underspend (£88,000), however are masked by additional staff funded by one of the Councils.</li> </ul>
Supplies & Services	65,068	<ul style="list-style-type: none"> <li>A number of contracts, which were planned to end have had to be extended as a result of the delay in the global desktop.</li> <li>Additional maintenance directly funded by the Councils.</li> </ul>

Expenditure Type	Over / (Underspend)	Detail
Income - Revenue	(318,356)	<ul style="list-style-type: none"> <li>• Additional income to finance a number of new maintenance contracts;</li> <li>• Additional income to cover the new mobile phone charging arrangements;</li> <li>• .Additional income from Central Government to fund changes in Revs &amp; Bens systems;</li> <li>• Additional income to cover staff working directly for EDDC.</li> </ul>
Transport	8,708	<ul style="list-style-type: none"> <li>• Transport costs were above budget as a result of the extra travel required for the implementation of the global desktop.</li> </ul>
Investment interest / Tax	6,640 net	<ul style="list-style-type: none"> <li>• Cash in the company has significantly reduced.</li> </ul>

The Company has repaid £100,000 to the Councils (not included in the above figures). It is for each Council to determine what level of savings should be returned and therefore the Joint Executive Council must recommend a course of action to the Councils for them to approve. The Board has identified two options for the Joint Executive Committee to consider in respect of the additional £200,000. The options are as follows:

1. Return the additional £200,000 to the Councils;
2. The IT Director, in his initial review of the Company has identified two areas of the business which would benefit from additional resource in order to strengthen the service provided to Councils and to generate further savings. The Board would therefore recommend the appointment of two Project Managers and one Supplier Engagement Manager on fixed term contracts for 2 years. The cost is estimated at £132,000 a year, with the balance of funding coming from anticipated additional savings generated by the Supplier Engagement Manager.

The two Project Manager posts will support the Business Analyst teams in delivering IT projects. This will enable the Business Analysts to focus on delivery and allow for better engagement with the client services. It will also alleviate many of the problems identified in the IT Directors report in respect of the strain and excessive workload that this team is currently facing.

The Supplier Engagement Manager post will work more closely with our suppliers to drive greater efficiency in contract negotiation again removing another element of work from the team. By having dedicated experts in project management and supplier engagement, the Company will be better placed to use the skills of its team to match the requirements of the customers.

### **3.3 Key Variations from Capital Budget**

The capital project to deliver the data centre and other implementation projects is progressing. Additional expenditure on the data centre has been incurred without funding identified. The £150,000 (annual contribution) will be used to complete the telephony project.

### **3.4 Council Recharge Account**

The Councils also request additional equipment for which they are subsequently invoiced. In 2016-17, a total of £424,604 was billed.

## **RECOMMENDATIONS**

- 1. That the Joint Scrutiny Committee and Joint Executive Committee note the contents of the report.**
- 2. That the Joint Scrutiny comments upon and the Joint Executive Committee recommend option 2 set out in section 3.2 to the Councils in respect of the additional £200,000 in savings.**

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