

VIII Budget – Financial framework and summary disclosure note

Summary of the Council's Budget Strategy

To meet the objectives of its Community Plan, the Council must carefully consider its planned use of resources in any given financial year. The financial resources that are available to the Council for 2009/2010 are summarised here over three main areas:

Net Revenue Spend;
Management of our General Reserves;
Capital Spend.

Net Revenue Spend – 'Day To Day Cost of Services'

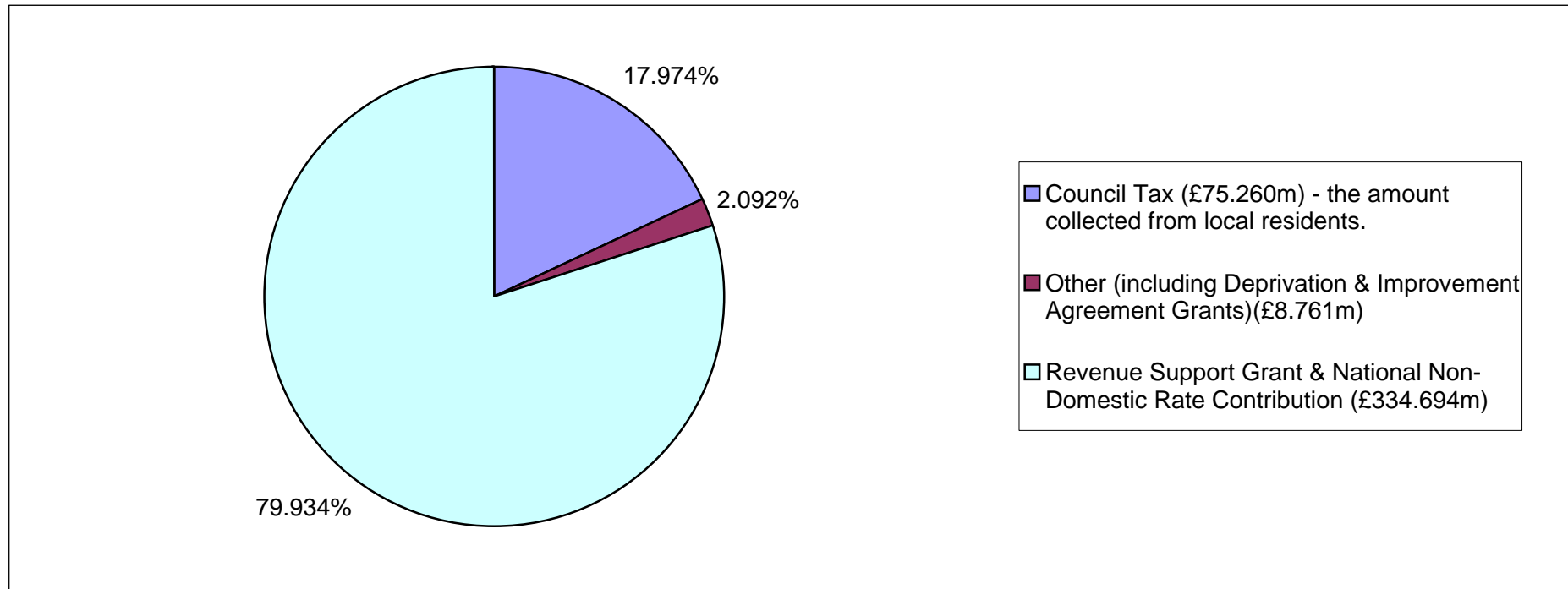
The Council approved a net revenue budget of **£418.715m** for **2009/2010**, which represents an increase of **£11.217m** on **08/09**. This budget supports the day-to-day operations of general services including:

- Schools, other Education Services,
- Children's Services;
- Adult Care Services;
- Environmental Services.

Where does the money come from?

The money to fund Council services comes from the following sources:

Chart 1a – Where Does The Money Come From?

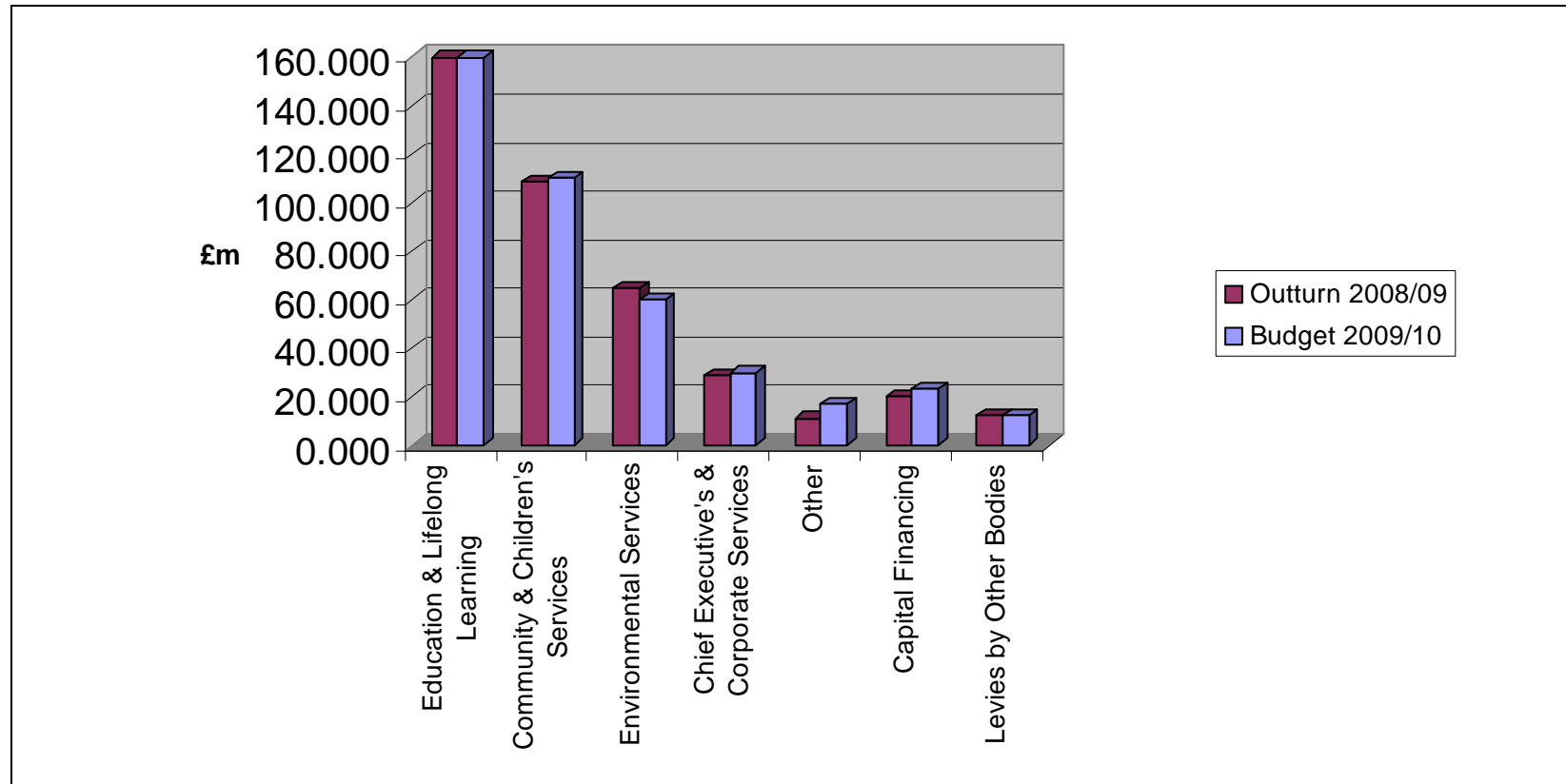


In addition to the above, the Council receives a wide range of specific grants and also levies fees and charges for some functions e.g. for the use of Leisure Centres, in order to allow our services to remain within agreed budgets.

Where Does The Money Go?

The allocation of resources is made following a detailed appraisal of priorities for each service area, congruent with the Community Plan priorities and linkages with the Council's Capital Programme. This process also involves detailed investigations to ensure that efficiency savings are fully identified in line with the Council's programme for Continuous Service Improvement and in accordance with the Welsh Assembly Governments 'Making the Connections' Agenda. Elected Members are involved throughout, and there has also been a formal consultation process with local people, business representatives and community groups, whose views have a strong influence on the final decisions of the Council.

Chart 2 – How the Money is spent?

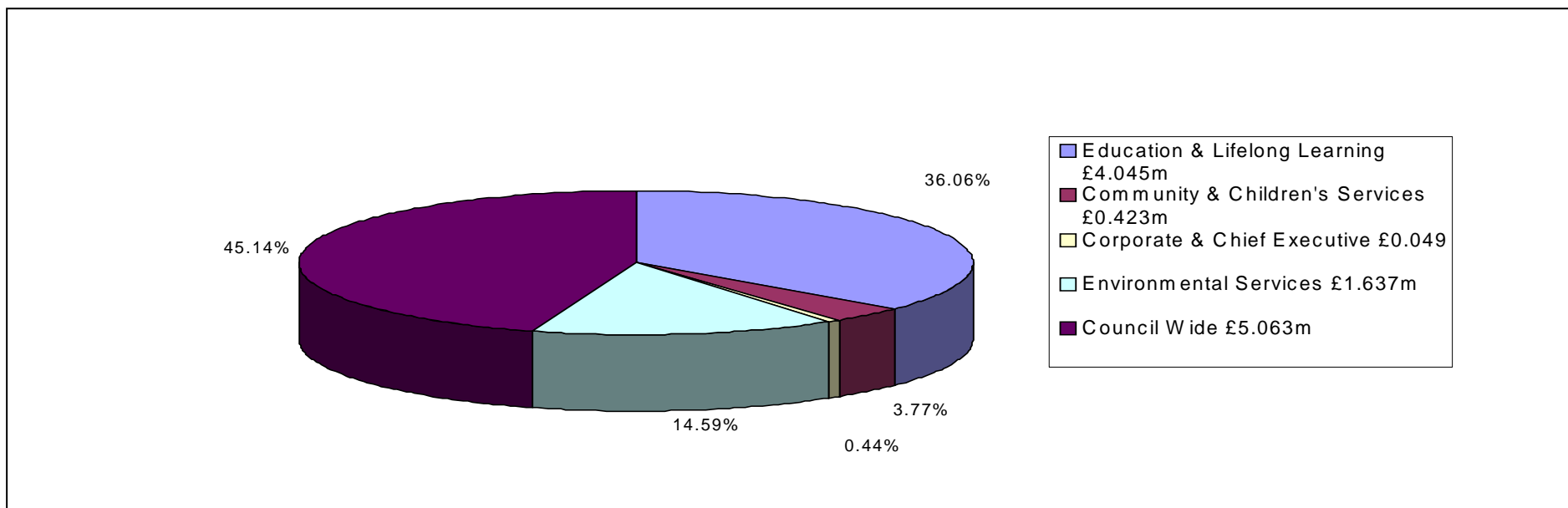


The Council's budget for 2009/2010 represents an increase in spending of over £11m from 2008/2009.

The most significant areas of investment will be:

- Activities and Enhanced Provisions for young people;
- Sustained investment in Adult and Children's Social Services;
- Customer Care initiatives (Telephone and face to face);
- Development Control Improvements;
- Environmental Improvements and Enforcement;
- Schools (reduced efficiency expectation, school meal improvements and new facilities)
- Street Cleansing
- Waste Management (including recycling)
- The funding of inflationary pressures, for example, pay awards.

Chart 3 illustrates the split of this targeted investment for 2009/10 across the main service areas of the Council



The Council continues to maintain its focus on providing services that meet the needs of its Citizens both in the current year and also over the medium term. This forward thinking approach is critical to enabling the Council to achieve targeted improvements in services within an environment of limited resources.

Management of our General Reserves

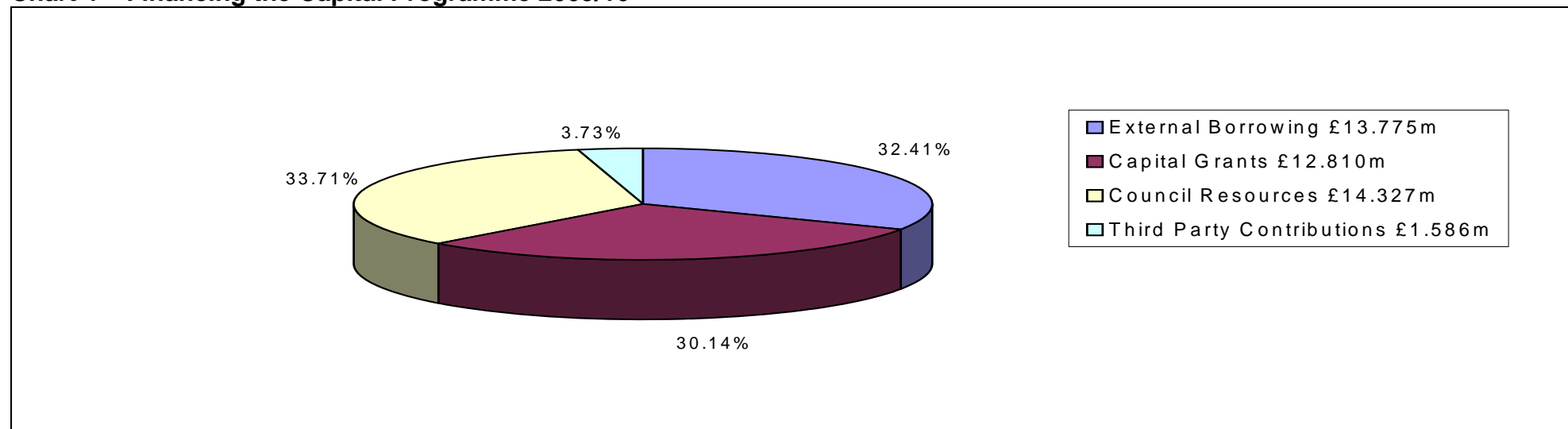
A key indicator of a local authority’s financial well-being is the adequacy of its general reserves that are set aside to meet unexpected increases in expenditure or decreases in income as well as one-off developments that have to be introduced, such as legislative change.

By adhering to a robust budget strategy, the Council has been able to maintain its financial position and at the same time keep general reserve balances at a prudent level.

Capital Spend - 'Investment in the Infrastructure of Rhondda Cynon Taf'

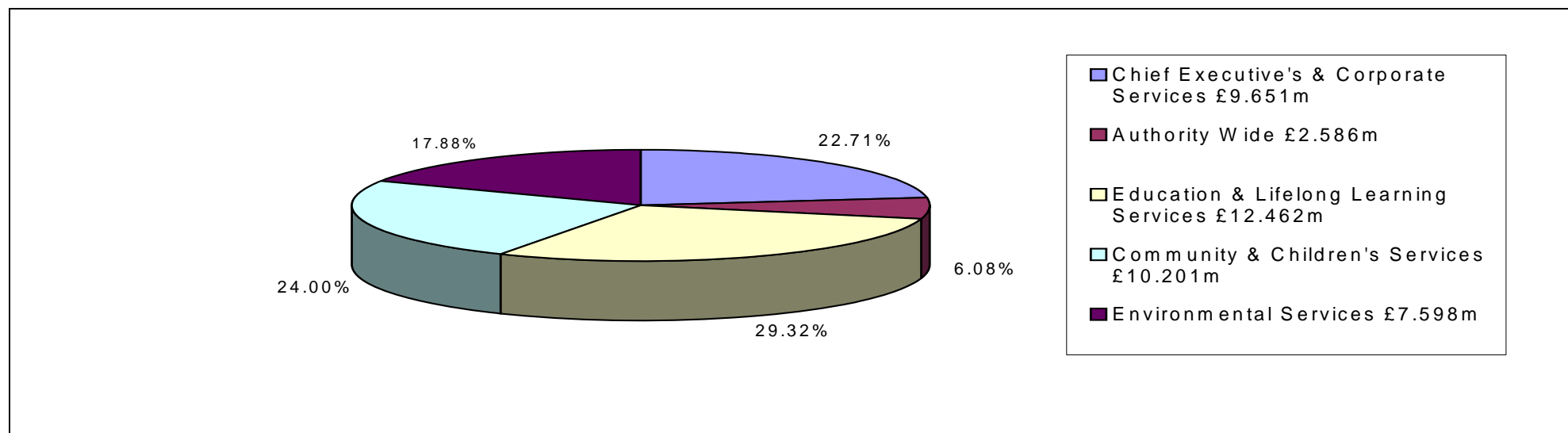
In addition to the money spent on the day-to-day costs of running services, significant sums of money are used to fund major infrastructure improvements within the County Borough. In order to effectively manage this expenditure, the Council has set in place a three-year capital programme that is underpinned by robust monitoring arrangements. The approved Capital Programme budget for 2009/10 through to 2011/12 is **£102.698m**, with the **2009/10** budget standing at **£42.498m**. Chart 4 indicates how expenditure in 2009/19 is to be financed.

Chart 4 – Financing the Capital Programme 2009/10



The Council has set its Capital Programme over the next three years following a detailed review and consultation exercise allied with close links to the setting of the revenue budget. The Council, in undertaking this process also gave due regard to the opportunities available under 'The Prudential Code' (that permit Councils more flexibility in managing their capital programmes by allowing investment in capital projects without any limits on borrowing as long as the plans are affordable, prudent and sustainable).

Chart 5 - Capital Programme 2009/10 - How the resources are to be spent



Some of the specific areas of capital investment are:

- Refurbishment & Improvement works to Older People & Children Services establishments and other Social Care Establishments;
- Telecare Equipment Purchase & an Integrated Community Equipment Service in collaboration with external Partnerships;
- Provision of Disabled Facility and Home Repair Assistance Grants. Providing grant aided works of Adaptation for disabled residents in their own homes and for the elderly which is a key element of the Council's community care strategy;
- Investment in educational establishments that eg Ynyshir and Williamstown.
- Continuing investment in recycling facilities;
- Local Roads and Infrastructure improvements;
- Actioning the Council's Property Strategy Review, in order to optimise site usage and reduce costs;
- The optimisation of external funding sources to maximise the benefit and impact of the Capital Programme;
- Support to local voluntary organisations and businesses through the various grant schemes made available by the Council (many of which are unique in Wales);
- The Delivery of Local and Physical Regeneration Funded Schemes, including Town Centre Development.

Delivery of Efficiency Gains at Rhondda Cynon Taf

The delivery of more efficient services continues to be a key part of the Council's Medium Term Financial Planning & Resources Strategy. **Delivering efficiency is not about reducing budgets or cutting back on services, it is about raising productivity and enhancing value for money.**

Efficiency can be both cash releasing (same outputs for reduced inputs/prices) and non-cash releasing (additional outputs for same inputs).

The Council's framework to support the development and delivery of efficiency gains was set up during 2005/06. The focus of this work is across five strategic areas, acknowledging that there are overlaps inevitably between these.

The strategic areas are:

- Base Budget Issues;
- Human Resources Issues;
- Business Development Issues (including the use of Business Process Re-engineering (BPR));
- Strategic Partnership Issues;
- Community Assets Issues.

The framework has continued to support the delivery of efficiency gains throughout 2008/09. The following table summarises the gains achieved in 2008/09 – categorised across four themes, as prescribed by the Welsh Assembly Government (WAG):

'Making The Connections' Theme	2008/09 Efficiency Gain £'000
Smarter Procurement	1,332
Streamlining Support Functions	570
Shaping Public Services	1,693
Making Better Use Of Staff Time, Skills & Expertise	476
Totals	4,071

The annual efficiency target set by WAG for this Council is £3.686m. The total actual gains recorded in 2008/09, has once again exceeded the annual target. There are many examples of notable practise by the Council in delivering efficiency gains. For example in 2008/09, actions included:

- Smarter external commissioning though negotiation for Social Care;
- Implementing a number of service restructures to support more efficient service provision
- Delivering further efficiencies in the purchase of goods and services through collaborative contract management arrangements;

The Council will continue to explore opportunities for greater efficiency. In many cases this means the Council changing the way services are delivered, always mindful that the ultimate aim is to provide better quality services to residents of Rhondda Cynon Taf.

Overall Summary of Position

The Council remains focused on maintaining its solid financial footing moving forward. The Council has been able to set a balanced budget for 2009/10 that will both support the enables the delivery its Improvement priorities and the aims set out in the Community Plan. The Council will continue to be fully focussed on planning over the medium term (the next 3 years) with the aim of further reinforcing long-term financial stability.

Disclosure Note – Significant Trading Activities

Introduction

In accordance with the Best Value Accounting Code Of Practice (BVACOP), this disclosure note identifies financial information in respect of those services, which are operated on a trading basis and are deemed to be 'significant' (whether by level of turnover generated and/or local significance for residents of the County Borough).

A number of key front line services, (e.g. Commercial Waste, Highways Maintenance etc.) are operated on a trading basis, whereby their income and expenditure are matched to identify whether a surplus or deficit is made on each activity. This provides an important measure of financial performance, which is central to our overall review of the value, cost and effectiveness of these services.

Trading Performance

The projected trading accounts for those services deemed significant are summarised in Table 1 (with a comparison of last year's results, which now reflect the year end figures following audit approval). The Trading Accounts for 2008/09 are projected to show an overall surplus of £0.270m (1.18% on turnover).

The reporting treatment of the activities detailed overleaf are in line with requirements of the BVACOP and consistent with the presentation in the Council's Statement of Accounts. A draft version of the Council's Statement of Accounts can be viewed at:

<http://www.rhondda-cynon-taf.gov.uk/stellent/groups/Public/documents/RelatedDocuments/021840.pdf>

For financial control purposes, 'Trading Activity' surpluses/deficits are contained within the 'controllable' budgets of Service Groups.

TABLE 1
SUMMARY OF TRADING PERFORMANCE 2008/2009

Audited Net (Surplus)/Loss 2007/2008 1 £000	Service Area	Gross Expenditure 2008/2009 £000	Gross Income 2008/2009 £000	Net (Surplus)/Loss 2008/2009 1 £000
(308)	Highways Maintenance	10,615	(10,094)	71
(49)	Building Cleaning	998	(1,050)	(52)
(43)	Education & Welfare Catering	8,639	(8,844)	(205)
53	Other Catering	169	(150)	19
13	Central Print Unit	881	(811)	70
(52)	Creative Design	896	(942)	(46)
(33)	Commercial Waste	742	(761)	(19)
(43)	Carelink	458	(566)	(108)
(376)	Net Total	22,948	(23,218)	(270)

FOOTNOTES

1. 'Audited Net (Surplus)/Loss 2007/08' & 'Net (Surplus)/Loss 2008/09' - The 2007/08 audited position together with the 2008/09 year-end closing position have both been re-stated to take account of the FRS 17 'Retirement Benefits' adjustment.