WARWICK DISTRICT COUNCIL	**EXECUTIVE – 18th April 2012**	**Agenda Item No.** **5**

Title	Fit for the Future Change Programme Update
For further information about this report please contact	Steve.Webb@warwickdc.gov.uk Andrew.Jones@warwickdc.gov.uk (01926) 456830
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	14 September 2012, minute 55.
Background Papers	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes/No
Included within the Forward Plan? (If yes include reference number)	Yes. Ref.375
Equality & Sustainability Impact Assessment Undertaken	No
These will be undertaken at project level rather than programme level.	

Officer/Councillor Approval	**Date**	**Name**
Deputy Chief Executive & Monitoring Officer	20th March 2012	Andrew Jones
Head of Service	28th March 2012	Susie Drummond
CMT	26th March 2012	Chris Elliott, Bill Hunt, Andrew Jones
Section 151 Officer	25th March 2012	Mike Snow
Portfolio Holder(s)	26th March 2012	Councillor Les Caborn
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/~~No~~
Suggested next steps (if not final decision please set out below) The Programme will continue until 2016/17, so it has been agreed that update reports to the Executive will be produced every six months.		

1 SUMMARY

1.1 To update the Executive on progress in achieving benefits from the Fit For the Future (FFF) Change Programme and seeks approval for changes to the Programme as well as agreement of the 2012/13 Service Area Plans and Portfolio Holder Statements.

1.2 The report includes details of how, as part of Fit for the Future, the Council intends to secure the revenue savings required so as to be able to continue to have a balanced budget for the future. In addition, the report suggests key projects and feasibility studies to be worked upon, using funding from the Council's reserves where necessary.

2 RECOMMENDATIONS

2.1 That Executive agrees that programme management of the Council's FFF change programme will be through the delivery of the Council's Service Area Plans (SAPs);

2.2 That Executive approves the 2012/13 SAPS for each Portfolio (Appendices 1 to 8);

2.3 That sections 1, 2, 3, 5 and 7 of each of the SAPs form the Portfolio Holder Statements (PHSs) and that these be approved as the priorities for each Portfolio for 2012/13;

2.4 That Executive approves the updated schedule of FFF key projects and feasibility studies (Appendix 9) including the indicative costs and delivery profile and notes that these have been factored into the development of the 2012/13 SAPs & PHSs;

2.5 That Executive approves the Locality Improvement Plans (Appendix 10) including the indicative costs and delivery profile and notes that these have been factored into the development of the 2012/13 SAPs & PHSs;

2.6 That Executive notes the impact on the Medium Term Financial Strategy (MTFS) as described in Sections 3.6 and 5 as a consequence of the Change Programme being revisited and updated;

2.7 That Executive notes the outcomes and lessons learned from the first full year of the FFF Change Programme as detailed at Section 3.7;

2.8 That Executive agrees that any potential external sources of funding, as set out in Section 5, will be pursued whenever possible and delegates authority to the Corporate Management Team, in consultation with the s151 Officer and the Portfolio Holders for Development and Finance to make bids for funding as appropriate;

2.9 That Executive agrees that the balance of £562,000 in the Spend to Save Reserve is transferred to the Service Transformation Reserve and that the Spend to Save Reserve is then closed and that the Chief Executive, in consultation with the S151 Officer, is authorised to spend up to £20,000 from the Service Transformation Reserve per project where a viable business case has been developed (see section 5.16).

3 REASONS FOR THE RECOMMENDATIONS

3.1 Recommendation 2.1

3.1.1 At its Executive meeting of 9th February 2011, Members agreed that Executive would have strategic responsibility for the FFF Programme making key decisions on scope, benefits and significant programme changes but delegating the day-to-day responsibility for the programme to the Council's Senior Management Team (SMT). The governance arrangements included a programme management role (Programme Support Officer post) that had responsibility for managing the programme, however, as part of the changes to the Corporate and Community Services staffing establishment, the Programme Support Officer post was removed as it was felt that a new approach to delivering the programme was required. Officers recognised that the programme governance arrangements were not delivering the programme's benefits as quickly as the Council required and that responsibility for delivery needed to be devolved to the Project Sponsors who also sit on the SMT.

3.1.2 Consequently, in an effort to streamline the governance and programme management arrangements, the Change Programme will be managed through the delivery of the Key Projects included in the respective SAPs. It will be the Head of Service's responsibility to deliver the programme of work in their SAP and so by extension the Council's Change Programme. Each of the Projects has clear milestones and the Shadow Portfolio Holders, through their monthly briefings, will be able to hold the Portfolio Holders to account. Executive will also receive a six monthly update and a year-end review of the SAPs allowing the Scrutiny Committees and Council to examine progress and raise any questions with the Leader and Deputy Leader who are the political sponsors of the programme. Progress against the anticipated financial benefits of the Programme will also be reported alongside the financial updates for this year's Budget and the MTFS.

3.2 Recommendation 2.2

3.2.1 At its meeting of 11th January 2012, Executive considered the latest financial projections for the Council. Whilst substantial savings had been made over the previous two financial years, unavoidable cost pressures and the general economic climate had led to a position where significant savings/increased income would need to be identified in time for the 2013/2014 budget-setting round. If the quantum of necessary savings/increased income was to be achieved without impacting services, it was recognised that the FFF Change Programme would need to be delivered at a much faster pace. It was at this point that a change in the approach to managing the Programme was agreed as being needed and an emphasis on the necessity of the Senior Management Team delivering the Change Programme through their day to day work. Consequently the Change Programme is now an integral part of the SAPs and Service Heads have designed the content of their respective 2012/13 SAPs to deliver the Change Programme.

3.3 Recommendation 2.3

3.3.1 The PHSs set out what Portfolio Holders have agreed with the Heads of Service as the Council's priorities. They can be used on a regular basis by Scrutiny Committees to hold Portfolio Holders to account for progress during the year and to enable Portfolio Holders to show how approaches and priorities have changed to take account of learning and contextual changes during the year. The PHSs therefore need to directly align with the SAPs but do not require the same level of detail. It is therefore proposed that the PHSs be derived directly from the following sections of each of the SAPs:

- Section 1: Name of Service / Portfolio
- Section 2: Purpose/Purposes of services provided
- Section 3: Customer Measures
- Section 5: Approved Budget for 2012/13
- Section 7: Key Projects – Key Milestones

3.4 **Recommendation 2.4**

3.4.1 FFF was approved by Council in October 2010 and contains a number of key Corporate Projects. As part of the review of the FFF Change Programme, officers have revisited those projects and updated the indicative cost and delivery profile. Any officer resource requirements for 2012/13 have been factored into the SAPs. It is recognised that some of the projects will require business cases to be put to Executive or Council before financial resources can be made available and there will therefore be the appropriate time to thoroughly investigate the soundness of a proposal.

3.4.2 The full schedule of key Corporate Projects is shown at Appendix 9 and the indicative costs and opportunities for funding are described at section 5.

3.5 **Recommendation 2.5**

3.5.1 Upon being elected in May 2011, the Executive tasked the Corporate Management Team (CMT) with developing a programme of improvement work for the Towns and the Parishes. Appendix 10 provides a full breakdown of the projects which make-up the Locality Improvement Plans. It is recognised that the improvements will need to take place over more than one year and therefore officers have developed a programme that balances aspirations against officer resource and potential funding. Where work is to be started in financial year 2012/13, this has been factored into the development of the forthcoming year's SAPs.

3.5.2 The indicative costs and opportunities for funding are described at section 5.

3.5.3 Members may feel that a project for improving our localities has been missed. There will be an opportunity to revise the programme should Executive consider this to be the case. As with the key Corporate Projects, where funding is required, a business case will need to be put to Executive or Council.

3.6 **Recommendation 2.6**

3.6.1 As part of the review of the FFF Change Programme, Service Heads revisited their individual service projects to undertake a *reality-check* on the various service initiatives that were to be undertaken. This work has taken a close look at financial years 2012/2013 & 2013/2014 with further work still to be done on the remaining three years of the Change Programme. Table 1 below details the savings that each of the Heads of Service reasonably expects can be realised over the next two financial years without an impact on service delivery. Unlike the current approach to the Change Programme, for the purpose of reporting to Members, the financial benefits have not been broken down project by project but a headline savings figure has been determined for each Service Area. It will be the responsibility of the Service Head to discuss any divergence from the agreed work programme with their respective Deputy Chief Executive so that any corrective actions can be agreed.

3.6.2 Some of the projects in the SAPs will require Service Transformation Reserve (STR) funding to deliver the project. This Reserve was established specifically for that purpose. So that Members are clear about the likely demand on that Reserve over the next two years, indicative figures have been included in Table 1. Each request for STR funding will need to be considered by Executive on a business case basis. The first of these requests, in respect of funding for a proposed stock condition survey of the Council's operational property portfolio, is presented elsewhere on the Executive agenda.

Table 1

Service Area Savings (Projects are detailed in the respective SAPs)	**Ongoing savings 2012/13 (£000's)**	**Ongoing savings 2013/14 (£000's)**	**Anticipated Service Transformation Requirements 12/13 & 13/14 (£000's)**
Corporate and Community Services	157	4	250
Finance	80	80	
Neighbourhood Services	105	140	
Cultural Services		130	120
Chief Executive's Office	20	20	
Community Protection	10	10	
Development Services (NB includes Building Control)	70	330	115
Environmental Services		60	
Housing & Property Services (GF element)		60	80
TOTAL	**442**	**834**	**565**
Housing& Property Services (HRA element)		30	

3.6.3 The anticipated savings/increased income detailed in Table 1 above have now been factored into the MTFS and are discussed at section 5.

3.6.4 At this point it is not considered sensible to include any savings for financial year 2014/2015 onwards. It is anticipated that the picture will be clearer for the 2013/2014 budget setting process.

3.7 **Recommendation 2.7**

3.7.1 Members will be aware that the FFF Change Programme has three categories of benefits viz Customer, Financial and Leadership and Organisational. A future report will be brought to the Executive detailing progress against the Customer and Operational Measures in Service Area Plans for 2011/12 but a number of key learning points from 2011/12 have been taken into account in preparing plans for 2012/13.

3.7.2 With regard to Financial and Leadership and Organisational benefits, progress can be summarised as follows:

3.7.3 **Financial Benefits**

- The Programme has achieved savings of £600,000 to date (£300,000 in both 2010/11 and 2011/12). Changes already in place will produce a further £130,000 saving in 2012/13;
- In 2010 the Programme was designed to achieve £2.8million of savings by 2015/16. Despite the Programme producing almost 25% of those savings changes to the external environment and economy mean that the Council still has to save a further £2.8million by 2016/17.

3.7.4 **Leadership and Organisational Benefits**

- An increasing number of staff are able to successfully deploy the Council's Systems Thinking Principles. This is benefiting policy development as well as individual projects;
- Teams are increasingly monitoring service performance against measures they have defined themselves rather than using a set of National Indicators;
- The Council's workforce strategy has resulted in a stable level of staff turnover, very low levels of redundancy and a number of staff being reassigned from the redeployment pool.

3.7.5 There have also been a number of important lessons learned through the course of the year. The Programme Board (Senior Management Team) has assessed these as part of the Service Planning and can be summarised as follows:

- Programme composition –The distinction between the Change Programme and other Fit for the Future work created some management inefficiencies. The original composition blurred some aspects of 'business as usual' with service change projects;
- Project delivery – It is accepted that the overall pace of delivery has not been fast enough. Delivery has been most effective where project management techniques have been employed. The impact to date has not been too detrimental, but this will become problematic unless the pace of progress improves;
- Project resourcing – some projects have struggled to make progress when competing for time with officer's operational responsibilities or other key projects. Also relevant is that the staffing establishment (measured in full time equivalents) has reduced by almost 6% since 2010;
- Procurement Savings – The corporate procurement savings budget proved not to be the most effective way of securing and monitoring procurement savings. It created non-productive work for the Procurement Team and did

not encompass savings from good contract management or service efficiencies.

3.7.6 To help ensure these issues do not arise on the revised Programme a number of changes have been introduced:

i. The Improvement and Performance has been re-structured to increase its capacity to provide systems thinking and project management expertise.
ii. Projects of each type (Service Change, Key Projects or Locality Improvement) will be managed as one Programme. Service Area Plans have been peer reviewed to ensure they only contain projects which can be realistically delivered.
iii. A small number of new projects have been identified which are likely to need additional resources to deliver successfully. Business cases are being prepared and future bids will be made for funding from the Service Transformation Reserve.
iv. Senior managers are alert to the potential of resilience issues arising from the overall reduction in staff numbers. For example, measures of staff absence and disciplinary matters are being monitored more closely.
v. From 2012/13 procurement savings will be controlled and monitored at Service Area level, though the Procurement Team will continue to work with teams to maximise the benefits from the procurement process.

3.8 **Recommendation 2.8**

3.8.1 A number of potential external sources of funding exist at sub-regional, national and European level and it is recommended that Executive should adopt a general principle of making bids for such funding whenever appropriate, to maximise the financial resources available to deliver the FFF programme. A full list of the potential sources of external funding is set out in Section 5.

3.8.2 Most of these external funding sources operate defined bidding 'rounds' and a number of these are due to close between April and June. Delegated authority is therefore requested to ensure that, if officers consider it is possible and appropriate to make a bid, this can be progressed to ensure the relevant deadlines can be met.

3.9 **Recommendation 2.9**

3.9.1 The final recommendation relates to a proposal to consolidate the existing reserves available to deliver the programme and is explored in detail in paragraph 5.16.

4 POLICY FRAMEWORK

4.1 The FFF policy framework was approved by Council in October 2010. It was produced to enable the council to meet the challenges of decreasing finances, increasing expectations and increasing/changing demand. In February 2011 Council approved that a FFF Change Programme was established to manage the organisational and service improvements.

5 BUDGETARY FRAMEWORK

5.1 Within the Budget Report presented to Members in February 2012, the following savings requirements on the General Fund over the next five years were included:-

Table 2

Year	Additional Recurring Savings to be found each year £'000's	Forecast Cumulative Deficit as at February 2012 £'000's
2012/13	334	334
2013/14	1,144	1,478
2014/15	381	1,859
2015/16	589	2,448
2016/17	89	2,537

The following changes are now proposed to be included in the projections:-

5.2 Officers have been giving further consideration to the Clarendon Arcade scheme following the refusal of the planning application last autumn. The scheme is currently being re-appraised to take into account the reasons for the Planning Committee's decision, and also the current economic climate. Accordingly, it is possible that if a scheme is to progress, the Council may have to forego some or all of the ground rent. Whilst the precise details are still being considered, and will be subject to a future report to the Executive, £300,000 reduced income is proposed to be factored into the financial projections.

5.3 The Budget Report in February included the proposal for the Chief Executive to enter into discussions with the unions so as to agree a local pay agreement. If a local pay agreement is agreed on the principles included in the February Report, it should be possible to reduce the future annual salary bill by £1.1m for the General Fund. To enable this to be achieved it will require funding from the Service Transformation Reserve estimated at £1.7m on a one-off basis.

5.4 The Medium Term Financial Projections allow for Council Tax increases of 3.45% for 2013/14 and 2014/15, and 2.5% thereafter. If the 3.45% increase is allowed for within the projections for a further two years, this will generate an additional £80,000 in 2015/16 and £160,000 thereafter.

5.5 The estimates include provision for 2% inflation for all budgets from 2013/14. In addition, a recurring general inflation provision of £50,000 has been included for each year. It should be possible to remove the future years' inflation budget from all miscellaneous expenditure budgets (i.e. excluding major contracts, fees and charges and pay). This is estimated to result in budget savings of approximately £100,000 per annum, although the precise figure will require greater analysis.

5.6 As detailed in a previous report to the Executive, the Government is proposing to make changes to enable council tax discounts to be altered on certain classes of dwelling, giving local authorities autonomy to agree these locally from 2013/14. Subject to the Council agreeing to these proposals at a future date, it is possible that the Council may generate at least £50,000 additional income for the District.

5.7 The Waste Collection/Recycling Budget includes provision for £120,000 towards the provision of new bins and containers each year. It is possible to capitalise on these acquisitions, and so fund them from the Capital Investment Reserve in place of annual revenue funding.

5.8 The General Fund currently makes an annual contribution to the Capital Investment Reserve of £165,000 towards new capital projects and rolling programme items. It is possible for the General Fund to cease making these contributions to the CIR. Taken with the proposal above to charge the cost of bin replacements to this reserve, this will reduce the balance on the CIR by £1.1m by March 2017 to £1.7m (excluding the £1.2m set aside in this reserve for any investment required as a result of the Leamington Asset Review). This is below the £2m notional minimum balance ascribed to this reserve in the event of any major event that may require unplanned capital expenditure, and assumes the capital receipts in respect of the Old Art Gallery (Leamington) and 21 Church Street (Warwick). However, Members should note section 5.17 below in respect of New Homes Bonus.

5.9 Further savings are proposed to come out of Service Area Plans as shown in Table 1 above. These are estimated as follows:-

2012/13	£442,000
2013/14	£834,000
2014/15	£20,000
Total	£1,240,000

5.10 Assuming all these savings are made, the Council should be able to reduce the projected shortfall in its budget over the next 5 years to a surplus of around £0.5m as shown in Table 3 below:-

Table 3

	2012/13 £'000	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
Additional Savings to be found each year	334	1,144	381	589	89
Clarendon Arcade (Reduced income)			-300		
Corporate Savings					
Pay Agreement		280	280	280	280
Increase Council Tax				80	80
0% inflation provision		100	100	100	100
Tax base changes		50	0	0	0
Capitalisation of bins		120	0	0	0
Reduce transfer to CIR		165	0	0	0
Service Savings (Table 1)	442	834	20		
Potential net savings	**442**	**1,549**	**400**	**460**	**460**
Potential Surplus + /Deficit - carried forward	**108**	**513**	**232**	**103**	**474**

5.11 The anticipated savings/increased income above have now been factored into the Medium Term Financial Projections so presenting the surpluses shown at the end of Table 3. It is likely that the actual level of savings will vary to those assumed above. The table below provides a sensitivity analysis showing +/- 10, 20 & 30% impact on the Projections.
Table 4

Potential Surplus + /Deficit - carried forward	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Variance to Assumed savings:-					
-30%	-25	-84	-395	-662	-429
-20%	20	115	-186	-407	-128
-10%	64	314	23	-152	173
10%	152	712	441	358	775
20%	196	911	650	613	1,076
30%	241	1,110	859	868	1,377

It will be noted that if the savings levels are above those assumed in the MTFS, the Council will be in a strong financial position. However, if the savings are 20% or more below the levels assumed, then the Council will continue to be facing a deficit and will need to secure additional savings.

5.12 In making these changes to the Council's projections there are undoubtedly risks. These risks may be summarised as being:-

- Further work and discussions prove that the savings proposed are not achievable. Some of the savings will not be under the officers' direct control.
- The Local Pay Award proposal is not agreed, so reducing the saving proposed by over £1.1m.
- The assumptions within the Medium Term Financial Projections prove to be too optimistic, resulting in reduced income from Business Rates Retention scheme (currently Revenue Support Grant) or other external funding.
- In making the savings the quality of services reduces.
- In reducing contributions to the Capital Investment Reserve, and increasing the sums to be charged to this reserve, the Council has reduced funding in the event of a needing unplanned major capital expenditure.
- Other external factors that impact upon the Council's finances, thereby reducing the income below the levels projected in the Strategy, or increasing expenditure.
- The identified Service Area savings are on top of the procurement savings that are to be controlled at service level (as discussed in paragraph 3.7.4(v)), so increasing the level of savings that service areas are expected to achieve.
- From 2013/14 the Revenue Support Grant is replaced by the Business Rates Retention scheme. It is not possible at present to predict what the impact of the scheme will be on the Council's finances.
- The Chancellor has indicated that there will be further downward pressure on local government spending through years 2015/16 & 2016/17. Few details are known at present and the link to the Business Rates Retention scheme means the whole picture is unclear.

5.13 **Key Projects, Studies and Locality Plans**

Appendices 9 & 10 detail all the proposed key projects, studies and locality plans as discussed in paragraphs 3.4 & 3.5. The proposed funding for these projects is shown below:-

Table 5

	Required funding
	£000
Contingency	45
Capital Investment Reserve	3,714
Service Transformation Reserve	495
Total	**4,254**

These figures exclude the potential full costs of schemes referred to in the right hand columns of Appendices 9 & 10. As each project becomes firmer, then reports will be brought to Executive for the release of funding, however, it is considered essential that Executive should have a clear understanding of both the programme of work and the cost implications enabling it to identify priorities as well as any projects it did not wish to take forward. Officers recognise that further work is required on the financial year profile of this work.

5.14 The funding available towards the key projects and studies may be able to come from the following sources:-

- Capital Investment Reserve
- Service Transformation Reserve
- Spend to Save Reserve
- New Homes Bonus
- Contingency Budget
- External funding: Regional Growth Fund, Growing Places Fund, European Regional Development Fund

5.15 **Capital Investment Reserve**

After the changes proposed within paragraphs 5.7 and 5.8, the Capital Investment Reserve would have an unallocated balance of £1.7m (excluding the £1.2m set aside for any investment required as a result of the Leamington Asset Review, which is not discussed within this report). This reserve does not have sufficient provision to fund all the proposed schemes within Appendices 9 & 10, allow for any costs coming out of the Leamington Asset Review and still retain an adequate balance for any unforeseen contingencies. Also, these figures assume the capital receipts for the Old Art Gallery and 21 Church Street, both of which are not expected until sometime later in the year. However, Members should note 5.17 below as a potential source of funding.

5.16 **Service Transformation Reserve**

After funding the proposed local pay agreement (paragraph 5.3), the unallocated balance on this reserve would be £595,000. The projects proposed to be funded from the Services Transformation Reserve total £565,000 (£480,000 2012/13 and £85,000 2013/14). This will leave £30,000 balance unallocated. Whilst the balance on this reserve will be greatly depleted (subject to the items discussed later in paragraph 5.17 and 5.18), with the local pay agreement and other FFF projects, it will have enabled recurring savings to be made from the recurring revenue budget as shown in Table 3.

5.17 **Spend to Save Reserve**

The Spend to Save Reserve has an unallocated balance of £562,000. As there is no clear distinction between when this reserve should be used in place of the Service Transformation Reserve, it is recommended that the balance on this reserve is transferred to the Service Transformation Reserve. Alongside this, it is also recommended that the current delegation to the Chief Executive to agree funding from the Spend to Save Reserve up to £20,000 is applied to the Service Transformation Reserve.

5.18 **New Homes Bonus**

For 2011/12 the Council received New Homes Bonus (NHB) of £292,000 and is receiving £818,000 (£526,000 for 2012/13 + £292,000 as the second year out of six of 2011/12 allocation) for 2012/13. These amounts have been agreed to be allocated to the Service Transformation Reserve, and are reflected within the figures discussed in paragraph 5.15. Further NHB is expected in future years as advised to Members in earlier reports. As this funding is due to be time limited, it is not advisable to include it to fund core services. Assuming there are no changes to the NHB scheme in future years, then based on the 2011/12 and 2012/13 allocations, £3.8m of NHB will be generated over the next 5 years. Alongside this, further growth in property numbers in the next few years should generate at least similar additional amounts. Assuming the Council is able to continue to set a balanced revenue budget whilst providing the current level of service, this NHB funding will be available to replenish the reserves and to invest in the initiatives identified in Appendices 9 & 10.

5.19 **Contingency Budget**

The 2012/13 Budget includes an unallocated Contingency Budget of £285,000. This is a one off budget. Within Appendix 9 three projects totalling £45,000 are proposed to be funded from the Contingency Budget and are on this Agenda.

5.20 **Growing Places Fund**

A number of potential external funding opportunities exist. The first of these is available at sub-regional level as the Coventry & Warwickshire Local Enterprise Partnership has been awarded an allocation from the national Growing Places Fund. This is an 'evergreen' fund that would provide loans rather than grants for infrastructure and new build projects but these would be at market tested competitive interest rates for the private sector (avoiding any State Aid issues) and at nil interest for local authorities.

5.21 **Regional Growth Fund (RGF)**

The Regional Growth Fund is administered at national level and is designed for major infrastructure and employment creation schemes. Early indications are that the projects included within this report are unlikely to be of sufficient scale to qualify for this type of funding unless they formed part of a larger private sector led regeneration scheme. Nonetheless officers will continue to explore the potential to bid for RGF monies.

5.22 **European Regional Development Fund (ERDF)**

Officers are also investigating the potential to obtain European funding in relation to any of the proposed projects. ERDF allocations are targeted to areas of relative deprivation and Leamington with 3 super output areas within the top 30% most deprived nationally might be eligible for consideration for funding from this source. Current interest is focussed on the Spencer Yard scheme where the potential to bid for funding for the business centre element of the original scheme is currently being investigated.

5.23 **Budget Monitoring Process**

Over the last two years a review of Financial Management has been on-going. This has included looking at the budget monitoring process. For 2012/13 various changes are being introduced, these include:-

- The monthly budget monitoring process to be termed Budget Review. This will be more embracing, encouraging Budget Managers and Accountants to look far broader than the spend against budget, considering all aspects that may impact upon current and future spend.
- There will be greater emphasis on adjusting budgets throughout the year rather than awaiting the Revised Estimates in December.
- The Revised Estimates process will thereby cease, although the Base Estimates will need to continue. However, with the Budget Reviews being more forward thinking throughout the year, this should not present such a concentrated process.

Following on from these changes, it will be necessary to review some of the requirements within the Code of Financial Practice. It is intended to report the proposed changes to Members in the summer.

5.24 **Procurement Savings**

For the last two years the Council's budget has included a Budget for Procurement Savings to be secured. This has been a central budget intended to receive the benefit of procurement savings secured across all services. Whilst undoubtedly a lot of procurement savings have been secured, these have not always been easy to identify at the time. Reasons for this include:-

- Some contracts are "call off" contracts. Here it is not always easy to specify in advance what the actual spend will be. Hence, it is not easy to specify the savings.
- Many budget managers often only recognise a procurement saving as occurring when going out to tender. As procurement is about the whole life cycle of managing contracts, the savings should not be so restrictive.

As a result of these problems, much waste has been created in trying to identify these savings. Accordingly the Senior Management Team proposes that the 2012/13 procurement savings budget should be broken down over Service Areas. This will present each Service Area with a savings target to be achieved from the management of its contracts and purchase and work is currently ongoing to identify realistic targets for each of the Service Areas. Any impact on the Medium Term Financial Strategy as a result of this exercise will be reported to Members in a future report.

6 ALTERNATIVE OPTION(S) CONSIDERED

6.1 There is the option of continuing with a Change Programme and Service Area Plans and key Corporate Projects all running separately. However, it is felt the revised governance arrangement will provide the right balance between having a consistent approach to achieving benefits and enabling Service Area Managers to lead their projects.