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Jeff Hughes
*Head of Democratic and Legal
Support Services*

MEETING : CORPORATE BUSINESS SCRUTINY COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 14 JULY 2015
TIME : 7.00 PM

MEMBERS OF THE COMMITTEE

Councillors P Phillips (Chairman), M Allen, R Brunton, S Bull, J Cartwright, M Casey, R Henson, M Pope (Vice-Chairman), M Stevenson and J Wyllie

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1. A Member, present at a meeting of the Authority, or any committee, sub-committee, joint committee or joint sub-committee of the Authority, with a Disclosable Pecuniary Interest (DPI) in any matter to be considered or being considered at a meeting:
 - must not participate in any discussion of the matter at the meeting;
 - must not participate in any vote taken on the matter at the meeting;
 - must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;
 - if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;
 - must leave the room while any discussion or voting takes place.

2. A DPI is an interest of a Member or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife, or a person with whom they are living as if they were civil partners) within the descriptions as defined in the Localism Act 2011.

3. The Authority may grant a Member dispensation, but only in limited circumstances, to enable him/her to participate and vote on a matter in which they have a DPI.

4. It is a criminal offence to:

- fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register;
- fail to notify the Monitoring Officer, within 28 days, of a DPI that is not on the register that a Member disclosed to a meeting;
- participate in any discussion or vote on a matter in which a Member has a DPI;
- knowingly or recklessly provide information that is false or misleading in notifying the Monitoring Officer of a DPI or in disclosing such interest to a meeting.

(Note: The criminal penalties available to a court are to impose a fine not exceeding level 5 on the standard scale and disqualification from being a councillor for up to 5 years.)

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AGENDA

1. Apologies

To receive apologies for absence.

2. Minutes - 26 May 2015 (Pages 5 - 14)

To confirm the Minutes of the meeting of the Committee held on Tuesday 26 May 2015.

3. Chairman's Announcements

4. Declarations of Interest

To receive any Member(s)' Declaration(s) of Interest and Party Whip arrangements.

5. 2015/16 Work Programme (Pages 15 - 22)

6. Corporate Strategic Plan 2016/17 – 2019/20 – The Process (Pages 23 - 28)

7. Financial Strategy and Medium Term Financial Strategy (2016/17 to 2019/20) (Pages 29 - 52)

8. Implementing the Customer Service Strategy (Pages 53 - 76)

9. Data Protection Annual Review (Pages 77 - 98)

10. Council Tax Reduction Scheme 2016/17 (Pages 99 - 114)

11. Urgent Business

To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.

MINUTES OF A MEETING OF THE
CORPORATE BUSINESS SCRUTINY
COMMITTEE HELD IN THE COUNCIL
CHAMBER, WALLFIELDS, HERTFORD ON
TUESDAY 26 MAY 2015, AT 7.00 PM

PRESENT: Councillor P Phillips (Chairman).
Councillors M Allen, R Brunton, S Bull,
J Cartwright, M Casey, R Henson, M Pope,
M Stevenson and J Wyllie.

ALSO PRESENT:

Councillors A Alder, K Brush, L Haysey,
P Ruffles, K Warnell and G Williamson.

OFFICERS IN ATTENDANCE:

Ryan Brock	- NGDP Graduate Trainee
Marian Langley	- Scrutiny Officer
Peter Mannings	- Democratic Services Officer
Alasdair McWilliams	- Information and Digital Media Manager
Ceri Pettit	- Corporate Planning and Performance Manager
Neil Sloper	- Head of Information, Customer and Parking Services
Adele Taylor	- Director of Finance and Support Services
Ben Wood	- Head of Business Development

22 APPOINTMENT OF VICE-CHAIRMAN

It was proposed by Councillor J Wyllie and seconded by Councillor S Bull that Councillor M Pope be appointed Vice-Chairman of the Corporate Business Scrutiny Committee for the 2015/16 civic year.

After being put to the meeting and a vote taken, Councillor M Pope was appointed Vice-Chairman of the Corporate Business Scrutiny Committee for the 2015/16 civic year.

RESOLVED – that Councillor M Pope be appointed Vice-Chairman of the Corporate Business Scrutiny Committee for the 2015/16 civic year.

23 MINUTES – 17 MARCH 2015

RESOLVED – that the Minutes of the meeting held on 17 March 2015 be confirmed as a correct record and signed by the Chairman.

24 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Members and Officers to the first meeting of the Committee in the 2015/16 civic year. He encouraged Members to ask questions of Officers regarding anything they were unsure about.

25 2015/16 WORK PROGRAMME

The Chairman submitted a report setting out the Committee's future work programme for 2015/16. The Scrutiny Officer advised that the work programme was similar to the one that had been in place at the end of the 2014/15 civic year and the programme was subject to confirmation by the new Committee.

The Chairman commented on why the Customer Services Strategy project plan had been delayed by two months to

the July 2015 meeting of the Committee. The Head of Information, Customer and Parking Services advised that it was important for the new portfolio holder to be fully briefed on the new Strategy before bringing it before Members. He stated that the new Strategy would be more evidence based and would align more closely to the Council's considerable investment in business development.

The Chairman advised that the Committee could move items onto the work programme so that Members were setting the agenda for the scrutiny work of the Committee. He encouraged Members to come forward with ideas for topics and issues for scrutiny.

The Scrutiny Officer confirmed that the two items in red in the work programme would be brought forward to the July meeting instead of the August meeting. She reminded Members that the Director of Finance and Support Services would deliver induction training regarding the sources of Local Government Finance at 5.30 pm prior to the July meeting.

The Scrutiny Officer also reminded Members that scrutiny training was scheduled for 30 June 2015 once all of the Scrutiny Committees had met once. The Committee approved the 2015/16 work programme, as now detailed.

RESOLVED – that the work programme, as now detailed, be approved.

26 DATA PROTECTION – GOVERNANCE TRAINING

The Head of Information, Customer and Parking Services delivered a brief training presentation to introduce the issue of Data Protection Governance. He set out the role of scrutiny and provided a definition of Scrutiny and Governance. He then advised that Members would break out into 3 groups to discuss Governance, the Committee Member role and the Ward Member role with reference to the appropriate data protection issues that might be

encountered.

The Director of Finance and Support Services summarised the discussions in respect of data protection and governance. The Head of Information, Customer and Parking Services provided a summary of the discussions in respect of data protection and the Committee Member role. Finally, the Information and Digital Media Manager summarised the discussion had by Members relating to data protection and the role of the Ward Member.

Officers responded to a few brief questions that were asked by Members. The Committee received the presentation and the training.

RESOLVED – that the presentation and the training be received.

27 REVIEW OF COMMENTS, COMPLIMENTS AND COMPLAINTS (3CS) 2014/15

The Head of Information, Customer and Parking Services submitted the annual report summarising the comments, compliments and complaints (3Cs) received by the Council between April 2014 and March 2015. The report highlighted the key issues, remedial action and learning arising from the 3Cs. The report also presented actions in respect of 3Cs for 2015/16.

Members were advised that the Council had received a very low level of formal complaints with 95 recorded in 2014/15. The Committee considered this figure in the context of the 250,000 telephone calls that Customer Services had received during this period.

The Head of Information, Customer and Parking Services advised that the number of Stage 2 complaints was also low and the Council's customers had a clear preference for raising complaints in writing with e-mail use continuing to increase as the main source of complaints. The Authority no longer provided printed complaint forms due

to a lack of demand although customers could print the form from the Council's website.

The Committee was advised that details of corrective and improvement action could be found in Essential Reference Paper 'C' of the report submitted. Members were further advised that 6 complaints had been raised with the Local Government Ombudsman (LGO) regarding East Herts Council and of these, only one complaint had been investigated and the Council was found not to be at fault.

Councillor J Wyllie stressed that the Authority must cater for customers who had no access to a computer and e-mail. He referred to the stage 2 complaint regarding the false statement made by an East Herts Council Press Officer. He stressed that such statements should never be allowed to be issued. The Director of Finance and Support Services undertook to pick up this matter with Corporate Management Team (CMT). She also undertook to provide details of the process through which press releases are signed off by senior officers, in the Members Information Bulletin (MIB).

Councillor K Brush commented on how comments, compliments and complaints were captured via twitter and other forms of social media. The Head of Information Customer and Parking Services advised that if Communications became aware of a compliment, comment or complaint on social media all further interaction on that issue was switched to a more appropriate medium such as e-mail. The Committee received the report.

RESOLVED – that the report and actions in respect of 'Comments, Compliments and Complaints' be received.

28 PERFORMANCE INDICATOR OUTTURNS 2014/15

The Leader of the Council and the Director of Finance

and Support Services submitted a report that detailed the performance information based upon all the indicators that were monitored by the Authority. The purpose of the report was to inform Members of the performance outturns for 2014/15.

The Head of Business Development advised that the Authority utilised priorities, actions and performance indicators to measure progress and report to Scrutiny and make recommendations to the Executive.

The Corporate Planning and Performance Manager referred Members to paragraph 2.1 for the red, amber and green (RAG) status analysis in respect of the 63 East Herts Performance Indicators (EHPIs) for 2014/15. Page 41 of the report set out the reasons why a number of EHPIs were off target and more detailed feedback would be reported to Scrutiny via the regular health check reports.

Members were advised that there were 11 indicators for 2014/15 that did not currently have targets as they were either new or were trend only measures. The Committee was advised that performance for 13 indicators had improved. However, 13 indicators showed a decline in performance when compared to the previous year, although most of these were still performing in the green category.

The Corporate Planning and Performance Manager concluded that targets were generally being met. However, the direction of travel showed there were a number of indicators which had a long term declining trend which could put them at risk of being off target in the future. Members were referred to Essential Reference Papers 'C' and 'D' of the report submitted for data quality spot check information and benchmarking data.

In response to comments from Councillor J Wyllie regarding EHPI 64, the Director of Finance and Support Services referred to the potential positive impact on the

New Homes Bonus of returning vacant dwellings to occupation. She undertook to reissue an article on that topic that had been circulated via the MIB towards the end of 2014/15 civic year.

The Director undertook to make the Director of Neighbourhood Services and the Executive Member for Development Management and Council Support aware of the views of Corporate Business Scrutiny regarding the percentages of affordable housing currently being included in planning applications. The Director advised caution in that planning applications were determined by the Development Management Committee and it was not within the remit of this Scrutiny Committee to question those decisions.

Councillor M Pope expressed concerns regarding EHPI 181 and the outturn performance. The Director reminded Members that the 2014/15 target was 10 days and the outturn had been achieved based on the time taken to process housing benefit new claims and change events. Members were advised that this was calendar days so weekends and bank holidays reduced the time available for the Officer response.

The Director emphasised that there had been a significant increase in resources to cope with the significant increase in workload. The number of times Officers were being contacted per case was increasing as was the number of times each claimant was contacting Officers due to a change in their circumstances.

The Committee received the report.

RESOLVED – that the 2014/15 Performance Indicator Outturns report be received.

29 SERVICE PLAN MONITORING: OCTOBER 2014 – MARCH 2015

The Director of Finance and Support Services submitted

a report in respect of the Council's performance in 2014/15 against the actions and objectives set out at the start of the financial year. The report also monitored the status of all outstanding actions from 2013/14 and 2012/13.

Members were referred to paragraph 2.1 of the report for a detailed analysis of the 2014/15 service plans. The Committee was advised that paragraph 2.3 set out the key reasons why 11 service plan actions had revised completion dates. Paragraphs 2.5 to 2.7 set out a detailed analysis of the 2013/14 service plan actions and the 2012/13 service plan actions were covered by paragraph 2.8.

Members were advised that an overview of all Council achievements by Corporate Priority for 2014/15 was detailed in Essential Reference Paper 'B' and Essential Reference Paper 'C' detailed the 2012/13 and 2014/15 Service Plan actions that had been deleted or were either on target or where completion dates had been revised.

The Committee was reminded that the 4 year Corporate Strategic Plan and the Medium Term Financial Strategy would pull together the full annual position for 2014/15 when these reports were submitted to the meeting of the Committee on 14 July 2015.

Councillor S Bull commented on whether the '3G' all weather football pitches implemented in Hertford could also be considered for Bishop's Stortford and Buntingford as there was insufficient provision in both towns. The Director of Finance and Support Services advised that a new service plan target had been set to consider the East Herts leisure provision across the whole District. Members were advised that a review would be considered by Community Scrutiny Committee in due course.

Councillor Bull commented on whether the Authority should consider a policy of banning dogs from East Herts

recreation grounds due to the worsening problem of dog fouling. The Director and the Scrutiny Officer undertook to secure a written response from the Head of Environmental Services. Members were reminded that any policy change might have to be considered by Environment Scrutiny Committee in the light of provisions within the new Anti-Social Behaviour, Crime and Policing Act as well as developing case law.

The Committee received the report.

RESOLVED – that the progress against the Council’s priorities and the revised completion dates and deletions against the 2014/15 Service Plan actions and 2013/14 and 2012/13 Service Plan actions be received.

The meeting closed at 8.58 pm

Chairman
Date

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EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 14 JULY 2015

REPORT BY CHAIRMAN OF CORPORATE BUSINESS SCRUTINY COMMITTEE

SCRUTINY WORK PROGRAMME

WARD(S) AFFECTED: ALL

Purpose/Summary of Report:

- To review and determine Corporate Business Scrutiny (CBS) Committee's future work programme.

<u>RECOMMENDATION FOR DECISION: That</u>	
(A)	the work programme detailed in this report be agreed.

1.0 Background

1.1 Items previously required, identified or suggested for the CBS Work Programme are set out in **Essential Reference Paper 'B'**.

2.0 Report

2.1 The draft agenda for 2015/16 meetings of Corporate Business Scrutiny Committee is shown in **Essential Reference Paper 'B'**. The timing of some items shown may have to change depending on availability of essential data (eg from central government).

2.2 Members will notice that there has been one change to the previous draft agenda. The full report on the '4 year Corporate Strategic Plan (2016/17 to 2019/20)' has been re-scheduled for the autumn meeting (24 November 2015) to fit in with the revised approach of the new administration. The detail around the changes and the new timeline is presented to Members in a separate report which follows on this meeting agenda.

2.3 Members are asked whether there is any additional topic they wish to put forward for inclusion on any future agenda.

2.4 Members are also asked whether they wish to extend an invitation to one or more of the Executive members to attend a particular meeting or for a specific agenda item.

2.5 In the absence of any new substantive items coming forward for scrutiny in August, CBS are invited to confirm the inclusion of a training session onto their agenda to help with financial decision making '*Questions to ask when making the business case*'.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None.

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Contact Officer: Jeff Hughes – Head of Democratic and Legal Support Services, Extn2170.
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Report Author: Marian Langley – Scrutiny Officer, Extn: 1612.
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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS:

<p>Contribution to the Council's Corporate Priorities/ Objectives</p> <p>(2015/16wording)</p>	<p>People – Fair and accessible services for those that use them and opportunities for everyone to contribute. This priority focuses on enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</p> <p>Place – Safe and Clean. This priority focuses on the standards of the built environment and our neighbourhoods and ensuring our towns and villages are safe and clean.</p> <p>Prosperity – Improving the economic and social opportunities available to our communities This priority focuses on safeguarding and enhancing our unique mix of rural and urban communities, promoting sustainable, economic opportunities.</p> <p>Effective use of the scrutiny process contributes to the Council's ability to meet one or more of its corporate objectives.</p>
<p>Consultation:</p>	<p>Potential topics for scrutiny are always invited from the Executive and all Members and the public are asked through an annual item in the 'council tax' edition of LINK magazine which is delivered to every household. Members of each scrutiny committee (and the HWP) are consulted at every meeting as their work programme is a standing item on the agenda.</p>
<p>Legal:</p>	<p>According to the Council's constitution, the scrutiny committees are responsible for the setting of their own work programme in consultation with the Executive and in doing so they shall take into account wishes of members on that committee who are not members of the largest political group on the Council.</p>
<p>Financial:</p>	<p>Any additional meetings and every task and finish group has resource needs linked to officer support activity and time for officers from the services to make the required input.</p>
<p>Human Resource:</p>	<p>None.</p>

<p>Risk Management:</p>	<p>Matters which may benefit from scrutiny may be overlooked. The selection of inappropriate topics for review would risk inefficient use of resources. Where this involved partners, it could risk damaging the reputation of the council and relations with partners.</p>
<p>Health and wellbeing – issues and impacts:</p>	<p>The broad remit of scrutiny is to review topics which are of concern to the public, many of which have an indirect impact on the general wellbeing of residents of East Herts.</p> <p>The Health and Wellbeing Panel was set up to specifically focus in on issues and topics which have a direct and immediate impact on the health and wellbeing of all those who live, work or study in the district.</p>

Corporate Business Scrutiny Committee Work Programme 2015/16 (DRAFT)

2015/16 meeting	Civic Year date	topic	Contact officer/lead	Next Exec
3 in 15/16	25 August 2015 Report deadline 12 August	Could put in training session on Finance and decision making: <i>Questions to ask when making the 'business case'</i>		1 September 2015 6 October 2015
		Work Programme	Scrutiny Officer	
		Annual Governance Statement 2014/15 and action plan 2015/16	Head Of Service	
		Corporate Annual Report 2014/15	Lead Officer – Corporate Planning	
		Review of fees and charges relevant to CBS remit: calculations and levels	As agreed at JOINT Scrutiny	
		Healthcheck through to June 2015	Lead Officer – Performance	
4 in 15/16	20 October 2015 Report deadline 7/10	Work Programme	Might cancel meeting in favour of a BUDGET training event on this date (or TBA).	3 November 2015
		?		
		?		

Essential Reference Paper 'B'

5 in 15/16	24 November 2015 Report deadline 11/11	Work Programme Council Tax Support Scheme (following consultation) 4 year Corporate Strategic Plan (2016/17 to 2019/20) ... moved from July meeting Partnership register – risk monitoring Service Plan April 2015 – Sept 2015 monitoring Healthcheck through to Sept 2015	Scrutiny Officer Director of Finance and Support Services CHANGE OF DATE Head of Service Lead Officer – Corporate Planning Lead Officer – Performance	1 December 2015
JOINT SCRUTINY	19 January 2016 Report Deadline 6/1	BUDGET X X	Exact title of report(s) TBC	2 February 2015
JOINT SCRUTINY	09 February 2016 Report deadline 27 January	2016/17 Service Plans 2015/16 Performance Indicator Estimates and 2016/17 Future targets		8 March 2015

Essential Reference Paper 'B'

8 in 15/16	22 March 2016 Report deadline 9 March	Residents' Survey results and analysis – and draft action plan if there is one separate to the Corporate Plan (TBC)	Subject to confirmation of methodology and start date	5 April 2015
		?		
		?		
		Healthcheck through to Jan 2016	Lead Officer – Performance	
		Work programme – planning for 2016/17)	Scrutiny Officer	

The CfPS four principles of good public scrutiny:

- *provides 'critical friend' challenge to executive policy-makers and decision-makers*
- *enables the voice and concerns of the public and its communities*
- *is carried out by 'independent-minded governors' who lead and own the scrutiny role*
- *drives improvement in public services*

<p>Corporate Business Scrutiny</p>	<ol style="list-style-type: none"> 1. To develop policy options and to review and scrutinise the policies of the Council relating to Communications, Corporate Performance and Risk Management, Local Strategic Partnership, Customer Service, Finance, Information and Communications Technology, Democratic Services, Member Support, Facilities Management, Asset Management, Legal, Revenues and Procurement. 2. To consider the budget setting proposals and strategies of the Council. 3. To make recommendations to the Executive on matters within the remit of the Committee. 4. To take evidence from interested groups and individuals and make recommendations to the Executive and Council for policy change on matters within the remit of the Committee. 5. To consider issues referred by the Executive, including modifications to the Constitution, or members of the Committee and where the views of outsiders may contribute, take evidence and report to the Executive and Council on matters within the remit of the Committee. 6. To consider any item referred to the Committee by any Member of the Council who is not a member of this Committee and decide whether that item should be pursued on matters within the remit of the Committee. 7. To appoint annually Standing Panels as may be determined, which shall be given a brief to consider a specified service area relating to matters within the remit of the Committee and report back to the Committee on a regular basis as determined by the Committee. 8. To consider, should it choose to do so, any item within the remit of the Committee to be considered by the Executive (except items of urgent business). The relevant report to the Executive shall consider any report and recommendations on the item submitted by the Scrutiny Committee.
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EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 14 JULY 2015

EXECUTIVE – 4 AUGUST 2015

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

CORPORATE STRATEGIC PLAN 2016/17– 2019/20 – THE PROCESS

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To set out the drivers for change in reviewing the way in which the financial and business planning process will be delivered.
- To outline a new integrated process to determine council priorities and deliver a balanced budget for the next 4 years.

RECOMMENDATIONS FOR CORPORATE BUSINESS

SCRUTINY: That:

(A)	The proposed redesign of the Council's finance and business planning process to support the later development of the Corporate Strategic Plan be noted;
(B)	a report on the draft of Corporate Strategic Plan 2016/17 – 2019/20 be accepted onto the Committee's Work Programme for the 24 November 2015 meeting; and
(C)	the Executive be advised of any recommendations.

RECOMMENDATION FOR EXECUTIVE: That:

(A)	The redesign of the council's finance and business planning process to support the development of the Corporate Strategic Plan be approved.
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1.0 Background (drivers for change)

1.1 Every year Corporate Business Scrutiny considers a refresh of the council's Corporate Strategic Plan. This sets out the strategic

priorities and key actions the council wants to deliver for that year, aligned to the overall priorities (People, Place, Prosperity) agreed by the previous administration when it was formed in 2011.

- 1.2 The development and refresh of that plan was initiated by the Executive providing officers with a clear steer on the key outcomes that need to be delivered and the direction of travel services should take for that particular year. Due to the elections and the formation of a new administration this year however there is now an opportunity for Members to consider delivery priorities for 2016/17 through to 2019/20.
- 1.3 The process of determining service priorities through the Corporate Planning Process has not always been fully aligned to discussions around setting the budget. Service planning has previously taken place on an annual basis with an annual horizon, compared to the setting of the Medium Term Financial Strategy which looked at a 4-5 year horizon. Moreover, Member engagement and approval of the annual budget (e.g. including setting of fees and charges, capital bids etc.) has tended to take place around January/ February of each year – some months after discussions around service planning (which begin in September).
- 1.4 With that in mind officers have proposed a new, integrated finance and business planning process which supports the development of a new Corporate Plan. This will set realistic service delivery objectives based on an understanding of service pressures, customer demand, workforce capacity and financial drivers.
- 1.5 This new integrated approach will enable joint discussion and alignment of the formal budget setting process with the setting of service priorities earlier in the financial year than has previously been the case. This will enable Members to agree the strategic direction of East Herts Council and the underpinning investment requirements based on needs and priorities as oppose to incrementally changing budgets on an annual basis.
- 1.6 The new process provides a unique opportunity for East Herts Council to understand how its resources and investment links to the achievement of outcomes, to anticipate and prepare for future challenges (eg. legislative change and changes in customer behaviour) and set out a 4 year Corporate Strategic Plan to deliver both Member priorities and a balanced budget.

2.0 Report

2.1 Ultimately, the aim of this integrated finance and business planning process is to deliver:

1. A comprehensive Corporate Strategic Plan, based on service outcomes
2. A clear direction of travel for the next 4 years, with the drivers and performance measures widely understood
3. A balanced budget

2.2 It is proposed that the council's finance and business planning process will be redesigned to enable:

1. A review of service areas to see how service outcomes align with financial need (ie. understanding why underspends exist)
2. An understanding of the current direction of travel and the future direction of travel for each service; based on evidence currently available including customer data.
3. An understanding of which services are statutory and which are discretionary and where services are linked; impacting each other and the levels of service provided.
4. An analysis of what would happen to a service if legislation changes, or Members redirect their priorities.
5. A review of workforce issues within each service, including role changes, skills changes, work profile, recruitment trends and succession planning.
6. Present a range of options to Members to change service provision and build resilience.

2.3 Officers will be working on stages (1-5) above throughout the summer of 2015 with a view to undertaking Member engagement (stage 6) on options and priorities during October. Over the summer however Heads of Service and Directors will be engaging with their Portfolio holders on progress and emerging issues.

2.4 To help inform discussions about priorities and financial drivers, the process of setting of the Medium Term Financial Strategy has been brought forward (being reported to Corporate Business Scrutiny July 14th and Executive 4th August). This will enable early consideration of the East Herts Council budget situation following the Chancellor's budget statement (due 8th July).

2.5 Stage (6) of this process will provide an opportunity for Members to consider a range of feasible options for the future (and the

financial implications of choosing those options). This will ensure much more robust prioritisation of council resources in a way which has not been done previously. Moreover, the outputs of stages (1-5) will also be made available to Members as reference papers to increase understanding and insight into pressures and demands on all council services.

- 2.6 In previous years an informal budget session has been run for Members during the month of October and we anticipate a similar informal session to present options. The dates and precise format of that engagement will be determined by CMT and Executive over the Summer.
- 2.7 Following member engagement on service proposals a clear steer in terms of the council's priorities will emerge and therefore the four year plan for the period 2016/17-2019/20 can be drafted. It is anticipated that an early draft can be considered by Corporate Business Scrutiny's meeting on 24 November 2015 and approval by Executive on 5 January 2016.
- 2.8 There will also be an opportunity for Joint Scrutiny to consider the Corporate Strategic Plan alongside the setting of the budget at its meeting on 19th January 2016.
- 3.0 Implications/Consultations
- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None.

Contact Member: Councillor G Williamson – Executive Member for Finance and Support Services.
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Contact Officer: Benjamin Wood – Head of Business Development, Extn: 1699. benjamin.wood@eastherts.gov.uk

Report Author: Ceri Pettit – Corporate Planning and Performance Manager, Extn:2240. ceri.pettit@eastherts.gov.uk

ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS:

<p>Contribution to the Council's Corporate Priorities/ Objectives:</p>	<p><i>People – Fair and accessible services for those that use them and opportunities for everyone to contribute</i></p> <p>This priority focuses on delivering strong services and seeking to enhance the quality of life, health and wellbeing, particularly for those who are vulnerable.</p> <p><i>Place – Safe and Clean</i></p> <p>This priority focuses on sustainability, the built environment and ensuring our towns and villages are safe and clean.</p> <p><i>Prosperity – Improving the economic and social opportunities available to our communities</i></p> <p>This priority focuses on safeguarding and enhancing our unique mix of rural and urban communities, promoting sustainable, economic opportunities and delivering cost effective services.</p>
<p>Consultation:</p>	<p>The change in process to support the development of the Corporate Strategic Plan was shared with the senior management team.</p>
<p>Legal:</p>	<p>There are no legal implications.</p>
<p>Financial:</p>	<p>There are no financial implications at this stage, but will be considered as actions are brought forward.</p>
<p>Human Resource:</p>	<p>There are no human resources implications.</p>
<p>Risk Management:</p>	<p>Effective performance management arrangements helps to ensure that the council's priorities and objectives are met and supports greater transparency and increases local accountability. The Corporate Strategic Plan is one tool designed to help deliver this.</p> <p>Specific risk management implications relating to actions set out in the plan will be considered as part of their implementation.</p>

Health and wellbeing – issues and impacts:	There are no direct Health and Wellbeing implications in regard to this report. However one of the council’s objectives does support the health and wellbeing agenda.
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EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY – 14 JULY 2015

EXECUTIVE – 4 AUGUST 2015

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE & SUPPORT SERVICES

FINANCIAL STRATEGY AND MEDIUM TERM FINANCIAL PLAN FROM 2015/16 TO 2019/20

WARD(S) AFFECTED: All

Purpose/Summary of Report

- To consider revisions to the Financial Strategy for the years 2015/16 to 2019/20. This includes the policy on reserves and the proposed planning assumptions to be used to update the Medium Term Financial Plan in preparation for annual budget setting.

<u>RECOMMENDATIONS FOR CORPORATE BUSINESS SCRUTINY:</u> that:	
(A)	Scrutiny consider The Medium Term Financial Plan from 2015/16 to 2019/20 and make recommendations to Executive on any revisions that should be considered in terms of the planning assumptions used.
<u>RECOMMENDATIONS FOR EXECUTIVE:</u> that:	
(A)	Any revisions to the Medium Term Financial Plan from 2015/16 to 2019/20 arising from Corporate Business Scrutiny be considered and the adoption of the strategy be recommended to Council.
<u>RECOMMENDATIONS FOR COUNCIL:</u> that:	
(A)	The proposed Financial Strategy be adopted;
(B)	The planning assumptions set out in this report be adopted by the Council as the basis for framing the 2016/17 budget and Medium Term Financial Plan to 2019/20.

1 Background

- 1.1 This report sets the context for the future financial position for East Herts Council. The Financial Strategy is a statement on the Council's approach to the management of its financial resources to meet its Corporate Priorities. The strategy also considers the appropriate level of reserves that the Council holds to mitigate current and longer term risks.
- 1.2 Medium term financial planning must make assumptions about the future demand profile and cost pressures on expenditure and on factors that affect income sources. The Medium Term Financial Plan (MTFP) represents a summary of these assumptions and their impact on the funding of the council.
- 1.3 The MTFP outlines the anticipated funding and expenditure each year and where there is a shortfall the MTFP highlights the amount of savings required that have not yet been identified.
- 1.4 The MTFP sets the financial envelope within which the council must fund its activities in order to set a balanced budget in each of the next 4 years. In order to begin the budget setting process for 2016/17 and beyond it is therefore prudent to revise the MTFP at the beginning of the Finance and Business Planning process. Throughout the summer and autumn services plans and budgets will be produced to deliver a balanced budget for 2016/17. In addition this process will allow the council to identify where savings may be achieved in future years and begin planning their delivery.
- 1.5 One of the outcomes of the Finance and Business planning process will be the budget report presented to Council on 17th Feb 2016 for their approval.

2 Report

- 2.1 This report considers and outlines the underlying assumptions within the Medium Term Financial Plan (MTFP) and addresses the following key areas in the following sections of this report:

Report Section	
3	Funding Changes
4	Financial Strategy
5	Review of Reserves

6	Underlying Assumptions
7	MTFP Development
8	Budget Setting Risk Management

3 Funding Changes

3.1 The last version of the MTFP was reported to Council on 18th February 2015. In revising the assumptions within the model a number of adjustments have been made to the sources of funding received by the Council. Where changes have been made these are outlined in the paragraphs that follow.

3.2 Revenue Support Grant:

3.2..1 In the 2015/16 Local Government finance settlement the allocation of Revenue Support Grant was £2.057m, a reduction of £0.759m (27%) compared to the 2014/15 allocation. This funding source is likely to continue to reduce in future years and the Council will need to consider how to mitigate this by growing business rates and other income sources.

3.2..2 The forecast income from the Revenue Support Grant from 2016/17 onwards has been revised since the February 2015 report due to a revised model being published by a consultant to the Council.

3.3 Non Domestic Rate income (NDR):

3.3..1 The income modelling has separated the income received from NDR and Section 31 reliefs provided by Central Government over the MTFP period. The 2015/16 NDR income estimate is £1.717m.

3.3..2 The government has continued to apply a 2% cap on the increase to NDR bill demands (a.k.a. Business Rates Multiplier) in 2015/16. RPI inflation from Sept 2013 to Sept 2014 was 2.3% although the loss in business rate income will be offset by a corresponding increase in Section 31 grants.

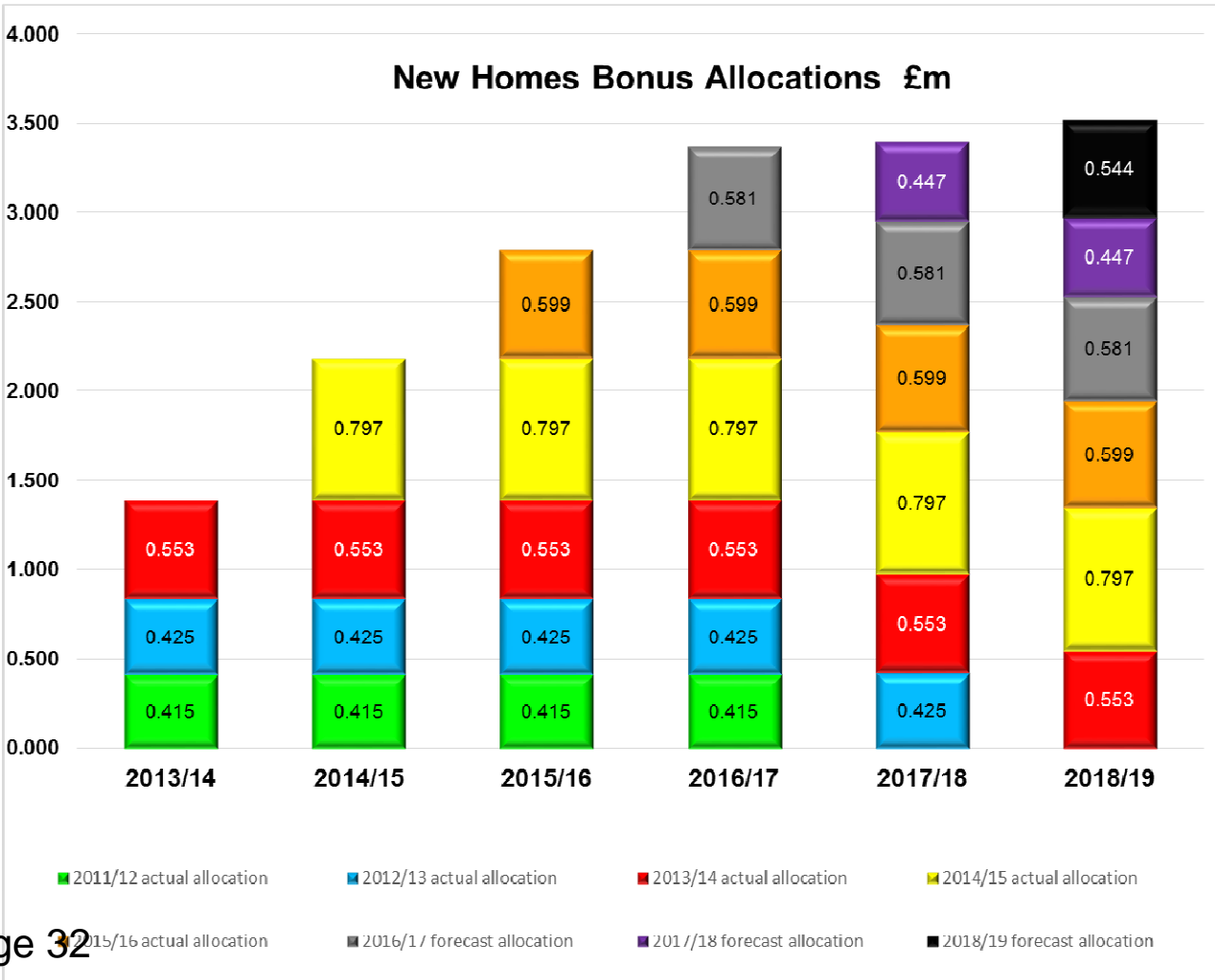
3.3..3 There continues to be a high degree of risk in modelling the future income received under the NDR scheme. This is due to the scheme being revised on a frequent basis. There is also a significant risk that the NDR scheme will be fundamentally changed in future years.

- 3.4 **Section 31 Grant:** The estimated income for 2015/16 of £1.06m is the amount of grant owed to the Council arising from government policy decisions on rate reliefs.
- 3.5 **Collection Fund:** The forecast deficit on the Collection Fund for 2015/16 is £1.244m. This is due to the Council's decision to fund NDR appeals. This forecast deficit will be funded from the Collection Fund Reserve which is earmarked to smooth the effect of NDR income volatility.
- 3.6 **Council Tax:** The MTFP assumes that the Council Tax demand made by East Herts Council will be frozen in 2016/17 followed by 1.0% rises in each subsequent year until the end of the MTFP period in 2019/20. A 1.0% rise from 2016/17 will raise an additional £90k in funding.

3.7 **New Homes Bonus:**

3.7..1 The 2015/16 allocation of New Homes Bonus from the Department for Communities and Local Government (DCLG) is £2.79m. This is made up of incremental allocations from 2011/12. This is illustrated in Chart 1 below.

Chart 1: New Homes Bonus Allocations and Forecast



- 3.7..2 This source of funding represents a large proportion of East Herts Council income. Any change to the New Homes Bonus scheme is likely to have a significant impact on the funding of council services. Our assumption remains that the scheme will continue in its current form.
- 3.7..3 The forecast income from New Homes Bonus has been revised since the February 2015 report due to a revised allocation of funds for 2015/16 increasing from £525k by £74k to £599k. The forecast amounts for allocations for future years have not been adjusted as these remain prudent.
- 3.8 **Investment interest:** The forecast income generated from investments placed on behalf of the council in 2015/16 £843k. This figure has been reduced by £24k since the last version of the MTFP due to interest rate forecasts continuing to extend the period that the Bank of England Monetary Policy Committee (MPC) hold the base rate at 0.5%. This shortfall can be funded from the Interest Equalisation Reserve should it be required.

4 **Financial Strategy**

- 4.1 The current financial strategy is included in **Essential Reference Paper D**.
- 4.2 The financial strategy and the MTFP have a 5 year focus and for the purposes of the strategy this remains sound. Strategic Finance officers will continue to model the impact of financial decisions and other scenarios that have an impact upon Council funding.
- 4.3 The Chancellor of the Exchequer has announced that he will present a revised Budget to Parliament on 8th July 2015. The Government announced as a manifesto commitment that they would seek to reduce welfare funding by a total of £12billion. The impact of these funding reductions on East Herts Council is unclear at the time of writing this report.
- 4.4 The Government has also announced that DCLG funding will be reduced by a further £230m in 2015/16. As the majority of local government funding comes from the DCLG it is possible that this reduction will be passed on to local authorities although the DCLG have stated that this will not be the case.

- 4.5 The continuation of the New Homes Bonus scheme in its current form is also uncertain. It is possible that this source of funding will be revised in the Budget on 8th July 2015.
- 4.6 As the impact of these funding changes becomes clear these will be fed into the MTFP.
- 4.7 There are other emerging issues that may have an impact on the MTFP including the sovereign debt crisis in Europe, the ongoing uncertainty around Greece's ability to service its debts and the potential impact of the UK referendum on leaving the EU in 2017. The impact on East Herts is unclear but as these issues continue to develop and their impact can be measured they will be incorporated into the MTFP.

5 Review of Reserves

- 5.1 Reserves are either usable or unusable. Unusable reserves arise from statutory accounting transactions and cannot be used to fund revenue or capital expenditure. This report only considers the Council's usable reserves. The Council's Reserves Policy is included in **Essential Reference Paper E**.
- 5.2 A review of reserves has been carried out as at 31st March 2015 and balances based on the draft final accounts are summarised in **Essential Reference Paper E**.
- 5.3 At 31st March 2015 general reserves totalled £5.167m, a reduction of £2.928m during 2014/15. These transfers have brought the general reserves balance within the maximum level of reserves set out in **Essential Reference Paper E**.
- 5.4 At 31st March 2015 earmarked reserves totalled £13.819m. Net transfers to earmarked reserves during 2014/15 totalled £5.445m including transfers from general reserves. This included the following appropriations:
- £307k Collection Fund surplus transferred into the Collection Fund Reserve to smooth the effect of income volatility in NDR funding in future years.
 - £2,767k transferred to the New Homes Bonus Priority Fund to support future priority spending plans.
 - £1,000k to create the Insurance Fund to allow the Council to self-insure in future years.
 - £1,000k to create the Pension Fund Additional Contribution Fund.

- £500k to create the Commercial Property Fund to support the development of commercial investment opportunities.

5.5 These reserves movements are summarised in the table below:

	Balance at 31 March 2014 £m	Balance at 31 March 2015 £m
General Reserves	8.095	5.167
Earmarked Reserves	8.374	13.819
Total Reserves	16.469	18.986

6 Underlying Assumptions

- 6.1 **Essential Reference Paper C** refers to the assumptions that have been made in terms of inflation and other price increases during the medium term which have been incorporated within the MTFP.
- 6.2 The MTFP model highlights that there are unidentified savings that will need to be delivered from 2017/18. The Finance and Business Planning process that is about to begin will ensure that these are fully met and a balanced budget is set.

7 MTFP Development

- 7.1 The MTFP model and assumptions will continue to be assessed and revised throughout the year with particular attention being paid to the announcements made in the Budget on 8th July 2015 and the Local Government Settlement expected in December.
- 7.2 The Council Tax base will continue to be monitored throughout the year. Any emerging increases or decreases in the tax base will be modelled and impact included in the MTFP.
- 7.3 The Finance and Business Planning process will identify future funding requirements and future savings required to deliver a balanced budget from 2016/17. This will include an assessment of historic trend patterns in order to reduce future underspends and ensure that resources are directed to reflect the priorities of the Council. Any growth or savings proposals that result from this process must be contained within the resources available to the Council as set out in the MTFP.
- 7.4 The Investment Strategy will be revised to ensure that the return on investment achieved is optimised based on market expectations and

performance. The MTFP will be updated to reflect the impact on the interest income received.

- 7.5 Reserve balances will be monitored throughout the year to ensure that the general reserves remain within the limit set out in the Council's Reserves Policy and that earmarked reserves are utilised appropriately.
- 7.6 The next MTFP will be presented to members to adopt at Council on 17th February 2016 including recommendations from Executive and Corporate Business Scrutiny.

8 Budget Setting Risk Management

- 8.1 There are a number of risks that should be considered in setting the budget for 2016/17. These are outlined in the table below:

Risk
Agreed savings for 2015/16 are not achieved resulting in overspends and budget shortfalls in future years.
Fees and Charges do not generate the expected income in 2015/16 with knock-on effects in future years.
The level of Council Tax for 2016/17 is reduced resulting in a funding shortfall.
Government funding is reduced at a faster rate than expected and/or the New Homes Bonus Scheme is revised or ended
The assumed increases in Fees and Charges for 2016/17 onwards are not agreed.
A pay award above 1.5% from April 2016 is agreed.
Interest rates rise above 0.5% earlier than expected.
Inflation rises faster than expected resulting in increasing costs.
Investments do not generate the forecast return on investment.
An unforeseen event occurs which requires significant financial resources.

9 Implications/Conclusion

- 9.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper A**.

Background Papers

None

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate):	<p>People – Fair and accessible services for those that use them and opportunities for everyone to contribute</p> <p>This priority focuses on delivering strong services and seeking to enhance the quality of life, health and wellbeing, particularly for those who are vulnerable.</p> <p>Place – Safe and Clean</p> <p>This priority focuses on sustainability, the built environment and ensuring our towns and villages are safe and clean.</p> <p>Prosperity – Improving the economic and social opportunities available to our communities</p> <p>This priority focuses on safeguarding and enhancing our unique mix of rural and urban communities, promoting sustainable, economic opportunities and delivering cost effective services.</p>
Consultation:	Discussions have taken place with Directors, Heads of Service and external partners to construct an accurate financial model.
Legal:	There are no legal implications.
Financial:	Financial implications are included in the body of the report.
Human Resource:	There are no Human Resources implications.
Risk Management:	The Medium Term Financial Plan considers emerging risks to the funding the Council receives and sets out the mitigation of those risks.
Health and wellbeing – issues and impacts:	There no Health and Wellbeing issues raised as part of this report.

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REVENUE BUDGET - MEDIUM TERM FINANCIAL PLAN

Summary Model - June 2015

2014/15 Outturn	2015/16	2016/17	2017/18	2018/19	2019/20
£'000	£'000	£'000	£'000	£'000	£'000

Net Cost of Services	15,297	14,679	14,551	15,087	15,657	16,234
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Financial Planning						
Growth Items	-	-	24	22	21	21
Efficiency Savings - Existing plans	-	-	(174)	(174)	(174)	(174)
Efficiency savings - to be identified	-	-	-	(29)	(270)	-
Fees & Charges	-	-	(105)	(231)	(359)	(487)
Likely Future Changes	-	-	76	(155)	(197)	(132)

Corporate Budgets						
New Homes Bonus Priority Spend	-	697	843	851	880	848
NHB Grants to Town & Parish Councils	551	697	843	851	880	848
Council Tax Support Scheme	127	-	-	-	-	-
Contingency Budget	-	370	136	-	-	-
Interest Payments	694	662	662	662	662	662
Interest & Investment Income	(741)	(843)	(1,130)	(1,472)	(1,915)	(2,065)
RCCO	-	25	25	25	25	25
Pension Fund Deficit Contribution	(88)	600	600	600	600	600
Net Expenditure	15,841	16,888	16,350	16,036	15,811	16,379

Reserves						
Contributions to Earmarked Reserves	3,290	243	133	134	136	42
Contributions from Earmarked Reserves	(625)	(1,831)	(503)	(213)	(34)	(1,008)
Use of General Reserve	(149)	-	-	-	-	-
Net Expenditure after reserves	18,357	15,299	15,979	15,957	15,912	15,413

Funding						
Revenue Support Grant	(2,823)	(2,057)	(1,518)	(1,059)	(630)	-
Council Tax Freeze Grant	(94)	(95)	-	-	-	-
NDR	(2,864)	(1,717)	(1,781)	(2,045)	(1,961)	(2,020)
Section 31 Grants	(1,317)	(1,060)	(718)	(534)	(552)	(569)
(Surplus)/Deficit on Collection Fund	(307)	1,244	298	149	-	-
Other general grants	(22)	(16)	-	-	-	-
New Homes Bonus	(2,190)	(2,798)	(3,371)	(3,402)	(3,521)	(3,390)
Demand on Collection Fund	8,738	8,801	8,890	9,066	9,248	9,434

Council Taxbase	55,469	56,425	56,989	57,559	58,135	58,716
Council Tax at Band D (£)	157.54	155.97	155.97	157.50	159.08	160.67

Percentage Change in Council Tax (1.00%) - 1.00% 1.00% 1.00%

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Planning assumptions for July 2015 MTFP Update:

FACTOR	NOTE	2016/17	2017/18	2018/19	2019/20
Council Tax Increase		0.00%	1.00%	1.00%	1.00%
Pay Settlement	1	2.25%	2.25%	2.25%	2.25%
Members Allowances	2	1.50%	1.50%	1.50%	1.50%
Price inflation	3	1.20%	1.70%	1.90%	2.00%
Contract inflation	4	1.20%	1.70%	1.90%	2.00%
Council Tax Base	5	1.00%	1.00%	1.00%	1.00%
Fees and Charges	6	2.50%	2.50%	2.50%	2.50%

Notes:

1. Based on continued pay restraint through the life of the MTFP period. Includes an annual 0.75% increase to allow for increments and local award.
2. Members allowances are set by an Independent Remuneration Panel but for MTFP planning purpose this is assumed to be in line with officer pay awards.
3. Price inflation is based upon OBR inflation forecasts for future years as at March 2015 (CPI).
4. Contract inflation is based upon OBR inflation forecasts for future years as at March 2015 (CPI).
5. Council Tax base increases have been calculated using trend information. Further revisions may occur once certainty around the scale and timing of future developments becomes clear.
6. Fees and Charges are assumed to increase by 2.5% year on year. This may be achieved through a combination of appropriate price increases or new sources of income being identified.

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The Financial Strategy 2016/17 – 2019/20

What is it and why is it important?

The medium term financial strategy is a statement of the objectives and principles that underpin the Council's approach to managing its resources looking ahead over a period of three years or more. It sets out the framework within which the Medium Term Financial Plan (MTFP) is developed and reviewed.

The strategy is important because the council must ensure that its plans for services are affordable and sustainable in the light of the resources it can reasonably expect to be available. This allows the Council to take decisions about prioritising the resources it has. Included in those resources is income from council tax as well as funding from Business rates, grants and other income streams from fees and charges. The future is inherently uncertain and the strategy considers that uncertainty and how the council can mitigate the risks.

Business rates retention and local council tax support were introduced from April 2013 and the risk profile of our funding changed. In the medium term the pace and strength of economic recovery, indicate a longer period of spending restraint. In this context the proposed strategy is to maximise the Council's financial resilience and consider ways to become more self-sufficient where possible.

What outcomes is the strategy designed to achieve?

The objectives of the strategy are:

- To ensure the Council is well placed to meet uncertainty about the level of funding that the government will be able to provide acknowledging that such funding will be constrained.
- To ensure that tax payers, service users, partner agencies and Council employees are aware of the funding issues faced by the council and are given the opportunity to help shape the Council's planning.
- To ensure that funding is available to meet the highest priority future revenue and capital needs of the Council as they arise.
- To maximise the effective use of resources by annual review of the Council's resources corporately and by redirecting funding to higher priority areas as identified in the Corporate Plan and service plans.
- To ensure funding is available for priority service improvements.

- To inform service planning and ensure that the immediate and future financial implications of all decisions are taken into account in a timely manner and in the context of the Council's overall financial situation.
- To minimise volatility of council tax and ensure that increases are within any limits set by the government, and at least consistent with, and ideally lower than, those of similarly placed authorities.
- To manage risks including keeping adequate reserves to ensure so far as is reasonably possible that service delivery is not disturbed by calls on funding from short term unforeseeable events.
- To achieve value for money from all spending.
- To be aware of and take up funding opportunities where these are consistent with the Council's objectives and where the obligations taken on are manageable by the council and commensurate with the sums received. In particular consider options that enable a greater self-reliance on our own funding and reduce the reliance on Central Government funding.
- To achieve efficiency in the use of resources including invest to save opportunities by taking into consideration relevant life cycle costs.
- To secure, maintain and renew a stock of physical assets consistent with the Council's corporate priorities as detailed in the Asset Management Strategy.
- To ensure the Financial Strategy and all the Council's other strategies are consistent.

What principles underpin the strategy?

The principles underlying the strategy are those of sustainability, transparency and consistency as evidenced by:

- The Council will adopt a prudent approach to assumptions and forecasts of its income and spending including assessment of:
 - the resources available to it from government and other external sources;
 - changes in input prices both generally - including pay and specific price changes where these have significant impact on individual services by means of indexation clauses in contracts;
 - interest rates and the growth of the wider economy so far as these affect the Council's ability to generate income from charges;

- the council tax base and rates of council tax collection and of other incomes;
- investment returns and other factors as advised by the scheme's actuary, such as longevity, affecting pension costs;
- its ability to generate cashable efficiency gains;
- exposure to VAT and other tax liabilities;
- exposure to uninsured risks.
- The council will establish spending plans consistent with its forecast of income other than where existing reserves are planned to be used.
- The council will not commit to ongoing spending from incomes of a one off nature without a clear exit strategy in the absence of alternative funding.
- The council will limit its borrowing by reference to CIPFA's prudential code and will make a prudent provision for repayment in accordance with that code.
- The council has adopted and will keep under review a policy on the level of reserves to ensure adequate but not excessive reserves.
- The council has adopted and will review a charging policy that is fair in terms of:
 - different service users;
 - the call on the tax payer as against the service user;
 - competition with other providers
- The council will maintain sound financial management practices set out in Financial Regulations and Financial Procedure Rules.
- The Council will maintain the accounts in accordance with relevant codes of accounting practice and in particular CIPFA's BVACOP and financial planning will be consistent with those requirements.
- The strategy will be reviewed annually.

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East Herts Council Reserves Policy

1.0 The Council's Reserves Policy

- 1.1 The current Reserves Policy was approved by Council at its meeting in February 2011.
- 1.2 The Policy sets out a maximum and minimum level of General Reserves. There is no maximum or minimum level set for Earmarked Reserves but the Policy states that they generally will be expected to be used within the period of the MTFP.
- 1.3 General reserves are a working balance to manage cash flows and limit the need for temporary borrowing and to provide a contingency for unforeseeable events and emergency spending. Earmarked reserves are set aside for a defined purpose to meet known or predicted future liabilities.
- 1.4 The minimum level of General Reserves to be held under the Policy is £3m: to be specific the sum of the General Fund and General Reserve (less any amount in the Building Control Account) should not normally be less than £3m.
- 1.5 The maximum level of general reserves is based on adding a basket of figures and proportions to give a quantum figure, as follows:

Table 1: Calculation of the maximum level of general reserves to be held

CALCULATION	POSITION AS AT 31/03/14 £m
40% of the budget requirement at start of year (2014/15: £8.738m)	3.495
2.5% of total assets in the last audited financial statements (2013/14: £130.557m)	3.264
The sum of future planned withdrawals and/or contributions to the general reserve in the last approved MTFP	0.000
Less any sum held as an insurance reserve	(1.010)
TOTAL	5.749

- 1.6 General Reserves at the end of the 2014/15 financial year stood at £5.167m, £0.582m within the Policy threshold.

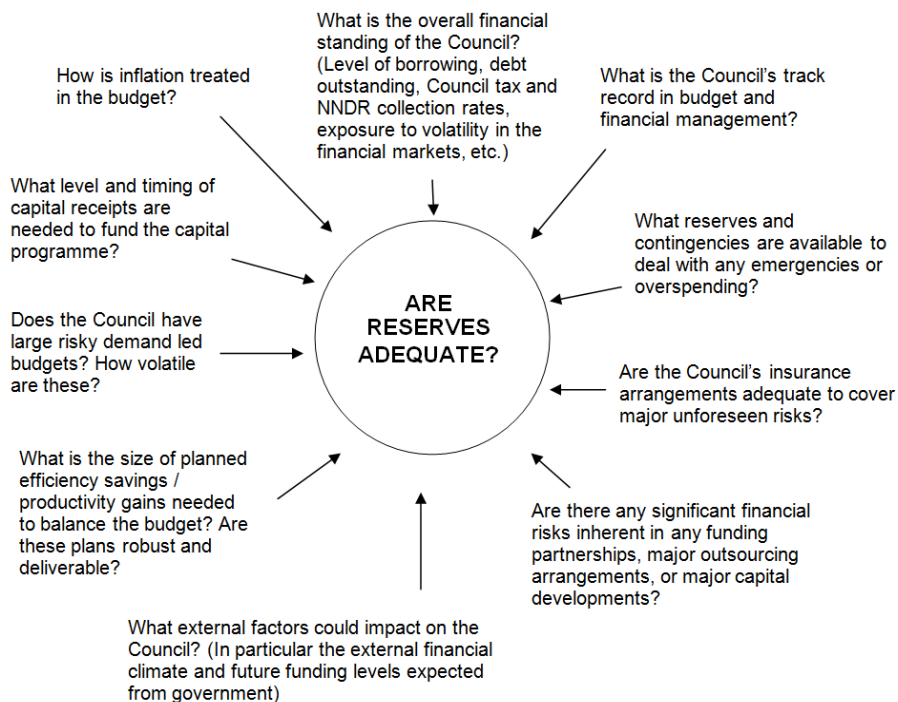
2.0 Why Councils need to hold Reserves

2.1 Reserves are an essential part of good financial management. They help Councils cope with unpredictable financial pressures, help them smooth the impact of known spending requirements over time, and help to fund any in-year overspending. The level, purpose, and planned use of reserves are important factors for elected Members and council officers to consider in developing medium-term financial plans and setting annual budgets.

2.2 There is no set formula for deciding what level of reserves is appropriate and councils are free to determine the level of reserves they hold. Where councils hold very low reserves there may be little resilience to financial shocks and sustained financial challenges. However where reserves are too high there may be opportunity costs involved in holding these reserves (for example a lack of investment in making service changes that could generate better outcomes for residents and/or increased savings or revenue generation for the Council).

2.3 The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). Full Council is responsible for approving the level of reserves and the Reserves Policy whilst the Section 151 Officer has a statutory duty to report publically to Council on the adequacy of reserves when calculating the annual budget requirement.

2.4 CIPFA issues guidance on reserves and the latest guidance (LAAP Bulletin 99) identifies the issues to consider in determining an appropriate level of reserves as follows:



3.0 Reporting of Reserves

3.1 As a minimum, the annual budget report and the final accounts report will set out opening balances, expected or actual transfers to and from reserves together with closing balances. The Director of Finance and Support Services as S151 officer will comment on the adequacy of reserves in those reports.

3.2 During the year the adequacy of reserves will be reviewed as part of the health check monitoring in the light of any significant budget variances. If the balance on general reserves appears likely to move outside of the minimum boundary the need for corrective action will be considered in the next planned health check report or earlier if the Council's S151 officer so requires.

4.0 Governance arrangements in respect of reserves (extracted from Financial Regulations (3.8))

4.1 In the event of a department underspend the Executive may establish an earmarked reserve and approve appropriations thereto where the purpose of that reserve is to defer expenditure included in a budget (or supplementary budget) approved by the Council where the expenditure in subsequent years will be in respect of the purpose for which the original budget (or supplementary budget) was approved.

4.2 Proposals to appropriate more than £100,000 to a single reserve or more than £500,000 in aggregate in any year beyond sums set out in the Medium Term Financial Plan shall be subject to the prior approval of the Council.

5.0 Current Reserve balances

5.1 The table below summarises the balances currently held in Earmarked Reserves:

ESSENTIAL REFERENCE PAPER E

Table 2: Statement of Earmarked Reserve Balances

	Balance 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance 31 March 2015 £000
Interest Equalisation Reserve	(2,257)	754	-	(1,503)
Insurance Fund	(10)	-	(1,000)	(1,010)
Emergency Planning Reserve	(37)	-	-	(37)
VAT Partial Exemption Reserve	(145)	145	-	-
Service Improvement Fund	(610)	610	-	-
LDF/Green Belt Reserve	(733)	214	-	(519)
Housing Condition Survey Reserve	(79)	-	(14)	(93)
Council Elections Reserve	(50)	-	(27)	(77)
LABGI Reserve	(94)	94	-	-
Sinking fund - Leisure Utilities / Pension Reserve	(282)	51	-	(231)
Restructure Fund	(33)	33	-	-
Performance Reward Grant Reserve	(30)	8	-	(22)
Waste Recycling Income Volatility Reserve	(275)	-	(25)	(300)
Footbridge Reserve	(150)	-	-	(150)
Transformation Reserve	(1,127)	-	(1,655)	(2,782)
DCLG Preventing Repossessions	(30)	-	-	(30)
Environmental Pollution	(14)	-	-	(14)
New Homes Bonus Priority Spend	(1,049)	-	(2,767)	(3,816)
Collection Fund Reserve	(1,244)	-	(307)	(1,551)
DEFRA Flood Support	(125)	32	-	(93)
Commercial Property Fund	-	-	(500)	(500)
Pension Fund Additional Contribution Reserve	-	-	(1,000)	(1,000)
Single Person Homelessness	-	-	(12)	(12)
Neighbourhood Planning	-	-	(45)	(45)
IER	-	-	(34)	(34)
Total	(8,374)	1,941	(7,386)	(13,819)

EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 14 JULY 2015

THE EXECUTIVE – 4 AUGUST 2015

REPORT BY HEAD OF INFORMATION, CUSTOMER AND PARKING SERVICES

IMPLEMENTING THE CUSTOMER SERVICE STRATEGY

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To set out how the Council will implement the Customer Service Strategy (**Essential Reference Paper 'B'**).
- To invite the Committee to comment on the planned approach.

RECOMMENDATIONS FOR CORPORATE BUSINESS SCRUTINY COMMITTEE: That:

- | | |
|------------|--|
| (A) | the approach set out to implement the Council's Customer Service Strategy be noted; and |
| (B) | the Executive be advised of any recommendations regarding the approach presented. |

RECOMMENDATIONS FOR EXECUTIVE: That:

- | | |
|------------|---|
| (A) | the recommendations from Corporate Business Scrutiny be noted; and |
| (B) | the outline plan presented be approved. |

1.0 Background

1.1 The Executive approved the Council's updated Customer Service (CS) Strategy on 4th March 2015 set out in **Essential Reference Paper 'B'**.

1.2 The Council continues to be under pressure due to increased

demand driven by demographic changes, economic challenges and major government initiatives such as Welfare Reform combined with the financial pressures of reduced government grant and the currently fixed (or reduced) Council Tax. The Council has to reduce costs and increase efficiency in order to maintain quality services in the future and prioritise the provision of services.

1.3 The strategy is built upon a systematic analysis of knowledge to describe our customer base, understand their broad preferences and how they access services.

1.4 The updated strategy commits all services to developing a deep understanding of their customers, local needs and technological innovation to offer better demand management, more efficient handling of routine transactions and share information to make services easier to access or use.

1.5 Corporate Business Scrutiny and the Executive requested an outline plan (**Essential Reference Paper 'C'**) of how the Council intends to deliver the approved CS strategy, recognising that it was critical for the Council's continued success in delivering successful outcomes and services.

2.0 Customer Service Strategy

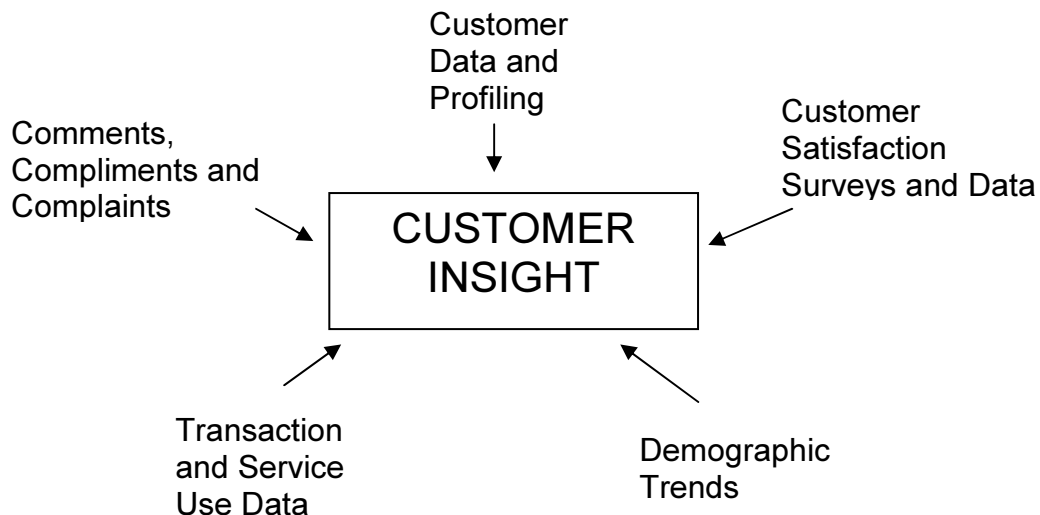
2.1 Priority Actions

The priority actions established in the CS strategy for all services 2015-2020 are set out in full in **Essential Reference Paper 'B'**. The high level actions are:

- Embed Customer Insight in the service planning process
- Focus on Channel Shift
- Revised Service Standards – Quality and Responsiveness
- Focus on Minorities
- Maintaining Access

2.2 Embed Customer Insight

Customer Insight is made up of a range of data regarding a service:



2.2.1 Within the Financial and Business Planning (FBP) process 2015-16, as set out in the paper 'CORPORATE STRATEGIC PLAN 2016/17 – 2019/20 – THE PROCESS' a pack of evidence with all the information available to generate insight about customers will be collated for each service. This will be used with other information including financial analysis, statutory service description, workforce planning and benchmarking data.

2.2.2 The initial process will establish where gaps exist within the information that services have. Service plan actions will be based upon the evidence available and further actions will be agreed to enhance the information available in the future.

2.2.3 This embeds customer insight within service planning as one of the key dimensions upon which the Council may assess priorities, investments and demands for change.

2.3 Channel Shift

2.3.1 The CS strategy requires services to establish the current pattern channel use and/or delivery for each service, the service delivery model. The drivers for the demand from customers will also be established to understand why customers opt to use a particular method of contact.

2.3.2 The CS strategy established a current base line of expected customer use of different access channels:

- Email = 32%
- Internet = 26%
- Telephone = 34%
- Face to Face = 8%

This will be used as a baseline expectation for all services to assess themselves against. However, where more information exists about a service's customers a more accurate service delivery profile may be determined. For example Development Management customers will have a different profile to those using our Benefits services.

2.3.3 The model of current contact will be established in the FBP process and gaps will be identified between the way in which services are delivered/accessed compared to profile, services will be supported by the Business Development, Customer Service and Shared IT teams to look for opportunities to enhance the digital delivery of services and self-service opportunities.

2.3.4 A key part of understanding the level of service access/delivery by channel will be to identify failure demand and the drivers of it e.g. repeated contacts such as status updates and checking progress; caused by a failure to do something or do something right.

2.3.5 This will be challenging within the 2015-16 service planning process as the data available regarding the volume of access by channel, type and customers will be incomplete. Actions will therefore be established for each service within the FBP process to improve the information available, set more informed targets and actions to achieve the optimum delivery of a service by each channel. This may include looking at policies, procedures, processes, core Council and line of business IT applications. In each case actions proposed will be based on evidence available and the recognised reasons for change for each service.

2.4 Service Standards

2.4.1 The Council is committed to running an effective Comment Compliments and Complaints (3Cs) procedure alongside a customer satisfaction monitoring system called 'Gov Metric'. Opportunities to exploit the use of these existing systems will be progressed in 2015 and an action plan established to run

from April 2016. However these provide an incomplete view of satisfaction with services and service delivery on their own.

- 2.4.2 A review of all customer satisfaction monitoring including the District Wide survey and ad-hoc surveys will be completed in 2015/16 to establish a co-ordinated plan. This will enable satisfaction data to be fully exploited for service development and within the FBP process from 2016/17.
- 2.4.3 Establishing service delivery models for each service will show the extent of channel use and enable a council wide channel model to be established with targets by service for optimal channel shift. Methods of evaluating the success and customer satisfaction with channels will be reviewed to propose revised customer driven service standards in 2016/17. The service standards may then also reflect the length of time different channels take to deliver services and responsiveness may even be managed across channels to encourage and incentivise channel shift to self-service and assisted service.

2.5 Vulnerable Customer Groups

- 2.5.1 Given the initial focus on evidence based customer insight to inform the service planning process detailed work to focus on alternative models for service delivery will be part of the focus within the 2016/17 service planning process.
- 2.5.2 This does not mean that services will not be considering this within the current 2015/16 process, but that in the first year services will necessarily be identifying their own vulnerable customer groups and how best to offer and deliver services to those groups. This knowledge can then be used within the following year to establish whether there may be opportunities and business cases for alternative ways of delivering services to vulnerable groups across East Herts.

2.6 Access

- 2.6.1 Throughout all our plans to optimise service delivery suited to customer preferences and the Council's priorities all service actions and projects will continue to require Equality Impact Assessments.
- 2.6.2 An annual impact assessment of access channels will be undertaken to ensure no customer groups are disadvantaged by

the implementation of service plan actions arising from the CS strategy.

2.6.3 Specific work to enhance the delivery of self-service and assisted service will be undertaken with the Council's Customer Service Centres in Herford and Bishop's Stortford to develop the shape of these facilities over the life of the strategy.

2.6.4 Customer profiling will also be utilised to assess the needs of any vulnerable service users and linked to the minorities work theme will ensure services tailored to best meet the needs and demands of vulnerable groups are developed where required.

2.7 Resources

2.7.1 The implementation of an evidence based FBP process requires the evidence to be available. Members supported the establishment of an Information Analyst to support the development of the CS strategy and other business case led projects for a period of 2 years.

2.7.2 In order to achieve the change to the customer led elements of the FBP process it will be necessary to divert the resources of the Customer Services Manager and more significantly the Digital Media and Information Manager for the next three months. During this accelerated period it will become apparent if a further level of transitional resources is required over the next 2-3 years to support the establishment of systems and process to maintain the revised FBP process. However, it is important to note that the implementation of a customer management platform, customer self-service platform and enhanced website and intranet services will place demands upon the same resource over the same time period.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

EAST HERTS CUSTOMER SERVICE STRATEGY –
Corporate Business Scrutiny 10th February 2015.

Contact Member: Councillor Suzanne Rutland-Barsby – Executive

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS:

Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate):	People – Fair and accessible services for those that use them and opportunities for everyone to contribute This priority focuses on delivering strong services and seeking to enhance the quality of life, health and wellbeing, particularly for those who are vulnerable.
Consultation:	All services are aware and engaged in the approach to implementing the Customer Service Strategy as it is part of the Business and Financial Planning process for 2015/16.
Legal:	None.
Financial:	Please see 2.7 resources in the report Actions arising from the business and financial planning process will need to be developed following the Council's project management toolkit and will be progressed subject to a successful business case and any required senior officer and member approval.
Human Resource:	Please see 2.7 of the report.
Risk Management:	None, by embedding the process within service planning the achievement of the strategy becomes part of what the Council does on an on-going basis.
Health and wellbeing – issues and impacts:	None.

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Understanding Customers Better,
Developing Digitally Driven and
More Efficient Services

2015-2020

A Customer Service
Strategy

Foreword

The council has a range of roles across the district. One of its key roles is providing residents with services and appropriate access to those services. Like most councils, East Herts has been continually seeking ways of improving its services and the way in which they might be accessed. 9 in 10 (90%) residents were satisfied with their local area as a place to live, whilst 70% of residents were satisfied with the way East Herts Council runs things. Just over two fifths (42%) of residents agreed that East Herts Council provides value for money (District Wide Survey 2013).

Alongside those developments and mindful of the financial challenges, we have introduced more automated and self-service opportunities for our customers, enabling them to access more services by doing things for themselves at times that are convenient to them. While this has had some success, it has for the large part meant publishing information, email addresses and developing electronic forms as a digital front end on to an existing system or process, so while it may have opened accessibility, efficiencies have been limited by existing processes.

The financial pressures look ever greater going forward and the need for ever greater efficiency in how we deliver and provide access to our services is forecast to grow almost exponentially in the foreseeable future. As an organisation we will need to undertake a more fundamental and more sophisticated approach to the challenges. While we need to continue to encourage customers that are able to, to use digital access and self-service, the Council must fundamentally design our services digitally, around our customers.

We have undertaken systematic analysis and amassed considerable knowledge to describe our customer base. Understanding how they access services now and what their preferences are. Putting the customer at the heart of what we do, we need to reconsider and possibly reshape services using that information and understanding on a service by service basis.

The purpose must be to consider each service provided and establish the optimal way of offering and delivering the service, which is itself digitally enabled. Where needed, we must redesign our processes for simplicity and efficiency, prioritising how services should be delivered and managing available choices with actions to influencing demand.

This strategy sets out the principle actions for our journey. The Council is here to help. By understanding our customers better we must deliver digitally enabled and efficient services for now and the future.

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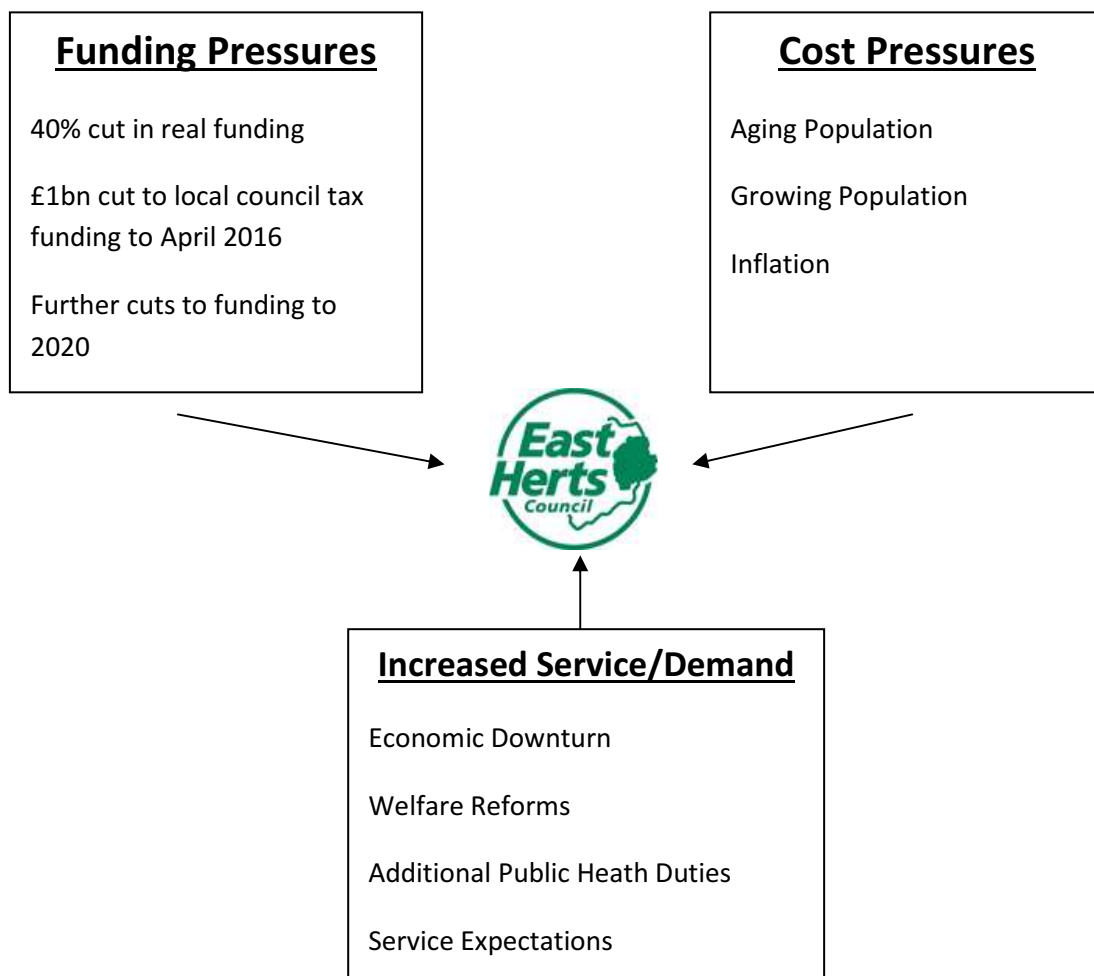
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The Need for a Customer Service Strategy

At a time of increasing demand driven by an economic downturn, demographic change and major government initiatives (such as Universal Credit and Troubled Families and new public health responsibilities) local authorities need to reduce costs even more, and maintain quality of services.

Meeting these demands requires service transformation rather than incremental change and different approaches will be appropriate for different services. Customer Service Strategy Evidence, 'Setting the Scene – Nation Picture' presents the key trends impacting local authorities.

As a district council our strength is our closeness to the residents and customers we provide services for and to. We need to be here to help, using a deep understanding of local needs and technological innovation to offer better demand management, more efficient handling of routine transactions and share data more to make services easier to get or use. This activity must be focused on providing improved outcomes for our residents and customers and financial efficiency.



Context

The Council adopted a Customer Service Strategy in 2008. This established key principles which are no less important now than they were then:

- Efficiency in dealing with simple enquiries and transactions, releasing professional staff from administration to focus on service.
- More cost effective ways of delivering service and moving those customers that can move, to the least costly methods of service delivery.
- To gain customer insight by capturing, recording and evaluating customer contact, service use and satisfaction.
- To gain knowledge of our customers and their future needs to enhance service delivery and ensure equality of access.

The Council also embarked on a major change programme, 'Changing the Way We Work' which delivered a step change in how Council Services were accommodated and provisioned. This included streamlining service delivery and operating costs.

However, the challenge remains to fuse expert service knowledge, insight into local needs, technological innovation and customer service management techniques to deliver services of good quality and low cost which are fit for the future.

Links to Our Organisational Strategy

East Herts Council's message to residents and businesses is that we are here to help. The Council is committed to ensuring the delivery of good quality services that reflect local priorities and resources, stated in our strategic priorities:

- People
Providing fair and accessible services for those that use them and opportunities for everyone to contribute - deliver strong and relevant services.
- Prosperity
Safeguarding and enhancing our unique mix of rural and urban communities, promoting sustainable, economic opportunities and delivering cost effective services - deliver value for money.
- Place
Safe and Clean; a focus on sustainability, the built environment and ensuring our towns and villages are safe and clean.

We must deliver the outcomes that local residents and communities want by:

- Providing efficient and joined up services, easily accessible to the customer
- Being a gateway for access. If you don't know who to ask, we will try to help or connect you with someone who can.
- Providing excellent service, ensuring our customers get the services or support they need whether provided directly through us or our partners

We want to understand local issues by:

- Meeting customer and service needs and continuing to develop the skills to deliver them
- Being flexible and resilient in response to change

SOURCE: Corporate Strategic Plan 2013/14 – 2016/17

An increased level of demand for services has been identified as a key strategic risk (Annual Governance Statement Action Plan 2014/15). Service plans, driven by the insight delivered by the Customer Service Strategy need to demonstrate the ability to adequately manage increased volume of contact from the public as well as improvements, removal of barriers to access and increased capacity within services where required.

The Council is committed to a culture of being 'Here to Help'. Everyone is engaged in a Council-wide effort to increase effectiveness to deliver a high quality customer experience every time. This defined the core values and behaviours of:

- Here to help
 - We are helpful and understanding
 - We listen and explain
 - We are knowledgeable and informative
 - We make time for our customers
 - We take ownership of an issue and we try to get it right first time
- We work together
 - We respect and value colleagues
 - We work together as one team
 - We recognise each other's skills and utilise them
 - We offer help and support to each other
 - We support colleagues to be flexible and resilient, able to respond to service changes and developments
- We aim high to make a difference
 - We go the extra mile
 - We take a pride in what we do
 - We continually look to improve our performance
 - We are flexible in our approach
 - We pride ourselves on providing excellent customer service

Understanding East Hertfordshire

Given the demands faced by the Council and the need to plan for sustainable services that meet the needs of our residents and customers now and in the future the Council and its services need to understand who are residents are, where different types of household are and understand how demographic changes may impact the demand and need for services.

This strategy therefore requires the application of key evidence bases to the design of services and how they are accessed now and in the future:

- Key Demographic trends in the District
- The Population Profile of East Hertfordshire
- Customer Preferences

These are presented in Customer Service Strategy Evidence, 'Setting the Scene – District Picture'.

Service Planning

The key themes arising from the current and future demographic trends and the profile of our residents influences the types and volumes of services needed now and in the future. These themes also influence the way in which we should plan to deliver services, as well as the external pressures impacting the Council. The themes need to be considered at a service level, using insight to inform the shape and priorities of service delivery.

Whilst district wide trends give an overall context for priorities, future plans and investments; it is essential to recognise that customers of individual services differ. For example a customer using the development management service in planning for an extension is likely to be different, having a different profile, to a customer in need of benefits support. An insight into each service's customers is needed to enable a customer focussed strategy, including their reasons for contact and the reasons for using the methods of accessing services that they do.

Accessing Services and Channel Shift

The profile of our residents impacts their likelihood to use different ways of accessing services.

Given our current demographic profile and overall social affluence the use of modern technology, digital based services and methods of contact outside normal working hours will be expected to be high. A take up of digital services would be expected, showing that there will be opportunities for efficiency and highly rated services as a result.

By applying the district profile to method of access for government services (utilising Ofcom data for access channel use) it would be expected, now, that:

- 32% should access service via email
- 25% should access by the internet
- 34% should access by telephone

However, the district wide survey assessed our customer's current preferences for the future as:

- 48% telephone
- 29% email
- 7% website

This would indicate a potential for shifting to digital channels and that customers may need to be made aware of and encouraged to shift channel. Developing a strong website based service would be reasonably expected to deliver a shift.

The preference for using email has increased by 7% 2009 to 2013, with telephone falling by the same amount. The preference for website use has remained constant. This may reflect factors such as:

- A higher demand for services leading to difficulties in using the telephone to access services.
- An increase in the use of email for its convenience as a record and audit trail of service.
- An inability to use the website to directly access the service desired.

By applying service level insight, understanding the customers of each service, specific expectations of channel use may be established and evaluated against actual use. This may include developing and enhancing face to face service for customers where it is needed, particularly recognising that the district includes pockets of minority groupings who will naturally need and access the Council's service differently.

Newer, more immediate, web chat and social media based channels of accessing Council services must also be planned and prepared for the future. Whilst take up of these services is slow and low for district council services their use for connected service delivery is inevitable.

Residents and customers expect access channels to be connected, linked together. For example, frustrated customers who are unable to access the information or service they desire by telephone will use other channels of access, expecting their enquiry to be enabled across whatever method they choose as right for them at that time. The Council will be expected to match up communication and service delivery across these channels. The Council may take the opportunity to proactively promote particular channels, by making service responsiveness better, as these channels may be more effective and efficient for the Council.

Customer Service Strategy

Principles

The key strategic principles remain apposite and unchanged.

- Efficiency in dealing with simple enquiries and transactions, releasing professional staff from administration to focus on service.
- More cost effective ways of delivering service and moving customers that can move, to the least costly methods of service delivery.
- To gain customer insight by capturing, recording and evaluating customer contact, service use and satisfaction.
- To proactively maintain knowledge of our customers and their future needs to inform continuous development of better service delivery and ensure equality of access.

Priorities for Action

The Customer Service Strategy builds on the outcomes already achieved through the Council's 'Changing the Way We Work' programme and the work already underway to streamline and web enable services. The Council must embed customer insight at both district and service levels within the service planning process.

By reviewing the key demographic trends, the population profile of East Hertfordshire and customer preferences, clear issues for East Herts emerged.

These issues were considered within workshops by members, staff and managers who all contributed to identifying the key priorities based on this evidence base and their own experience. (See Setting the Scene – Workshop Outputs).

The key priorities for action to deliver change for 2014–19 are therefore for:

1) Embed Customer Insight in the Service Planning Process

- Each service to develop evidence based plans using insight about its customers, understand their current methods of accessing services and the reasons why.
- Each service must use insight to anticipate and mitigate changes in demand.

2) Focus on Channel Shift

- The scope for change must be established using demographic trends and customer profiles with targets and actions being set to develop even more digitally delivered services (including self-service) and encourage more customers to use them where they are able to.
- Growing and promoting the connected digital delivery of services for each service across website, webchat, email, electronic forms and social media.
- Develop entirely digital service (across all access channels) wherever possible and cost-efficient; based on efficient and lean digital business processes to deliver high speed, always available, high quality services.
- Develop support to transition customers to digital self-service or enable their supported use, as customers in need will still visit us and we will still need to visit them.

3) Revised Service Standards – Quality and Responsiveness

- Digital Service delivery is ever growing and important. Standards of quality and responsiveness need to be set out and monitored for all digital channels including email, social media and web chat.
- Encouraging customers to use digital self-service and digital access channels with different service standards to promote take up and use.

4) Focus on Minorities

- The minority groups within East Herts need to be more understood by each service and the most effective methods to provide services to those more vulnerable and in need be identified.
- Alternative models of service delivery, suited to those in minority and high need groups, must be developed.

5) Maintaining Access

- All customer groups must be able to access our services; no-one should be disadvantaged by any actions we take. Equality and Diversity service impact assessments must include a review of the equality of access to services and evaluate any impact of planned changes.

Implementing the Customer Service Strategy

How Will the Approach Work?

Each service produces an annual service plan and actions for the year ahead according to the defined strategies and priorities of the Council. These are approved by Council every year and monitored throughout the year.

Service plans currently contain a section on customer insight and consultation which requires the presentation of any consultation undertaken, the knowledge that resulted and any resulting service improvements made. This section also allows for future consultation to be detailed and the reason for the consultation.

The council will enhance this considerably so that it becomes part of the formulation of plans and priorities, projects and investments; using knowledge of the location, key demographic trends and profiles of the customers of each service. This will be required to be used to formulate plans for service development, set access channel targets and actions to digitize service delivery processes.

In addition to adding to the knowledge and evidence based actions there will also be a requirement to determine the shape of the customer contact that is currently on offer and to identify the potential expectation to shift towards digitally based services, with actions specified to pro-actively influence the current customer contact model for each service. These actions will be linked to the Council's IT strategy and investments in future service delivery.

How will it be measured?

The existing service plan monitoring processes will enable individual services to log outcomes.

The achievements in terms of customer contact and outcomes in terms of establishing new methods of service delivery, achievement against targets will also be part of the individual service plans.

The service level actions will be aggregated to identify the Council's overall approach and action plan for the Customer Service Strategy to be established.

Service level plans for managing customer contact effectively and efficiently, actions for channel shift and targets will also be aggregated so that achievements towards the Customer Service Strategy and channel shift may be monitored and evaluated.

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EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 14 JULY 2015

REPORT BY HEAD OF INFORMATION, CUSTOMER AND PARKING SERVICES

DATA PROTECTION ANNUAL REVIEW

WARD(S) AFFECTED: ALL

Purpose/Summary of Report:

- To update the Committee on the implementation of the Council's Data Protection Action Plan (**Essential Reference Paper 'B'**).
- To invite the Committee to comment on progress to date.

RECOMMENDATIONS FOR CORPORATE BUSINESS SCRUTINY:

That:

(A)	the actions and developments in regard to data protection compliance be noted; and
(B)	the Executive be advised of any recommendations regarding the Council's data protection compliance.

1.0 Background

1.1 Corporate Management Team (CMT) adopted an Information Security Framework and priorities for Data Protection (DP) policy development and implementation 25 Sept 2012.

1.2 Governance structures were agreed at Corporate Business Scrutiny (CBS) Committee 19 March 2013, including an annual update in their governance role (strategic oversight) of the Council's DP compliance arrangements.

1.3 Data protection breaches occur in the best run organisations. The primary purposes of implementing DP compliance are:

- To ensure DP risks are prioritised and managed.
- To equip officers and Members with the tools they need to

promote DP compliance in the course of their work.

- 1.4 In the unfortunate event of a reportable breach, to demonstrate that the Council had policies and guidance in place that, had they been observed, would have obviated the breach or at least mitigated its severity.

2.0 Report

2.1 **Reviews and Risk Assessments**

- 2.1.1 All services undertook DP reviews of key processes in 2013/14. In 2014/2015 this was incorporated into the service planning process, supported by the Digital Media and Information (DMI) team.

- 2.1.2 The DP review within the Service Planning process:

- Enabled services to understand their key DP risks within the context of their developing service.
- Equipped services to embed the management of DP risks into their day to day processes.
- Enabled the DMI team to identify continuing trends in DP risks that would benefit from corporate measures.
- Enabled the DMI team to better support services by creating a formal structure for DP reviews that required a positive action to sign off, rather than a “silence is assumed compliance” approach.

2.2 **Corporate Risks**

- 2.2.1 Three corporate risks were identified and reported to CBS in 2014:

- Application of the document retention and disposal policies
- Use of ‘fair processing notices’ (privacy notices)
- Data sharing

- 2.2.2 To address the latter two of these, the DMI team worked at a corporate and service level to improve the understanding at the of data sharing and fair processing notices.

- 2.2.3 Supported by the Communications team, a number of articles were written and published in 'Team Update', the staff magazine, highlighting the key areas for consideration around data sharing and Information Security (IS).
- 2.2.4 This was accompanied by the introduction of a new training suite called "Bob's Business"; a set of video tutorials that place DP and IS in the context of a small office environment.
- 2.2.5 Both the articles and training have been well received, and the DMI have been approached by a number of services to advise and assist in Data Sharing exercises, including;
- Reviewing a request to Housing Services from a Housing Association for details of a number of customers on the Housing register
 - Supporting the Revenues and Benefits team in ensuring that the agreements with an external Data Matching provider were DP compliant
 - Working to ensure the development of the Shared Anti-Fraud Service was DP compliant from an East Herts perspective and that the DP risks of that project were clearly identified and managed in a robust and transparent manner.
- 2.2.6 We can be confident that most services are compliant with fair processing notices, but ongoing support is needed for a small number of areas where they collect data, to ensure that their customers are fully aware of the way their information handled.
- 2.2.7 Addressing the issues of document retention and disposal has proven to be more problematic, with issues identified around IT systems and databases, the process behind off-site archiving and storage, and the large amount of paperwork that is held across a number of storage sites. Practical steps to mitigate these risks are in place.

2.3 **Key Information Technology (IT) Risks**

- 2.3.1 Reviews have highlighted four key areas of risk associated with use of IT equipment:
- Increasing use of portable devices by staff and members.
 - Growth in home working.

- Possible conflict between flexibility for users and requirements for high security around sensitive data on the network.
- Use of non-secure email.

2.3.2 The IT strategy delivered by the Head of Business and Technology Services has addressed the first two risks through the deployment of a hosted desktop solution, whereby the user device is insulated from the corporate network. This is supported by remote printing to the council offices and the continued application of policy and training by services reliant on home workers.

2.3.3 Possible conflict between flexibility for users and requirements for high security around sensitive personal data on the network have been addressed with the inclusion of segregated area (known as an Impact Level 3 “bubble”) in the network. This allows more stringent security measures to be placed on those users accessing that data which has been assessed as high risk and allows the security policies in operation to be tailored to fit user needs and information security standards.

2.3.4 The risks surrounding non-secure email remains a concern, but has been addressed through training. Appropriate software and technical measures are in place to allow compliance, but it remains for staff to commit to using the systems, and where managers identify an issue, for them to seek training and support to address this.

2.3.4 The new IT Strategy provides a flexible approach to risk within the framework that addresses individual service needs, and a robust assurance of DP and IS within an environment that is sensitive to the context the data is held in. This continuing approach has been validated through the receipt of a substantial level of assurance from a recent audit of IT.

2.4 Policy Development and Training

2.4.1 The Council’s revised staff policy “Policy for Handling Data Protection” was approved by CMT on 24/04/2015, and is scheduled to be tabled before Local Joint Panel on 17/06/2015 and Human Resources Committee on 08/07/2015.

2.4.2 IT policy development is led by Shared IT Services. The 4 relevant policies are in draft and expected to be complete by the end of

June 2015 for review by the IT Security Group, for consultation.
The policies are:

- Bring Your Own Device (BYOD), addressing the use by staff of their personal mobile devices i.e. smartphones and tablets.
- General IT Security
- Security of Mobile/Portable Data i.e. laptops, tablets, smartphones etc.
- Email and Internet Acceptable Use

2.4.3 The new Staff Handbook has been drafted to include a revised section on DP.

2.4.4 DP forms part of the induction programme and has been given a renewed focus, with specific attention given to the training available on the staff intranet, and to the need to take personal responsibility and speak to the DMI team if staff have any concerns at all.

2.4.5 During the 2013/2014 DP review process, a number of services identified the need for more contextual training; that is, training that contained specific examples of day to day work, rather than higher level training that addressed legislation and general principles.

2.4.6 “Bob’s Business”, a training package developed by the Department for Business Innovation and Skills was identified and agreed as a suitable product, and training with this has been ongoing since December 2014. This is a module based system, with a new module being released every month. This is used in conjunction with the more general training on principles and legislation that remains available on the staff intranet. It is recommended that “Bob’s Business” continue for new staff, with the more general training being kept to act as a resource for all staff.

2.5 Member Guidance

2.5.1 DP guidance was issued to Members following the 2015 elections. So far, 23 Members have confirmed receipt and understanding. This will continue to be issued annually, with Members requested to confirm their receipt and understanding.

2.5.2 Further DP training has been undertaken with members at the Member Induction day and CBS. Further training for HR and Licensing committees is scheduled.

- 2.5.3 DP guidance is available on the Members Extranet, currently under the New Member Induction section. A project to review the Members Extranet is underway (assisted by Socitm, the public sector IT professional body). Provision of DP guidance will be part of the recommendations of that project including committee specific guidance.
- 2.5.4 Further specific guidance will be developed to support services engaging with members, e.g. Social Media and DP Implications - developed to support the Communications team.

2.6 Service Based Risks

- 2.6.1 A number of local risks were identified during the review process, some unique to just one service. These are summarised in the action plan (ERP B). Services will be re-visited by the IDM team to check progress against their recommended actions.
- 2.6.2 With the exception of the three corporate level risks, none of the individual issues identified in the Action Plan are regarded as significant. Additionally, in many service areas DP awareness and compliance continues to be very good with the number of ad-hoc DP enquiries from staff increasing.
- 2.6.3 Heads of Services re-certified their compliance and risksthis year rather than having to repeat a full DP review where no changes had taken place to their processes. This is the first year that the re-certification process was included within the Service Planning process. This has been considered to be a sensible and productive development beyond the full review process.
- 2.6.4 Engagement and commitment from Heads of Service has been excellent, with a number of managers within the services contributing to the process. This approach, with Heads of Service asking operational managers to inform the risk reviews illustrates the manner in which services are embedding DP consideration throughout their processes, from the strategic to the operational level.
- 2.6.5 Some service level risks (particularly those that involve advising customers of their DP rights and the way in which their data will be handled) will be addressed through a service level digital content development project, addressing all aspects of web content.

2.7 Recorded DP Breaches in 2014/2015

- 2.7.1 The Council works hard to ensure that all staff quickly identify and address any breach of DP, no matter how small with a focus of ensuring improvements in process and training to continue to reduce the potential for breaches. It is a reality that all organisations have data breaches. It is a huge strength that we recognise and act proactively. The Council does not view any breach as acceptable but it is right to understand that mistakes inevitably occur, and to have in place measures to respond with when they do so.
- 2.7.2 An Email from Development Management to a number of consultees left each consultee's email address visible to all recipients. Most email addresses were either already public or professional use. Minor breach, not reportable to the Information Commissioners Office (ICO). ICO guidance states this kind of matter should not be reported to them. The error was immediately recognised and addressed by the relevant manager.
- 2.7.3 Document emailed in error to Council tax customer, containing bank account details of other customers. The information was recovered, remedial steps were taken. Reported to ICO. The ICO agreed that the council had sufficient measures and training in place to satisfy their requirements, and that the council had responded appropriately to the breach. The ICO did not undertake any sanctions against the Council nor require any further action from the Council.
- 2.7.4 An email was sent to an external HR advisor in error, containing details for an occupational health referral. The advisor is Director of the regional LGA HR team, and has been involved in a number of sensitive HR issues, acting to give advice and support. This was considered a technical breach that did not require reporting to the ICO. The ongoing relationship between the council and the LGA HR Director, and their professional position and knowledge meant the matter did not present any significant risk.
- 2.7.5 2 minor breaches where Council Tax letters were sent to incorrect addresses. These occurred where accounts had been held jointly due to shared occupancy, and where the shared occupancy had ceased (partners separated or house/flat mates moved on) but account details remained connected on the database. In both cases the parties involved were advised, and steps taken to

disassociate the accounts. The Head of Revenues and Benefits took immediate steps to ensure that address updates were scrutinised for associations with other accounts and that as matter of course this process would be monitored more thoroughly.

2.7.6 The response from the ICO in the matter of the release of bank account details (a serious breach of Data Protection that might have been expected to give rise to a financial penalty) is a validation and endorsement of the Council's approach to DP, and the processes we have in place to mitigate risk and respond to breaches. While we must not be complacent, nor consider such breaches to be acceptable, we are right to understand that mistakes inevitably occur, and to have in place measures to respond with when they do so.

2.8 Other Actions

2.8.1 The Audit of Data Protection by Shared Internal Audit Service (SIAS), planned for late 2015/2016 was brought forward when SIAS were able to identify an opportunity created by other audit schedules being re-arranged. We await their report and recommendations.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS:

<p>Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i></p>	<p>People – Fair and accessible services for those that use them and opportunities for everyone to contribute</p> <p>This priority focuses on delivering strong services and seeking to enhance the quality of life, health and wellbeing, particularly for those who are vulnerable.</p> <p>Place – Safe and Clean</p> <p>This priority focuses on sustainability, the built environment and ensuring our towns and villages are safe and clean.</p>
<p>Consultation:</p>	<p><i>Heads of Service have been invited to comment where the report contains details of their service.</i></p>
<p>Legal:</p>	<p><i>None (excepting where lack of compliance carries risk of action by the ICO).</i></p>
<p>Financial:</p>	<p><i>None (excepting where lack of compliance carries risk of fine by the ICO).</i></p>
<p>Human Resource:</p>	<p><i>None.</i></p>
<p>Risk Management:</p>	<p><i>None (excepting where lack of compliance carries risk of action by the ICO).</i></p>
<p>Health and wellbeing – issues and impacts:</p>	<p><i>None.</i></p>

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Risk Driven Action Plan– Essential Reference Paper ‘B’

Corporate Level Risks

Observations	Risks	Actions
<p>Inconsistent application of the Council’s document retention and disposal policy.</p>	<p>Risk of a breach of DP Principles 4 and 5.</p>	<p>Risk has been assessed with reference to Data Security.</p> <p>Off-site storage of documents has been assessed, and is likely to require considerable resource to resolve. Current process of archive management devolved to service level offers little oversight and while some service hold excellent records, work needs to be undertaken to ensure that stored documents are disposed of when no longer required.</p> <p>Ware storage site remains a considerable concern. Suggest that work be undertaken to review all material stored there.</p> <p>Electronic retention is considered to be lower risk due to very good IT security protocols, but new systems should be procured with retention/deletion of records a consideration.</p>
<p>Inconsistent use of ‘fair processing’ notices.</p>	<p>Risk of a breach of DP Principles 1 and 6.</p>	<p>Continued use existing opportunities such as staff briefings and Team Update to improve awareness of the issues.</p> <p>Review forms and collection notices as part of service level content development project.</p> <p>Information Management team empowered to audit services’ compliance with the policy, to be undertaken through service level content development project.</p> <p>Support through DP reviews as part of Service Planning</p> <p>Operational Risk Management Group to review audits and make recommendations to SMG/CMT where considered appropriate.</p>
<p>Inconsistent approach to data sharing.</p>	<p>Risk of a breach of DP</p>	<p>Continued use existing opportunities such as staff briefings and</p>

Risk Driven Action Plan– Essential Reference Paper ‘B’

	Principles 2, 6 and 7.	<p>Team Update to improve awareness of the issues.</p> <p>Ongoing targeted support for staff and services involved in Data Sharing.</p> <p>Information Management team empowered to audit services’ compliance with the policy.</p> <p>Support through DP reviews as part of Service Planning</p> <p>Operational Risk Management Group to review audits and make recommendations to SMG/CMT where considered appropriate.</p>
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Service Based Risks

1. Revenues and Benefits

Observations	Risks	Recommendations
<p>Revenues</p> <p>‘Fair collection’/‘privacy notices’ must be in place on all documents and web forms where personal data are collected.</p> <p>Occasional data sharing takes place (police).</p> <p>Third party organisation used to process personal data on behalf of the service.</p> <p>Occasional use of temporary staff.</p>	<p>Risk of a breach of DP Principles 1 and 6.</p> <p>Risk of a breach of DP Principles 2, 6 and 7</p> <p>Risk of a breach of DP Principles 2, 6 and 7</p>	<p>Ensure ‘fair collection’ / ‘privacy notices’ in place on all documents and web forms where personal data are collected. Reviewed and agreed to be compliant</p> <p>Ensure all acts of data sharing are legitimate under the terms of the DPA and appropriately logged. Ongoing support, but compliant</p> <p>Ensure mandatory (and if appropriate optional), DP clauses are built into contract and compliance monitored. Ongoing support, but compliant</p> <p>Ensure temporary/agency staff receive DP training and compliance is monitored. Ongoing support, but compliant</p>
<p>Benefits</p> <p>‘Fair collection’ / ‘privacy notices’ must be in place on all documents and web forms where personal data are collected.</p> <p>Occasional data sharing takes place (police).</p>	<p>Risk of a breach of DP Principles 1 and 2.</p> <p>Risk of a breach of DP</p>	<p>Ensure ‘fair collection’ / ‘privacy notices’ in place on all documents and web forms where personal data are collected. Reviewed and agreed to be compliant</p>

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	Principles 2, 6 and 7	Ensure all data sharing is legitimate under the terms of the DPA and are appropriately recorded. Ongoing support, but compliant
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2. Communications, Engagement and Cultural Services

Observations	Risks	Recommendations
Personal data of competition winners and of other newsworthy individuals may be publicised by the section.	Risk of breach of DP Principles 1 and 5.	Ensure that the consent of the individual is obtained and a record held on file. Ongoing support, but compliant
Individuals who sign up for aspects of the service have that service delivered through “GovDelivery”.	Risk of breach of DP Principles 1 and 7.	Ensure an appropriate ‘Privacy Statement’ is made available to the individual and that appropriate DP clauses are present in any agreement between EHDC and ‘GovDelivery’. Ongoing support, but compliant
No significant, unmanaged DP risks identified in the areas of Hertford Theatre and Engagement and Partnerships.	N/A	Risks identified during the review process were largely resolved during the year. Ongoing support, but compliant

3. Finance and Performance

Observations	Risks	Recommendations
No significant, unmanaged DP risks identified in course of review.	N/A	Ensure appropriate security of mechanisms by which personal data are transferred to and from the Finance and Performance team and other services. Ongoing support, but compliant

4. Payroll/HR

Observations	Risks	Recommendations
Employees are asked to update their personal data on a two year cycle.	Risk of breach of DP Principle 4.	Update on a more frequent basis (perhaps update a twelfth of the workforce each month, in a yearly cycle?). The new HR system planned for implementation this year will allow for immediate update of
Some employee personal data is held in	Risk of breach of DP Principle 7.	

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<p>physical form (i.e. files).</p> <p>Payroll processing is externalised.</p> <p>HR co-ordinates delivery of most corporate level training and guidance.</p>	<p>Risk of breach of DP Principle 7.</p> <p>N/A</p>	<p>information and employees would be encouraged to do this.</p> <p>Ensure physical security of files. Consider additional levels of security in respect of any <i>sensitive</i> personal data contained in files. Ongoing support, but compliant</p> <p>Ensure requisite DP clauses are present in contract/SLA with external processor and, as appropriate, with SBC. Ongoing support, but compliant</p> <p>Ensure DP training takes place at induction and on a regular basis and that the delivery of this training is logged. Follow-up action is taken in respect of those who fall through the net. Induction process has been reviewed and mentions DP in corporate induction and referral to pages on the intranet are made</p> <p>Ensure Staff Handbook is updated on a periodic basis and made accessible to staff. Liaise with Information Management team to ensure accuracy of DP statements in the Handbook. Staff Handbook has been updated this year and goes to HR Committee in July 2015</p>
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5. Facilities and Property Management

Observations	Risks	Recommendations
<p>Service may occasionally receive requests for personal data from the Police.</p>	<p>Risk of breach of DP Principles 2, 6 and 7.</p>	<p>Although S29 of the DPA sets out the basis on which personal data may be shared with bodies such as the Police, fundamental requirements remain, such as the need to establish a legitimising condition.</p> <p>Data sharing practices and protocols between EHDC, the police and other enforcement authorities should be reviewed at a corporate level, to ensure they are robust and fit-for-purpose. Requests are managed via DMI team Ongoing support, but compliant</p>

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Service has responsibility for some CCTV recording at Wallfields and Charrington’s House.	Risk of breach of DP Principles 1, 2, 5, 6, 7.	Ensure an appropriate ‘Code of Conduct’ is in place and reviewed on a periodic basis. Ensure appropriate procedure is in place to manage Subject Access Requests and requests for data sharing from other agencies (see above). Access requests managed through DMI team, Code of Conduct under review
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6. Corporate Risk

Observations	Risks	Recommendations
No significant, unmanaged DP risks identified in course of review.	N/A	Measures are in place to legitimise and manage the service’s key activities, including in potentially sensitive areas such as fraud prevention/detection. It is vital that detailed records are kept when activities such as investigations/covert monitoring take place and that senior management authority is secured and recorded where appropriate. Compliant and V High levels of Assurance

7. Licensing and Community Safety

Observations	Risks	Recommendations
Community Safety and Health Services Substantial volumes of personal and sensitive personal data may be collected as part of this function.	Risk of breach of DP Principles 1, 3, 4, 5, 6, 7	Ensure ‘fair processing’ information is given as close as possible in time to when personal data are collected, whatever the medium used, and that it is provided in an appropriate format. Ongoing support and review – compliant in many core areas, but the service seeks further corporate support Ensure data sharing agreements are in place with organisations with whom personal data may be shared and ensure the security of all channels by which the data sharing may take place. Ongoing support, but compliant Ensure the service retains and disposes of personal data in line with

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		Service level DP awareness remains very high, with very good compliance behaviours
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8. Democratic Services (including Members)

Observations	Risks	Recommendations
No significant, unmanaged DP risks identified in course of review.	N/A	<p>Member Guidance on DP to be revised and re-issued on a periodic basis. Ongoing support, but compliant</p> <p>DP training to be formalised as part of the induction process post local elections. Ongoing support, but compliant</p> <p>Additional Member training to be identified and implemented. Ongoing support, but compliant</p>

9. Planning and Building Control

Observations	Risks	Recommendations
Personal data, (albeit limited in volume and sensitivity) are gathered as part of the planning and building control process.	Risk of breach of DP Principles 1 and 5	Appropriate ‘fair collection’ / ‘privacy notices’ are made available where personal data are collected. Ongoing support, but compliant
Personal data may be retained on key systems long after the conclusion of the matter to which it relates. (Appears to be a limitation of the current IT system)	Risk of breach of DP Principle 5	Service should use the opportunity the forthcoming retendering of this system provides to specify an appropriate means of deleting (or at least ‘putting beyond use’ the personal data of individuals as per the Council’s retention and disposals policy. Retention remains a concern in regard of electronic data but security is good

10. Corporate Support

Observations	Risks	Recommendations
The team processes significant amounts of	Risk of breach of DP Principle 7.	Review mechanism(s) by which documents containing personal data are

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<p>personal data; however it acts primarily as a ‘clearing house’, disseminating data to and receiving it from, internal departments and outside organisations.</p> <p>The services of an external company are used to process personal data on behalf of the Corporate Support team.</p>	<p>Risk of breach of DP Principles 2, 6 and 7.</p>	<p>transmitted to and from members of the Corporate Support team. Ongoing support, but compliant</p> <p>Ensure requisite DP clauses are present in contract/agreement between Council and company. Ongoing support, but compliant</p>
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11. Assets and Estates Management

Observations	Risks	Recommendations
<p>The service conducts credit checks on individuals.</p>	<p>Risk of breach of DP Principle 7.</p>	<p>Consider additional security (e.g. password protection) of the computer files in which this personal data are held.Ongoing support, but compliant</p>

12. Customer Services and Parking

Observations	Risks	Recommendations
<p>Customer Services</p> <p>The team processes significant amounts of personal data; however it acts primarily as a ‘clearing house’, disseminating data to and receiving it from, internal departments and outside organisations.</p> <p>The service co-ordinates the ‘3 C’s’ process (Compliments, Comments and Complaints).</p>	<p>Risk of breach of DP Principle 7.</p> <p>Risk of breach of DP Principle 1.</p>	<p>Review mechanism(s) by which documents containing personal data are transmitted to and from members of the Corporate Support team. Ensure documents containing personal data are not left exposed to public view – e.g. on desktops in reception areas.Ongoing support, but compliant</p> <p>Ensure ‘fair processing’ information on relevant documentation is complete, that it acknowledges the individual’s right to withhold consent for their personal data to be shared and that the consequences of such a refusal are clearly explained. Ongoing support, but compliant</p>

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<p>Information Management Web team pre-check most website content before it goes live, but there are a few circumstances where services can post direct.</p>	Risk of breach of DP Principle 1,	Individual services posting personal data to the web must take responsibility for ensuring the legitimacy of doing so. Ongoing support, but compliant
<p>Team co-ordinates processing of all FOI and DP inquiries received by the Council.</p>	Risk of breach of DP Principles 6 and 7.	Systems and controls in place within the service make a DP breach unlikely; however training in the identification and proper treatment of Subject Access Requests needs to be given to all services on a periodic basis. Ongoing support, but compliant
<p>Parking Services No significant, unmanaged DP risks identified in course of review in respect of the enforcement and permit functions.</p>	N/A	N/A
<p>Risk of DVLA data being retained longer than the purpose for which it was obtained justifies.</p>	Risk of breach of DP Principles 2 and 5.	Explore options to delete redundant personal data from PCN records according to pre-agreed criteria. . Retention remains a concern in regard of electronic data but security is good

13. Housing

Observations	Risks	Recommendations
No significant, unmanaged DP risks identified in course of review.	N/A	Risks identified are corporate risks and will be progressed on that basis.

14. Environmental Services (including Leisure Services)

Observations	Risks	Recommendations
<p>General The personal data of staff are processed as part of the service’s management of the ‘lone</p>	N/A	Ensure staff are given ‘fair processing’ information at the point the personal data are gathered. Ongoing support, but compliant

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<p>worker’ function. (N.B. Similar arrangements and recommendations will apply in respect of other services; however this was the only review in which the situation was addressed in detail).</p> <p>Waste Management No significant, unmanaged DP risks identified in course of review.</p> <p>Environmental Inspection/Pest Control No significant, unmanaged DP risks identified in course of review.</p> <p>Grounds maintenance/TPOs/allotments No significant, unmanaged DP risks identified in course of review.</p> <p>Leisure Services No significant, unmanaged DP risks identified in course of review.</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>	<p>Ensure a mechanism for reviewing accuracy of personal data on a periodic basis and ensure a mechanism for deleting personal data should an individual leave the Council’s employ.Retention remains a concern in regard of electronic data but security is good Ensure the physical and electronic security of these data – especially after move towards holding data on PDAs. Ongoing support, but compliant</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
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15. IT Services

Observations	Risks	Recommendations
<p>Information Technology risks from service reviews highlighted:</p> <p>Growth in use of bring your own/portable devices</p> <p>Growth in home working</p> <p>Non-secure email</p>	<p>Clear policy revisions required to update and support use of IT equipment.</p>	<p>IT risks have been addressed through a variety of measures:</p> <ul style="list-style-type: none"> • deployment of hosted desktop to insulate the network from BYOD (Bring Your Own Device) risk. • Creation of IL3 “bubble” to apply more stringent security policies to users accessing sensitive data. • New IT strategy creating flexible and context sensitive framework.

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<p>IT unable to progress risk assessments due to establishment of shared service structure and government changes to local authority IT practices. This now concluded so assessments and policies will be undertaken by July2014.</p>		<ul style="list-style-type: none">• New IT policies in draft and proceeding.• Training has been rolled out to staff on email security via “Bob’s Business” e-learning suite. <p>Confidence in IT security is high, with substantial level of assurance from recent audit.</p>
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EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY 14 JULY 2015

REPORT BY DIRECTOR OF FINANCE AND SUPPORT SERVICES

COUNCIL TAX REDUCTION SCHEME 2016/17

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

To consider the latest available information around the current local Council Tax Support (CTS) scheme at East Herts and whether any changes to the scheme should be considered for 2016/17.

RECOMMENDATION FOR CORPORATE BUSINESS SCRUTINY

That:

- | | |
|------------|---|
| (A) | Corporate Business Scrutiny Committee consider whether other options around scheme design should be explored further for East Herts local Council Tax Support scheme for April 2016 |
|------------|---|

1.0 Background

- 1.1. The Government made provision within the Local Government Finance Bill to replace the former national Council Tax Benefit (CTB) scheme from 1st April 2013 with localised schemes for Council Tax Reduction Schemes (CTS) devised by individual local authorities (LA's). The schemes are valid for one year and must be approved by Council before the end of January immediately preceding the financial year in which it is to take effect.
- 1.2. If the Council were to choose to consider any material revisions to the scheme, this would be the subject of public consultation, which would need to be considered by both those entitled to receive support as well as the general Tax payers of East Herts.
- 1.3. In previous years, we have brought reports to scrutiny later in the financial year with recommendations to consider the scheme. Bringing forward this report to earlier in the financial year offers an

opportunity to consider fully the implications of any changes on the wider financial health of the organisation.

2.0 REPORT

2.1. **The origins of Council Tax Support (CTS)**

2.1.1. Before April 2013, we administered Council Tax Benefit on behalf of the Government. This national scheme was specified in legislation and we were reimbursed by the Department of Work and Pensions (DWP) through a subsidy claim submitted annually and subject to audit.

2.1.2. The level of subsidy reimbursement varied dependant on whether benefit had been awarded, backdated or overpaid, but the point to note is that entitlement and subsidy were based on assessing entitlement on 100% of somebodies council tax liability, net of discounts (like a single person discount.)

2.1.3. The scheme was means tested and whilst the scheme differentiated between different client groups (providing extra support for disabled groups for example) there was little differential between Elderly and Working Age clients.

2.1.4. Clients fell into one of two groups, "Passported" and "standard claimants." A passported claim was one in which the DWP had already carried out a means test and then notified us that the customers income was at or below the minimum income level for their household composition. They would be automatically entitled to 100% of their Council Tax to be paid by Council Tax Benefit. A deduction would however be made from this entitlement where there were non dependants living in the home.

2.1.5. The second group were called 'standard claims'. These customers had their means testing done by the council and awarded Council Tax benefit in accordance with the national scheme criteria. These customers had income above the minimum requirements and would be required to pay something towards their council tax liability. A deduction would also be made from this entitlement where there were non dependants living in the home.

2.1.6. In very general terms the full expenditure on the scheme was reimbursed by the DWP.

2.2. The impact of changes from 1st April 2013

2.2.1. The national scheme for Council Tax Benefit ceased, and Councils had to devise their own Council Tax Reduction Schemes for working age claimants. The Government continues to specify the scheme for Elderly customers.

2.2.2. Instead of the scheme being funded through a subsidy claim based on actual expenditure, the Government moved the funding into the Revenue Support Grant (RSG) settlement, fixing it at only 90% of the subsidy paid in a previous year. RSG is the amount of grant that Government give to Councils to support their wider service delivery, and makes up one part of the income of the Council in addition to Council Tax receipts, fees and charges and an element of Business rate collection.

2.2.3. Each Council had to consider how to fund 100% of the cost of the Elderly 'national' scheme and provide a Working age scheme, whilst receiving 10% less funding.

2.2.4. We also have a duty to run a local CTS scheme within our area that must contain the following:

2.2.5. Pensioner claimants are protected from changes through the provision of a statutory scheme.

2.2.6. The protection for pensioner claimants will result in the 10% financial saving falling disproportionately on working-age claimants unless it can be met through other arrangements.

2.2.7. Schemes must support work incentives.

2.2.8. The DCLG Policy Statement of Intent does not give a recommended approach to be taken, but indicates the scheme should not contain features which creates dis-incentives to find employment. The current East Herts scheme complies with this statement.

2.2.9. LAs must ensure that appropriate consideration has been given to support for other vulnerable groups, including those which may require protection under other statutory provisions including the

Child Poverty Act 2010, the Disabled Persons Act 1986 and the Equality Act 2010, amongst others.

2.2.10. The DCLG has issued Policy Statements that address a range of issues including the following:

- Vulnerable People and Key Local Authority Duties;
- Taking work incentives into account;
- Information Sharing and Powers to Tackle Fraud.

2.2.11. The Local Government Finance Bill stated that a Billing Authority must have regard to any guidance issued by the Secretary of State. Our current recommended scheme has sought to address these requirements.

2.2.12. The Government enabled Councils to review the level of Council Tax discount granted on a small group of existing nationally specified discounts, including long term empty, second homes and empty and substantially un furnished properties. East Herts reduced the discounts on the empty properties from 100% for the specified periods, to 50%. Second home discounts were removed.

2.2.13. The Council initially devised a scheme which replicated the previous national scheme but limited the Council tax liability that was used to assess entitlement to 90% for working age customers. The Government offered a one off transitional grant to Councils who would restrict the reduction to 91.5%, and accordingly the Council amended the proposal and took the one off transitional grant.

2.2.14. The cost of the scheme was to be reflected in the tax base, and the income from the Government coming through the RSG.

2.2.15. This meant that the tax base was reduced by the expected value of the scheme for 13/14. This 'depression' was mitigated in part by the effect of reducing the discounts on empty properties.

2.2.16. The Government require that major preceptors (County and Police) are consulted each year, and if there is any change to the scheme a full consultation open to all tax payers in the district is required. There is no specific timescale prescribed but the period

must allow for meaningful consultation.

2.2.17. We expected 14/15 to look like this.

2013/14		Government Grant for 2013/14	one off CTS limitation grant	CTS Expenditure (budgeted at 4399.18 band D @1486.11	Cost
Precept					
75.29%	HCC	£4,718,480.00	£ 125,400.00	£ 4,922,208.27	-£ 78,328.27
9.95%	POLICE	£623,574.00	£ 16,500.00	£ 650,497.71	-£ 10,423.71
14.76%	EHC /Parish	£925,647.00	£ 24,600.00	£ 964,959.41	-£ 14,712.41
100.00%		£6,267,701.00	£ 166,500.00	£ 6,537,665.39	-£ 103,464.39

2.2.18. However after a number of years of constant case load increases, the caseload stabilised and the outturn looked like this

13/14 Actual		Government Grant for 2013/14	one off CTS grant limitation grant	CTS Expenditure (budgeted at 4399.18 band D @1486.11	Cost
Precept					
75.29%	HCC	£4,718,480.00	£ 125,400.00	£ 4,855,027.60	-£ 11,147.60
9.95%	POLICE	£ 623,574.00	£ 16,500.00	£ 641,447.03	-£ 1,373.03
14.76%	EHC /Parish	£925,647.00	£ 24,600.00	£ 952,320.15	-£ 2,073.15
100.00%		£6,267,701.00	£ 166,500.00	£ 6,448,794.78	-£ 14,593.78

2.2.19. In 14/15 the grant that was included in the RSG was no longer individually identifiable, and as such assumptions have to be made as to whether it has been retained at the original level (above) or has reduced by the same rate as the overall RSG payment to the council and major preceptors.

2.2.20. In 2014/15 the RSG reduced by 21.19% and in 2015/16 by a further 21.24%.

2.2.21. What is certain however is that the level of spend on CTS has continued to reduce, mitigating in part the impact of overall reductions in income to the Council.

Year	CTS expenditure		
2013/14	£	6,448,794.78	Actual
2014/15	£	6,066,188.65	Actual
2015/16	£	6,182,013.90	Budgeted
2015/16	£	5,952,610.41	Current & Projected

2.2.22. A large proportion of customers affected by the introduction of the CTS scheme had not previously had to pay anything towards their Council Tax bill. If they had been 'passport' under the Council Tax Benefit scheme their liability would have been discharged in full by a credit transfer onto their Council Tax account. Under the new arrangements all working age customer had to pay at least 8.5% towards their bill.

2.2.23. It continues to be a challenge to educate and support these customers into a regular payment arrangement, and arrears of Council Tax for these customers is increasing.

2.2.24. Many of these same customers were affected by other welfare reforms introduced at the same time including the spare room subsidy scheme and the Benefit CAP, in addition to other reviews of disability benefits etc. Many families find that they have increasing debts with their councils and landlords for bills that were previously paid for them.

2.2.25. We make assumptions in respect of the level of non-payment of Council Tax when determining the tax base, alongside assumption over each of the variable elements of its composition. The in-year collection for all Council Tax payers was 98.2% in 2014/15, but this was dampened by only 77.43% collected from those working age customers in receipt of CTS. Those customers who under the old scheme would have not paid anything towards their council tax (passport customers) paid only 67.49%. These account for 69% of all working age customers.

2.2.26. The liability not paid in-year becomes arrears on which a bad debt provision has to be established, which is a further cost to the council. Where the outturn taxbase exceeds the estimated performance it generates a surplus on the collection fund, and conversely when the taxbase does not achieve its expected performance because of negative variations in the component elements, the collection fund would be in deficit. The Council is required to make precept payments during the year regardless of any in year variations.

2.2.27. Consideration of any variations to the existing scheme needs to consider;

- Variations in the RSG
- The reducing cost of CTS
- The impact of other welfare benefits reforms on the ability to pay
- The cost of increasing arrears and recovery costs
- The buoyancy of the taxbase generally
- The unknown budget and finance settlements

2.2.28. The timeline for a decision to be made (must be approved by 31.1.2016)

2.2.29. Any revision to a scheme must be made by the Council by the 31st January, immediately preceding the financial year in which it is to take effect and will require consultation with those affected. Additionally, consideration must be given to providing transitional protection where the support is to be reduced or removed. The financial impact of any decision on Council Tax Support also needs to be included when setting our budget and Council tax levels at the same time.

2.3. **Our current Council Tax Support Scheme**

2.3.1. The CTS scheme for 2015/16 as informed by the results of consultation and from the results of the equalities impact assessment can be summarised as follows:

- That the CTS scheme for all working age claimants will be based on 91.5% of their council tax liability.;
-

- All local discretions currently in place will continue e.g. war pension disregards;
-
- All other aspects of the new Council Tax Support scheme to mirror the previous Council Tax Benefit scheme.

2.3.2. In recognition of the fact that the additional Council Tax liability is more difficult to collect, a collection rate of 98.65% has been assumed. This is the same as that used for 2014/15.

2.4. Options that could be considered in redesigning a scheme

2.4.1. There are a number of options that could be considered when redesigning the scheme, although all revisions would affect working age customers only, given that pensioners have to be fully protected by our scheme. Our caseload for CTS indicates that the proportion of working age customers compared to pensioners is approximately an equal share, although this does change over time, especially given the national age threshold for becoming a pensioner is increasing.

2.4.2. The type of changes that could be made can be summarised as follows

2.4.3. Changing the level of “minimum payment” for all working age customers

- a) The current scheme assumes that all working age customers are asked to pay at least something towards their Council Tax, and as described earlier the minimum payment is 8.5% of liability. The Council could consider making a change to that amount but in doing so, the full impact of that decision needs to be considered.
- b) If the Council chose to increase this minimum payment to say 10%, this does not mean a straight line reduction in the amount that the Council will spend out. For individuals already finding it difficult to pay at the current level, it can be seen that increasing this amount could increase their hardship levels further, especially as these customers are likely to be receiving other benefits, which have been affected by the on-going Welfare reforms.
- c) Given our latest information shows that the collection rate for those working age customers in receipt of CTS is already significantly lower

than the overall rate, we would need to consider adding further amounts to our bad debt provision in respect of potential non-collection of our debts. Having done some indicative modelling, we estimate that increasing the minimum payment to 10% could result in a decrease in Council Tax spend of approximately £80k. This would be virtually wiped out by the need to increase bad debt provision.

- d) Conversely, if we were to consider reducing the minimum amount to be paid we would need to consider where we would find the additional amount that we would need to fund Council Tax Support and these impact upon the totality of the funding for the Council and importantly, other precepting bodies too. These impacts on their overall funding levels, and given we represent under 15% of the total cost of the scheme, we need to consider the significant financial impact this could have on others. There would still be costs associated with administering the scheme whatever the level of award, as not everyone gets the full benefit so this would not mitigate the additional cost to the Council. On current estimates, we believe the additional burden could be around £300k.

2.4.4. Introducing a band cap (so limiting the amount that we would pay to a value of a lower property band, for example Band D)

- a) In some Local Authorities, they have introduced a band cap where the scheme will only pay up to the equivalent of say a Band D property, even if you are in a higher banded property. Anecdotally this is unlikely to make significant changes to the overall cost of the scheme as the majority of those entitled will be within Band A-D properties anyway.
- b) This could also disproportionately affect those with a requirement for a larger property as they have children, other dependents due to caring responsibilities or a disability. These groups could already have been hit by other areas of Welfare reform including the Benefit Cap and the Spare Room subsidy limitation.

2.4.5. Introducing a minimum amount we would pay out

- a) In some Councils they have introduced a minimum level at which we will support residents. An example is that you have to be entitled to at least £5 a week to be supported. This means someone who is currently entitled to a lower amount, would not receive it, despite the fact that we have assessed them as at currently requiring support. There are no real savings in terms of administrative costs because we would still have to undertake an assessment to find out that we wouldn't award. In addition, the fact that they are currently entitled to

support indicates that they are financially vulnerable and the likelihood of being able to collect that additional amount from those residents is low. Therefore the potential reduction in costs overall is minimal and outweighed by an increase in bad debt provision and recovery costs.

2.4.6.Changes around discretions for Disability, Children and other Dependents

- a) This would change the nature of the scheme overall. East Herts, when setting its original scheme were clear that all would contribute equally as the core scheme already differentiates preferentially to those with disabilities, children etc.
- b) Any complexity that is added to the way in which we calculate entitlement, will make the administration of the scheme both more complex for our officers to manage both in terms of calculation but more importantly, to explain to our residents.
- c) This would also mean that the general working age population may need to pick up an even greater share of the cost if the scheme is to remain affordable and equitable.

2.4.7.Other adjustments

- a) There are a number of other component elements of the scheme that could be adjusted including income tapers, non-dependent deductions, income disregards etc. but all would carry the same risk to bad debt provisions, potential recovery costs and costs of administration. The more complex the scheme, the more difficult it is to comply with and customers' levels of understanding could be compromised.
- b) Finally, the intention is, in time is to move away from a means tested benefit towards a discount scheme. This would make administration more efficient and far less complex and time consuming for the customer. However, given we already have to operate a means tested Housing benefit scheme, the CTS calculation is produced simultaneously and minimised the duplication of effort of officers as far as possible, changing to a discount scheme would introduce a new process and administration costs.
- c) Officers are keen to explore developments nationally in this area and will keep members informed of any developments. However, at this time there are no such schemes in existence which demonstrates the challenge that this presents.

3.0 Welfare Reform

3.1. We know that further Welfare Reform will impact upon our residents, but at the time of writing this report we do not have any more details about who, or how, people will be affected. We would need to consider the impact of any of those changes on the ability for our residents in receipt of Council Tax Support as part of the overall package of changes. This could impact upon collection rates, costs of recovery etc. if individuals are affected by both changes at a national and local level.

4.0 BACKGROUND PAPERS

The Local Government Finance Bill 2012

<http://services.parliament.uk/bills/2012-13/localgovernmentfinance/documents.html>

The Local Government Finance Act 2012

<http://www.legislation.gov.uk/ukpga/2012/17/contents/enacted>

Statutory Instrument 2012 / 2885

<http://www.legislation.gov.uk/uksi/2012/2885/contents/made>

DCLG Statement of Intent

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6090/2176498.pdf

DCGL Policy document - Vulnerable People and Key Local Authority Duties

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6074/2148567.pdf

DCLG Policy Document – Taking work incentives into account

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6075/2148501.pdf

Policy Document – Information Sharing and Powers to Tackle Fraud

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6090/2176498.pdf

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i>	People This priority focuses on enhancing the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.
Consultation and Equality Impact:	This report is to engage members in consideration of options around potential changes to the current scheme. If the committee decide to consider any of the options in more detail, then full and appropriate consultation will be required and a Equality Impact assessed of changes on individuals.
Legal:	<p>The Local Government Finance (LGF) Act came into force on 31st October 2012.</p> <p>Details as to what was set out in the LGF Bill in relation to local authorities setting up Council Tax Support / Reduction schemes are set out below.</p> <p>Requirements of Council Tax Support scheme - The prescribed content of a CTS scheme was set out in section 9 of the Local Government Finance Bill and in clause 1 of Schedule 4 which inserts Schedule 1A to the Local Government Finance Act 1992 ("LGFA 1992") and clause 2 of that proposed Schedule 1A. Under these provisions, a CTS scheme must state the following:</p> <ul style="list-style-type: none">(1) A scheme must state the classes of persons who are to be entitled to a reduction under the scheme;(2) A scheme must set out the reduction to which persons in each class are to be entitled (and different reductions may be set out for different classes);(3) A scheme must state the procedure by which a person may apply for a reduction under a scheme; <p>A scheme must state the procedure by which a person can make an appeal under section 16 of the LGF</p>

	<p>Act 1992 against any decision of the authority which affects (a) the person's entitled to a reduction under the scheme, or (b) the amount of any reduction to which the person is entitled;</p> <p>A scheme must state the procedure by which a person can apply to the authority for a reduction under section 13A (1) (b) of the LGF Act 1992.</p> <p>As for stating the classes of people who are to be entitled to a reduction under a scheme, classes may be determined by reference to the following:</p> <ol style="list-style-type: none"> (1) The income of any person liable to pay council tax on the authority in respect of a dwelling; (2) The capital of any such person; (3) The income and capital of any other person who is a resident of the dwelling; (4) The number of dependants of any person within paragraph (2) or (3) above; (5) Whether the person has made an application for the reduction. <p>As for stating the reduction to which persons in each class are to be entitled and if different reductions are set out for different classes, a reduction may include the following detail:</p> <ol style="list-style-type: none"> (a) A discount calculated as a percentage of the amount which would be payable apart from the scheme; (b) A discount of an amount set out in the scheme or to be calculated in accordance with the scheme; (c) Expressed as an amount of council tax to be paid (lower than the amount which would be payable apart from the scheme) which is set out in the scheme or is to be calculated in accordance with it; or (d) The whole amount of Council Tax (so that the amount payable is nil).
Financial:	Full financial implications of any revisions would need to be considered as part of more detailed consultation

	exercise. Indicative costs of the scheme are included within the report.
Human Resource:	Full implications of any revisions would need to be considered as part of more detailed consultation exercise. Indicative costs of the scheme are included within the report.
Risk Management:	The high level risks around altering any part of the current scheme are identified within the report but further analysis would be required should any changes be proposed for further investigation.
Health and Well-being	Having a clearly defined council tax support scheme that assists individuals and families, particularly those who are vulnerable, to access additional financial support can positively contribute to their quality of life, health and wellbeing.

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