

Lancashire County Council

Cabinet

Thursday, 19th January, 2017 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No. Item

1. **Apologies for Absence**
2. **Disclosure of Pecuniary and Non-Pecuniary Interests**
Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.
3. **Minutes of the Meeting held on 8 December 2016** (Pages 1 - 4)
4. **Executive Scrutiny Committee - Report of the Chair**

Matters for Decision:

External Audit

5. **The Annual Audit Letter for Lancashire County Council - Year Ended 31 March 2016** (Pages 5 - 28)

The Deputy Leader of the County Council - County Councillor David Borrow

6. **Money Matters - The Financial Strategy** (Pages 29 - 124)

Cabinet Member for Health and Wellbeing - County Councillor Azhar Ali

7. **Regulation of Investigatory Powers Act 2000: Annual Report to Cabinet** (Pages 125 - 192)

Matters for Information:

8. **Report of Key Decisions taken by the Leader of the County Council, the Deputy Leader of the County Council and Cabinet Members** (Pages 193 - 198)

Miscellaneous Matters:

9. Urgent Business

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

10. Date of Next Meeting

The next meeting of the Cabinet will be held on Thursday 2 February 2017 at 2.00 pm at County Hall, Preston.

Jo Turton
Chief Executive

County Hall
Preston

Item 3

Lancashire County Council

Cabinet

Minutes of the Meeting held on Thursday, 8th December, 2016 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

County Councillor Jennifer Mein

Leader of the Council
(in the Chair)

Cabinet Members

County Councillor Azhar Ali
County Councillor David Borrow
County Councillor John Fillis
County Councillor Marcus Johnstone
County Councillor Tony Martin
County Councillor Matthew Tomlinson

County Councillors Geoff Driver CBE, Albert Atkinson and Bill Winlow were also in attendance under the provisions of Standing Order No. 19(4).

1. **Apologies for Absence**

None

2. **Disclosure of Pecuniary and Non-Pecuniary Interests**

There were no interests declared.

3. **Minutes of the Meetings held on 26 September 2016 and 6 October 2016**

Resolved: That the minutes of the meetings held on 26 September and 6 October 2016 be agreed and signed by the Chair

4. **Executive Scrutiny Committee - Report of the Chair**

County Councillor Bill Winlow, Chair of the Executive Scrutiny Committee, reported that the recommendations set out in the reports for consideration by Cabinet had been confirmed with no amendments or additional recommendations

5. **Pan Lancashire Health and Wellbeing Governance Arrangements**

Cabinet received a report on work undertaken to move to a new model of Health and Wellbeing Board governance, in the form of a single Health and Wellbeing Board for Lancashire, with five local area health and wellbeing partnerships, reflecting the local area health economies across Lancashire.

Resolved: That

- i. the proposals for a new pan-Lancashire model for Health and Wellbeing Board governance set out in the report be noted;
- ii. the draft terms of reference for the proposed Pan Lancashire Health and Wellbeing Board and Local Health and Wellbeing Partnerships (which will be finalised during the shadow operation period and presented to Annual Council for formal adoption) be noted;
- iii. the intention that the new pan-Lancashire model operate in shadow form between January and March 2017 in accordance with the draft terms of reference be noted
- iv. the principles for the new pan-Lancashire model for Health and Wellbeing Board governance arrangements for adoption and implementation from May 2017 be supported

6. Money Matters - 2016/17 Financial Position and Medium Term Financial Strategy

Cabinet considered a report providing an update of the forecast outturn Financial Position for 2016/17 on revenue and capital as at 30th September 2016, and the County Council's updated Medium Term Financial Strategy for the period 2016/17 to 2020/21 including some additional efficiency savings for the County Council.

Resolved: That

- i. the forecast underspend of £13.271m on the 2016/17 revenue budget be noted;
- ii. the revised funding gap of £146.133m covering the period 2017/18 to 2020/21 (cumulative gap £411.207m) be noted;
- iii. the position in respect of the Council's reserves and to agree the transfers outlined in the report be noted;
- iv. the position in respect of the Capital Programme in-year delivery and overall capital financing requirements covering the period 2016/17 –2020/21 be noted
- v. the budget proposals set out within Appendix 'B' (Section 3.6) and Appendix 'D', authorise officers to proceed with their implementation and agree that the 2017/18 budget is based upon these revenue decisions be approved

7. Report of Key Decisions taken by the Leader of the County Council, the Deputy Leader of the County Council and Cabinet Members

Resolved: That the report of the Key Decisions taken by the Deputy Leader of the Council and Cabinet Members be noted

8. Urgent Business

There was no urgent business.

9. Date of Next Meeting

It was noted that the next meeting of Cabinet would be at 2pm on Thursday 19 January 2017 at County Hall, Preston.

10. Exclusion of Press and Public

Resolved: That under Section 100A(4) of the Local Government Act, 1972, the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

11. Cuerden Strategic Site Development

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information)

Cabinet received a report providing an update on proposals to bring forward the development of the Cuerden Strategic Regional Investment Site.

Resolved: That the recommendations, as set out in the report, be approved.

Jo Turton
Chief Executive

County Hall
Preston

Report to the Cabinet

Meeting to be held on Thursday, 19 January 2017

Report of the External Auditor

Electoral Division affected: None

The Annual Audit Letter for Lancashire County Council – Year Ended 31 March 2016

(Appendix 'A' refers)

Contact for further information:

Karen Murray, Tel: 0161 234 6364, Director, Grant Thornton

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Executive Summary

The report sets out the external auditor's Annual Audit Letter for Lancashire County Council for the year ended 31 March 2016.

Recommendation

Cabinet is asked to note the key messages set out in the Annual Audit Letter for Lancashire County Council for the year ended 31 March 2016 as set out at Appendix 'A'.

Background and Advice

The Annual Audit Letter summarises the key findings arising from the work that Grant Thornton, the County Council's external auditor, has carried out at Lancashire County Council for the year ended 31 March 2016.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. The external auditor's annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that was issued in April 2016 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Annual Audit Letter will be considered by the County Council's Audit and Governance Committee on 30 January 2017.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A



The Annual Audit Letter for Lancashire County Council and Lancashire County Pension Fund

Year ended 31 March 2016

October 2016

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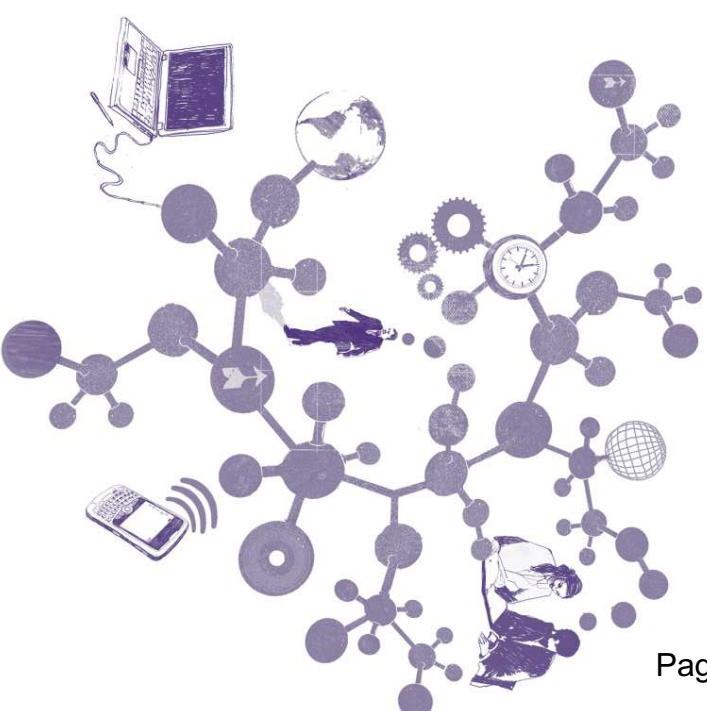
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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Lancashire County Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit and Governance Committee as those charged with governance in our Audit Findings Report on 26 September.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 28 September 2016.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016 except for

- The Council has received an inadequate Ofsted inspection of its children's services.
- The work of internal audit has been insufficient to provide an opinion on the overall system of internal control at the Council.

We therefore qualified our value for money conclusion in our audit opinion on 28 September 2016.

Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 29 September 2016.

Certificate

We are unable to issue our certificate of completion of the audit. We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters arising from 2012/13.

Working with the Council

We have worked with you to move towards the early close of the accounts. You have plans to close your accounts earlier in 2016/17. We have worked with you to bring our work forward and will continue to do so during 2016/17.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2016

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

Council

We determined materiality for our audit of the Council's accounts to be £32m, which is 1.5% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as senior officer remuneration, auditors remuneration and transactions with related parties.

We set a lower threshold of £1.6m, above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

Pension Fund

For the audit of the Lancashire Pension Fund accounts, we determined materiality to be £58.3m, which is 1% of the Fund's net assets. We used this benchmark, as in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

We set a lower level of specific materiality for certain areas such as auditors remuneration and transactions with related parties. We set a threshold of £2.9m above which we reported errors to the Audit and Governance Committee.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts – the Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Lancashire County Council and Lancashire Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Lancashire County Council, mean that all forms of fraud are seen as unacceptable. <p>There were no matters to report</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>There were no matters to report</p> <p>We have:</p> <ul style="list-style-type: none"> • undertaken a review of entity level controls • tested of journal entries • reviewed the accounting estimates, judgements and decisions made by management • reviewed unusual significant transactions
<p>Valuation of Property Plant and Equipment - in respect of the waste plants owned by the Council.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • discussed the timeline of the plans with officers. • reviewed the information shared with the Council's external valuers setting out the impact of these plans on the service and therefore the Council's valuations for the sites • assessed the information used by the valuer to value the assets and the qualifications of the valuer in making the valuations required. • reviewed the valuation report and discussed with management how this would be accounted for in the financial statements <p>We concluded the valuation was materially correctly stated. We reported our findings to the Audit & Governance Committee</p>

Audit of the accounts – the Council

Risks identified in our audit plan	How we responded to the risk
<p>Valuation of pension fund net liability</p>	<p>We undertook the following audit work:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure the pension fund liability is not materially misstated. assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. gained an understanding of the basis on which the valuation is carried out. undertook procedures to confirm the reasonableness of the actuarial assumptions made. reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. <p>There were no matters to report</p>
<p>Social care income and expenditure</p>	<p>We undertook the following audit work:</p> <ul style="list-style-type: none"> identified the controls in place in the system completed walkthrough testing of the controls to confirm they operate as we understand sample tested transactions processed through the system during the year reviewed the processes for identifying year end accruals of income and expenditure sample tested year end balances for accruals of income and expenditure. <p>There were no significant matters to report</p>
<p>Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<p>We undertook the following audit work:</p> <ul style="list-style-type: none"> documented our understanding of the processes and key controls over the payroll transaction cycle Completed walkthrough testing of the key controls to assess the whether they were operating in line with our understanding reviewed the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces. sample tested payroll transactions. Performed a trend analysis of monthly payroll costs. <p>There were no matters to report</p>

Audit of the accounts – the Council

Risks identified in our audit plan	How we responded to the risk
<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>We undertook the following audit work:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the operating expenditure transaction cycle • performed walkthrough of the key controls to assess the whether those controls were operating in line with our understanding • substantively tested a sample of expenditure transactions • reviewed managements processes to raise accruals and to ensure the accruals recognised are materially complete. • substantively tested a sample of creditor balances and accruals recognised in the year end balance sheet. • tested cash payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts. <p>There were no significant matters to report</p>

Audit of the accounts – Pension Fund

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the audit of the pension fund.

Risks identified in our audit plan	How we responded to the risk
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I)240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA(UK&I)240 and the nature of the revenue streams at Lancashire County Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited due to clear separation of duties between the Fund, fund managers, and custodian ; and • the culture and ethical frameworks of local authorities, including Lancashire County Council as the administering authority, mean that all forms of fraud are seen as unacceptable. <p>There were no matters to report</p>
<p>Management over-ride of controls</p> <p>Under ISA(UK&I)240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>In line with our plan we:</p> <ul style="list-style-type: none"> • reviewed entity-level controls • reviewed journal controls and tested a sample of journal entries • reviewed accounting estimates, judgements and decisions made by management • reviewed any unusual significant transactions <p>There were no matters to report</p>

Audit of the accounts – Pension Fund

Risks identified in our audit plan	How we responded to the risk
<p>Level 3 Investments</p> <p>Fair value measurements priced using inputs not based on observable market data not correct. - Valuation is incorrect (Valuation Net)</p> <p>Under ISA(UK&I) 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<ul style="list-style-type: none"> carried out walkthrough tests of the system processes and controls.. tested a sample of individual investments valuations by obtaining and reviewing the latest audited accounts for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31 March with reference to known movements in the intervening period. reviewed the qualifications of fund managers and custodian as experts able to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. <p>There were no matters to report</p>
<p>Investment Income</p> <p>Investment activity not valid (Occurrence/Valuation)</p> <p>Investment income not correct (Accuracy)</p>	<p>We undertook the following audit work:</p> <ul style="list-style-type: none"> updated and documented our understanding of processes and key controls for investment transactions Performed walkthrough of the key controls to assess whether those controls operated in line with our understanding for investments held by fund managers, reviewed reconciliation between the custodian , fund managers, and Pension Fund following up any significant variance and gain appropriate explanations/evidence for these. for a sample of direct property investments, rationalised income against expected rental income. <p>There were no matters to report</p>
<p>Investment purchases and sales</p> <p>Investment activity not valid (Occurrence/Valuation)</p>	<p>We undertook the following audit work:</p> <ul style="list-style-type: none"> reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances tested a sample of purchases and sales to ensure these are appropriately recorded <p>There were no matters to report</p>

Audit of the accounts – Pension Fund

Risks identified in our audit plan	How we responded to the risk
<p>Fair value measurements priced using inputs (other than quoted prices from active markets for identical investments) that are observable either directly or indirectly not correct</p> <p>Valuation is incorrect. (Valuation net)</p>	<ul style="list-style-type: none"> reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances tested a sample of these investments to independent information from custodian/manager on units and on unit prices where the custodian does not provide independent pricing confirmation for direct property investments, agreed values in total to the valuer's report and taken steps to gain reliance on the valuer as an expert. <p>There were no matters to report</p>
<p>Contributions</p> <p>Recorded contributions not correct (Occurrence)</p>	<ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. carried out controls testing over completeness accuracy and occurrence of contributions Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained. <p>There were no matters to report</p>
<p>Benefits payable</p> <p>Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)</p>	<ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. Controls testing over completeness, accuracy and occurrence of benefit payments. Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained. <p>There were no matters to report</p>
<p>Member data</p> <p>Member data not correct. (Rights and Obligations)</p>	<ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. Performed controls testing over annual/monthly reconciliations and verifications with individual members Tested a sample of changes to member data made during the year to source documentation. <p>There were no matters to report</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 28 September 2016, in advance of the 30 September 2016 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the Council's accounts

We reported the key issues from our audit of the accounts to the Council's Audit and Governance Committee on 26 September 2016.

Pension fund accounts

We also reported the key issues from our audit of accounts of the Pension Fund hosted by the Council to the Council's Audit and Governance Committee on 26 September 2016.

Annual Governance Statement and Narrative Report

We are also required to review the Council and Pension Fund Annual Governance Statements and Narrative Reports. It publishes them on its website with the draft accounts in line with the national deadlines.

The documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have not used these powers in 2015/16.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

As part of our Audit Findings report agreed with the Council in September 2016, we agreed a recommendation to address our findings, that a full internal audit plan should be delivered in 2016/17.

Overall VFM conclusion

We are satisfied that, in all significant respects, except for the matters we identified below, the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

The areas where we identified the Council did not have proper arrangements in place were as follows:

- The Council has received an inadequate Ofsted inspection of its children's services.
- The work of internal audit has been insufficient to provide an opinion on the overall system of internal control at the Council.

Value for Money

Risk identified	Work carried out	Findings and conclusions
<p>Ofsted inspection of children's services</p> <p>Ofsted issued a report on the Council's children's services in 2015 which rated these as 'inadequate'. The Council is currently subject to follow up review.</p>	<p>We liaised with officers and review updates as they become available.</p>	<p>The Council's Children's Services were subject to an Ofsted inspection in 2015. The report, published on 27 November 2015 assessed the aspects of the service as follows:</p> <ul style="list-style-type: none"> • Children who need help and protection - inadequate • Children looked after and achieving permanence - requires improvement • Adoption performance - requires improvement, • Experiences and progress of care leavers – inadequate, • Leadership, Management and governance - inadequate. <p>The report identified wide ranging areas for improvement across the service with concerns raised around the failure of the Council to work with other key agencies in strategy discussions, risk assessments being undertaken without reference to, or knowledge of, significant history, complex work assigned to insufficiently qualified or experienced practitioners, and a lack of effective management oversight. The inspection also identified that performance management information was very poor, providing insufficient information to provide management and members with the right information to hold the service to account.</p> <p>The Council has responded quickly to the report and subsequent Improvement Notice issued by Ofsted. An Improvement Board was set up with an Independent Chair. The chair has the responsibility to develop an Improvement Plan which was subsequently agreed with Ofsted. An interim Director of Children's Services, shared with Blackburn with Darwen Council, is now in place.</p> <p>The Improvement Board meets on a monthly to consider the progress against the improvement plan, with an "improvement board 12 week plan" being considered at each meeting. This 12 week plan provides focus to three key areas identified for improvement – workforce, managing change and managing demand. Multi-agency focus groups have also been established to identify key issues and barriers to better working practice. The feedback to the improvement board is that communication and information sharing is an area for improvement.</p> <p>Progress is being made in a number of areas. In particular, the Council has worked to address the challenges in recruitment of staff (with agency staff currently being used to reduce workloads), accuracy of performance information, and the implementation of a new operating model. However, at the time of this report, the current version of the progress plan notes feedback from both Ofsted and the Department for Education indicates the pace of progress needs to be faster. At the start of September Ofsted visited the Council again for a follow up. The feedback from this visit was published on the Ofsted website on the 3 October 2016. In this Inspectors recognised the increase in the pace of change to improve services for children and young people in Lancashire. Further work needs to be carried out to embed good practice and to ensure that services are delivered consistently.</p>

Value for Money

Risk identified	Work carried out	Findings and conclusions
<p>Internal control</p> <p>The Council's Head of Internal Audit was unable to provide an overall opinion on the Council's system of internal control in 2014/15 because of the limited nature of the internal audit plan.</p> <p>In 2015/16, the Council's internal audit plan focuses work on key financial systems. It is therefore unlikely that the Head of Internal Audit will be able to provide an overall opinion again for this year.</p> <p>There is an outline plan in place for 2016/17 which identifies key areas of audit coverage. If this plan is refined and delivered as expected, it is likely that the Head of Internal Audit will be able to reach a conclusion on the Council's system of internal control.</p>	<p>We update our assessment of the Council's arrangements in the light of the year end report from the Head of Internal Audit and the Annual Governance Statement.</p>	<p>At the Audit and Governance Committee on 9 May 2016 the Head of Internal Audit reported that the audit plan for 2015/16 would concentrate on the following financial systems:</p> <ul style="list-style-type: none"> • general financial ledger • cash and banking • accounts payable system • accounts receivable and debt management system • payroll • treasury management and • VAT <p>The work planned by internal audit for the year was insufficient to support an overall opinion on the internal control framework of the Council.</p> <p>The planned work on the general financial ledger, accounts payable, payroll and VAT was completed and reported to the May committee meeting. The remaining work was scheduled for after the end of the financial year because members of the audit team were seconded into the finance service to provide capacity on key projects during 2015 and the early part of 2016. As a result, the work on cash and banking, accounts receivable, and treasury management was completed following the end of the financial year. As at 7 September 2016 the cash and banking report was still at draft stage.</p> <p>The draft Annual Governance Statement presented to members at the Audit and Governance committee held on 30 June 2016 recognises the internal audit service has not been able to deliver a plan which would support an overall opinion for 2015/16 and acknowledges that the work delivered by internal audit has not been sufficient in scope for a Council the size and complexity of Lancashire County Council.</p> <p>Looking ahead, the Audit and Governance Committee has approved a plan for 2016/17 which includes a fuller programme of work. This has been designed to support an overall head of internal audit opinion for 2016/17. Internal audit have begun to recruit to the new structure to support delivery of this plan</p>

Value for Money

Risk identified	Work carried out	Findings and conclusions
<p>Financial position, planning and service transformation projects</p> <p>The Council's financial plan has been refreshed throughout the year in recognition of the significant financial challenge facing the Council in delivering good quality services for residents and taxpayers over the medium term.</p> <p>The plan requires significant savings to be made over the next few years. Consultation has now begun on some of the changes being made to the scope and scale of services to be provided.</p>	<p>We will review the project management and risk assurance frameworks established by the Council in respect of the more significant projects, to establish how the Council is identifying, managing and monitoring these risks.</p>	<p>The Council faces a significant financial challenge in the short to medium term. A significant amount of work is needed to understand the level of service that can be provided within the budget available, and then to make a reality of this delivery.</p> <p>In November 2015, the Council set out the scale of the financial challenges facing it in the update to the medium term financial strategy. When Cabinet received the updated medium term financial strategy it out that significant savings were needed as a funding gap of £262m over the five years to 2020/21 has been identified. At this stage, an overspend of £19.666m was also forecast for 2015/16. In the update taken to members in January 2016, as part of the budget setting council meeting, the in year overspend was forecast at £9.581m against the revenue outturn for 2015/16 but a further on-going pressure on budgets of £35.766m was identified. The Council was now reporting a funding gap of £200.5m for the period 2016/17 - 2020/21 after the impact of the financial settlement, new financial pressures and the £64.8m of savings proposals agreed by Cabinet in November. In September this funding gap has reduced to £147.944m, reflected in the change in council tax funding assumptions.</p> <p>At the end of 2015/16, the Council had successfully delivered within it's planned revenue budget. The final outturn position reported to members was £726.074m compared with a revenue budget of £726.675m set in February 2015. The final position, which is an overall underspend of £0.6m on services reflects a mixed picture across the Council's services. For example, there are overspends of £16.977m in adult services (largely relating to commissioned social care), £1.379m in children's services (where a significant overspend on Children's social care- £9.570m has been offset by other underspends), and £2.939m in commissioning, and £4.107m in development and corporate services. However, there was an underspend of £22.070m in Chief Executives, of which the most significant elements were higher than budgeted interest received and a lower Minimum Revenue Provision (MRP) charge. The reduction in MRP was partly due to lower than anticipated borrowing but also reflects the change in MRP policy agreed at Council on 11 February 2016. At the end of the financial year, the Council had £36m in the County Fund (unchanged from 2014/15) and £364.5m in earmarked revenue reserves (£376.1m in 2014/15).</p> <p>Despite the underspend in 2015/16, the Council knows that urgent action must be taken to reduce medium term funding gap through its transformation programme. This programme will drive radical change to the way services are provided. As part of this, the Council's base budget review is designed to identify the services the Council will provide. A key element of this is Council's property strategy and the Council has now consulted on detailed plans about how it will use its asset base to deliver services in future years. The proposal identified 130 premises preferred for retention as neighbourhood centres, with a further 106 premises identified for closure.</p> <p>The Council is working with external consultants to assess the future operating model for the Council and to test the financial resilience of future service plans. Additionally, external support is also being used to support plans for transformation of the delivery of social care.</p> <p>The Council's risk register clearly documents the risks to the on-going financial position, the longer term financial viability and the risks around transformation.</p>

Value for Money

Risk identified	Work carried out	Findings and conclusions
<p>Waste plant</p> <p>In February 2016 the executive scrutiny committee considered a report on the proposed waste processing requirements and specification for services delivered by Global Renewables Lancashire Operations Limited (GRLOL). This recommended that elements of the plant were closed with immediate effect or by the end of the financial year 2015/16.</p> <p>On further discussion with officers, we understand the planned timetable for operational mothballing these assets stretches beyond the timescale agreed by members. We are also concerned that, as part of the decision making process, the impact on the valuation of the assets was not considered.</p>	<p>We have reviewed the decision making process the Council followed to understand that members considered all relevant information to make their decision.</p>	<p>Over recent years, the Council has been looking at ways to reduce the costs of waste disposal provided at two facilities in Lancashire. As part of the wider consideration of budget options in November 2015, a policy was agreed to reduce the processing activities and costs at the two plants as these were no longer considered to be economic. Where this occurred, the plant and equipment was to be mothballed and maintained. As part of this decision, the service would cease composting of co-mingled food and garden waste. Alongside this was a commitment to downsize the waste company operating the facilities on behalf of the Council.</p> <p>Following this decision, the service options were considered in more detail. The recommendations made to the Cabinet Member for Environment, Planning and Cultural Services included that:</p> <ul style="list-style-type: none"> • waste transfer operations were established for residual waste, • In Vessel Composting processes ceased with immediate effect • redundant processing equipment be protected and preserved; and • a new operating structure with the Council be agreed by GRLOL. <p>This decision was taken on the basis of the lowest cost, lowest risk option, which at the time was to divert the residual waste to landfill. However, further discussion with contract holders for the waste output identified some options to use existing relationships to provide a lower specification output. As a result, some elements of the original service provision continue although on a reduced scale.</p> <p>Following our audit plan, the Audit and Governance committee requested and received a report on the decision taken and the financial impact.</p> <p>The plans for the downsizing of the company are continuing. This is expected to lead to a greatly reduced workforce at the company.</p> <p>The Council is committed to exploring the options for the future use of the two facilities and the equipment currently being preserved. A soft market testing exercise has been commenced but is not yet concluded so the longer term viability of the sites is unclear.</p> <p>The Council has discussed with its external valuer whether the changes in the service provision currently agreed impact on the carrying value of the assets. We received a draft of this on the 2 September 2016.</p>

Value for Money

Risk identified	Work carried out	Findings and conclusions
<p>Better care fund The Council has entered into a Section 75 agreement with local Clinical Commissioning Groups (CCGs). This has created pooled budgets for the delivery of certain schemes.</p>	<p>We have reviewed the arrangements for ensuring the governance of the Better Care Fund.</p>	<p>There are appropriate governance structures in place for the delivery of the Better Care Fund across Lancashire. The Lancashire Health and Wellbeing Board (HWB) takes overall accountability for the implementation of the Better Care Fund, and is supported by the BCF Steering Group, which reports directly to the HWB and manages the delivery of the BCF schemes. The Steering Group's aims are to review progress against the plan, scrutinise performance and finances and report by exception to the HWB.</p> <p>There is also a Programme Managers group, which is responsible at a local level for the delivery of the Better Care Fund. Within its terms of reference the group is also responsible for the submission of quarterly performance reports for use by the Health and Wellbeing Board.</p> <p>Meetings are held frequently and there is representation from NHS England, district councils and the third sector. The groups appear to be an effective forum for working through specific issues together.</p> <p>There has however been a lack of financial monitoring and performance reports in relation to the Better Care Fund within both the Steering Group and the Programme Managers Group. This has been recognised by both groups and is expected to be addressed early in 2016/17. Quarterly performance/spend returns are produced for NHS England but these are at a very high level and do not assess whether desired outcomes are being achieved. There is a risk register which is brought to the Programme Managers' Group for review, but members of this group have recognised that more consideration of risks needs to be given by them.</p> <p>Over the medium term, the five year Sustainability and Transformation plans being developed for the wider health economy will need to be supported by strongly defined and clear governance arrangements. Work is on-going to agree the appropriate arrangements to support this. Clarity over the detailed reporting and monitoring arrangements at the outset will be a key requirement of these new arrangements.</p>

Working with the Council

Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit x days before the deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We highlighted the need for you to continue to deliver your improvement plan in response to your Ofsted inspection and the importance of delivering a full internal audit plan in 2016/17.

Sharing our insight – we provided regular audit and governance committee updates covering best practice. Areas we covered included: Innovation in public financial management, Knowing the Ropes – Audit Committee; Effectiveness Review, Making devolution work, Reforging local government.

We have also shared with you our insights on advanced closure of local authority accounts, in our publication "Transforming the financial reporting of local authority accounts" and will continue to provide you with our insights as you bring forward your production of your year-end accounts.

Providing training – we provided your teams with training on financial accounts and early close of the accounts in 2017/18. The courses were attended by members of your finance team.

Working with the Council

Working with you in 2016/17 **Highways Network Asset**

The Code of Practice on Local Authority Accounting (the Code) requires authorities to account for Highways Network Asset (HNA) at depreciated replacement cost (DRC) from 1 April 2016. The Code sets out the key principles but also requires compliance with the requirements of the recently published Code of Practice on the Highways Network Asset (the HNA Code), which defines the assets or components that will comprise the HNA. This includes roads, footways, structures such as bridges, street lighting, street furniture and associated land. These assets should always have been recognised within Infrastructure Assets.

The Code includes transitional arrangements for the change in asset classification and the basis of measurement from depreciated historic cost (DHC) to DRC under which these assets will be separated from other infrastructure assets, which will continue to be measured at DHC.

This is expected to have a significant impact on the Council's 2016/17 accounts, both in values and levels of disclosure, and may require considerable work to establish the opening inventory and condition of the HNA as at 1 April 2016.

Under the current basis of accounting values will only have been recorded against individual assets or components acquired after the inception of capital accounting for infrastructure assets by local authorities. Authorities may therefore have to develop new accounting records to support the change in classification and valuation of the HNA.

The nature of these changes means that Finance officers will need to work closely with colleagues in the highways department and potentially also to engage other specialists to support this work.

Some of the calculations are likely to be complex and will involve the use of external models, a combination of national and locally generated rates and a number of significant estimates and assumptions.

We have been working with the Council on the accounting, financial reporting and audit assurance implications arising from these changes. We have issued two Client Briefings which we have shared with your capital team. We will issue further briefings during the coming year to update the Council on key developments and emerging issues.

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This significant accounting development is likely to be a significant risk for our 2016/17 audit, so we have already had some preliminary discussions with the Council to assess the progress it is making in this respect. Our discussions with Council Officers to date has highlighted the following:

- The Council understands the requirements of the Code and the finance team are working with your highways team to ensure sufficient information is available to support the disclosures in the accounts.
- We have agreed to undertake early work on the processes undertaken to calculate the opening balances in the 2016/17 statement of accounts. This will include understanding the systems and processes in place to capture the information
- The timescales and amount of information required will be challenging for your team.

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of Council	112,995	112,995	150,660
Statutory Audit of Pension Fund	34,169	34,169	34,169
IAS19 protocol audit work	1,737	1,737	1,737
Audit of subsidiary company LCDL Ltd	31,130	31,130	
Total fees (excluding VAT)	180,031	180,031	186,566

Fees for other services

Service	Fees £
Audit related services:	
<ul style="list-style-type: none"> Teacher's Pensions return, reasonable assurance engagement Initial teacher training reasonable assurance engagement Local Transport Plan Major projects reasonable assurance engagement 	4,200 2,000 2,500
Non-audit services	
Risk management workshop	3,684
Tax services to subsidiary company	20,200
Pension Fund	
Facilitation of self assessment of governance arrangements	4,500

Reports issued

Report	Date issued
Audit Plan - Council	May 2016
Audit Plan – Pension Fund	May 2016
Audit Findings Report	September 2016
Annual Audit Letter	October 2016



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Item 6

Report to the Cabinet

Cabinet Meeting to be held on 19 January 2017

Report of the Director of Financial Resources

Electoral Divisions affected:

All

Money Matters – The Financial Strategy for 2017/18 to 2020/21

(Appendices 'A', 'B', 'C', 'D' and 'E' refer)

Contact for further information:

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Executive Summary

This report provides an update of the forecast outturn Financial Position for 2016/17 on revenue and capital, the County Council's updated Medium Term Financial Strategy (MTFS) for the period 2017/18 to 2020/21, reflecting the provisional settlement for 2017/18, and the position with regard to application of current reserves.

The County Council is facing an unprecedented financial challenge. The Medium Term Financial Strategy reported in December forecast that the council will have a financial shortfall of £146.133m in 2020/21. This is a combination of reducing resources as a result of the government's extended programme of austerity at the same time as the Council is facing significant increases in both the cost (for example, as a result of inflation and national living wage) and the level of demand for its services. The revised position following the provisional financial settlement for 2017/18 is now for a financial shortfall of £153.389m in 2020/21. This revised gap is after the impact of the settlement, new financial pressures, revised council tax projections and includes savings proposals that have previously been agreed by Cabinet.

Recommendations

The Cabinet is asked to:

- (i) Note the current forecast underspend of £15.298m on the revenue budget in 2016/17
- (ii) Note the revised funding gap of £153.389m covering the period 2017/18 to 2020/21 as set out in the revised financial outlook forecast for the Council.
- (iii) Approve the additional budget adjustments for 2017/18, and following years' increases, included in the revised MTFS following the financial settlement.
- (iv) To recommend to Cabinet to make recommendations to Full Council on

9th February 2017 the Band D Council Tax for 2017/18 reflecting a 3.99% increase including 2% to be used for social care as per the new flexibilities.

- (v) Note the contents of the County Council's Reserves position at 31st December 2016.
- (vi) Approve the specific capital programme as presented within the body of the report.
- (vii) Approve the increase in prudential borrowing identified within the Capital Programme report.
- (viii) To note and have regard to the advice of the Director of Financial Resources in relation to the robustness of the budget and the adequacy of reserves.

1. Background and Advice

The detailed reports at Appendices A, B, C, D and E present the County Council's revenue position, reserves position, an updated financial outlook, a revised Medium Term Financial Strategy for the period 2017/18 to 2020/21 as at 31st December 2016 and an update on the Capital Programme, as at 30th November 2016 and the Capital Programme for future years.

Financial Position as at 31st December 2016 (Appendix A)

A revenue underspend is forecast for the County Council of £15.298m and represents a variance of c2.0% against the overall County Council budget. This is subject to a number of assumptions around the anticipated profile of expenditure for the rest of the year which is difficult to predict in some demand led budget areas. The report identifies those areas where forecast pressures exist and will be subject to ongoing detailed review with a focus on controlling and reducing costs and the delivery of an improved financial position by year-end.

It is important to recognise that the forecast variance includes the impact of additional income arising from Treasury Management activities, with a surplus of c£26m now being forecast in this area. This, in great part, reflects opportunities in response to external events post Brexit and is an extremely positive position, however without these gains the County Council would be forecasting an overspend of £11.458m across service budgets. Therefore it is critical to note that there remains an underlying pressure within the forecast from service budgets.

The 2016/17 budget of £713.020m includes a significant savings requirement of c£100m, however many savings will not be fully implemented until 2017/18 or 2018/19 and therefore it was agreed that these would be covered by the use of reserves.

The report provides details as to progress on the achievement and delivery of the savings relating to each Head of Service. The level of reserves that were approved to be applied from the transitional reserve 2016/17 in support of the delivery of savings

was £46.417m and the amount that is now forecast to be required is £34.231m reflecting early delivery of some agreed savings, although this is partially offset by some budget savings that are delayed and will require reserve funding to cover the delay in implementation.

Delivery of the significant savings programme has been identified as a key risk area and the savings plans are subject to detailed regular scrutiny by the Programme Office and Finance.

The Medium Term Financial Strategy (Appendix B)

A revised MTFs was presented to Cabinet in September with a reported funding gap of £146.133m (cumulative gap of £411.207m).

This report considers the impact of budget decisions to be taken by Cabinet and updates other assumptions in light of the most current information available including the impact of the Local Government Finance Settlement in December. As a result of these reviews the overall estimated funding gap has increased to £153.389m, primarily due to the announcement within the settlement that the 2% Adults Social Care Precept could not be applied in 2020/21, which had previously been assumed in the MTFs. However, the cumulative gap has reduced to £407.988m as a result of a reduced gap in earlier years primarily resulting from the introduction within the settlement of a non-recurrent Adult Care Support Grant of £5.543m in 2017/18.

The County Council's Reserves Position (Appendix C)

The County Council by 31st March 2018 is expected to have reserves (excluding schools) of £127.699m, of which £36.000m County Fund will remain leaving a residual amount of £91.699m in service reserves. This does however include £8.354m school PFI expenditure and £4.944m which is not LCC money, meaning in effect the available balance of £78.401m.

If the County Council underspends in 2016/17 as currently forecast this will be a further contribution to reserves. This is not currently included within the forecast reserves position.

The report indicates that there are sufficient funds within the Transitional Reserve to deliver a balanced budget in 2017/18 as per the agreed financial strategy. However this is dependent upon a number of key factors and risks which are as follows:

- All values within reserves that are currently reported to be available funds are transferred into the transitional reserves with no further commitments emerging in these areas now that the transfer has taken place.
- There is limited slippage on the agreed savings programme for 2017/18 and 2018/19. As any slippage will result in a requirement for funding from reserves.

When reviewing the County Council's reserves in conjunction with the Medium Term Financial Strategy (Appendix C) the funding requirement to bridge the financial gap in 2018/19 would total £85.162m. Although there are reserves available at 31st March 2018 of £93.699m (if the currently forecast underspend is achieved) there are

commitments in 2018/19 of £10.450m (excluding non LCC commitments). The forecast available balance to support the 2018/19 budget is therefore £83.249m which means that there will be insufficient funds within reserves to fully meet the 2018/19 budget gap.

Capital Monitoring and Financing Position as at 30th November 2016 (Appendix D)

This report sets out the November 2016 capital monitoring position for 2016/17 against the re-profiled capital programme 2016/17 budget approved by Cabinet on 6th October 2016.

It also compares the 2016/17 November monitoring position with the equivalent position in 2015/16 in order to give an understanding of the progress being made to date with regard to overall spend level.

Capital Programme 2017/18 -2020/21 (Appendix E)

This report covers the capital programme for the period 2017/18 – 2020/21 and also provides details of the financing of the full multi-year capital programme and the expected associated capital charges.

2. The Robustness of the Budget and the Adequacy of Reserves

Section 25 of the Local Government Act 2003 requires that, in giving consideration to budget proposals, Members must have regard to the advice of the Council's Chief Finance Officer (in the case of the County Council the Director of Financial Resources) on the robustness of the estimates and the adequacy of the Council's reserves.

Robustness of the Estimates

This section is concerned with the scale of financial risks faced by the Council as a result of the estimates and assumptions which support any budget. The basis of the estimates on which the budget has been prepared, as in previous years, relies on the forecast of activity and the impact of changes in policy previously agreed by the Council. These forecasts are kept under review as part of the budget monitoring process and actions identified to address financial risks arising from changes in the forecast as they occur. A number of specific risks remain within the budget as follows:

- **Government Funding**

The Local Government Settlement on 17th December 2015 included the Government offering any council that wishes it to take up a four year funding settlement to provide greater certainty around financial planning. The offer only covers Revenue Support Grant, Rural Services Delivery Grant and Transitional Grant. These grants in 2017/18 will represent c11% of our resources and are forecast in the MTFS to reduce further and finish completely by the end of this Parliament when full Business Rate Retention comes in, which will be accompanied by an updated funding formula for local authorities and new responsibilities which are yet to be determined.

Whilst the principle of a longer-term settlement is welcome, the Council has not taken up the offer as previous reports to Cabinet have clearly identified an impending scenario whereby the Council will have insufficient resources to meet statutory responsibilities as they are currently provided. Not accepting the multi-year settlement will mean the level of Revenue Support Grant being confirmed on an annual basis and therefore may be subject to change from the assumptions included within the MTFs, although 2017/18 RSG has been confirmed as being in line with the level forecast within the MTFs.

The Statutory Services Budget Review undertaken by PwC and reported to Cabinet in October validated the financial position as reported through the MTFs and confirmed that even should the County Council reduce its expenditure to the median of lowest quartile by 2020/21 an in-year deficit of £79m would remain. One of the considerations raised within the report was whether the current funding model of the Council is disproportionately contributing to the funding gap. The County Council has continued to lobby Central Government and relevant stakeholders regarding the extreme challenges being faced as a result of the local government finance system.

A subsequent business case prepared by PwC has identified proposals relating to a future Lancashire Public Services Delivery Model, which includes estimates of the financial benefits that could be delivered following implementation and the level of transitional funding required to support the major transformation. However, at this stage it is a proposal to go out to consultation with key partners and stakeholders and has not therefore been factored into any of the MTFs assumptions.

The most significant financial challenge facing upper tier Local Authorities is Adult Social Care. Additional funding has been provided via the Adult Care Support Grant (£5.543m) in 2017/18 and the flexibility to raise an additional Adult Social Care precept. Whilst these are a welcome recognition of the significant cost pressures being faced, the Grant is only for one year and together they do not meet the full cost of additional demographic demand and cost pressures within the Care Sector particularly impacted by the National Living Wage.

- **Service Demand**

This is a key risk facing the Council in both preparing future budgets and managing budgets during the year. As reported in the budget monitoring reports presented to Cabinet over the year, demand for both adult and children's social care services and waste services continues to see increases despite the impact of demand management measures.

Over the period 2017/18 to 2020/21 £91m has been provided in the MTFs for demand pressures of which c58% relates to adult social care, c24% children's social care and c15% waste services. These have been identified based on current and historical trends and population projections where appropriate (particularly linked to the ageing population in respect of Adult Social Care). Whilst for Adult Social Care the estimates are based on assumptions that have previously been a reasonable prediction of demand, during the current financial year significant and unanticipated increased costs in relation to Children's Social care and Waste have been reported to Cabinet in revenue monitoring reports.

Detailed work is being undertaken in all three areas focused on a better understanding of the causes of the increased demand and what steps can be taken to mitigate the financial impact, which, along with funding reductions, is a major contributing factor towards the funding gap reported in the MTFS.

- **Pay**

The MTFS makes provision for pay of a 1% increase each year. Most of the pay bill will continue to be driven by the national pay agreement and this assumption will be kept under ongoing review. The County Council is committed to paying its employees as an accredited member of the Living Wage Foundation who have announced a 5% increase in the Living Wage. The impact of this initial increase and further 5% increases in subsequent years for those staff directly impacted has been factored into the MTFS. This does not address maintaining current differentials in pay grades which will need to be considered in future years.

- **Inflation**

Actual inflation remains relatively low but analysts are anticipating slight increases over coming years. Provision made within the budget is limited to areas where the Council has no choice but to pay increased prices e.g. due to contractual terms. The inflation forecasts used in recent years are based on the future level of inflation implied by yields on interest linked gilts. Historically, this has tended to give a more accurate forecast than the methodology previously used. It is anticipated that the continued use of this methodology will reduce the risk of needing to make catch up additions to the budget for "missed" inflation and the need to absorb additional inflationary costs in year.

A particular issue concerns care markets, primarily residential and homecare, the funding of which is recognised as being a significant issue regionally and nationally. Whilst a significant amount of resource has been included within the MTFS to fund price increases and the estimated impact of the national living wage on care providers, there remains capacity and sustainability issues within the market which the Adult Social Care Precept and Adult Care Support Grant will only partly help mitigate given the scale.

- **Savings Programmes Delivery**

The Council is already committed to the delivery of a significant savings delivery programme (c£154m over the period 2016/17- 2020/21) including £12m of new savings agreed at Cabinet in December a number of which relate to the outcome of the zero based budget review of services agreed within the financial strategy. There are inherent risks with savings plans of this scale and scope and any significant under-delivery of agreed savings will create an additional funding gap. This has been identified as one of the highest level risks in the Council's Risk and Opportunity Register and there are comprehensive arrangements in place to track delivery of financial savings and take corrective actions as required.

The Level of Reserves

The Council holds reserves for a number of reasons:

- To enable the Council to deal with unexpected events such as flooding or the destruction of a major asset through fire.
- To enable the Council to manage variations in the demand for services which cause in year budget pressures.
- To fund specific projects or identified demands on the budget.

There is no 'right' answer to the question of the appropriate level of reserves for a local authority; this is a matter of judgement taking into account:

- The level of risk evident within the budget as set out above.
- A judgement on the effectiveness of budgetary control within the organisation.
- The degree to which funds have already been set aside for specific purposes which will reduce the need for general reserves.

Previous reports to Cabinet have clearly identified that the revenue budget will be heavily supported by the reserves that are currently available to the County Council. The value of the Council's reserves is currently significant but are non-recurrent and, bar the County Fund, are now fully committed over the next 2 years and will not therefore be available in later years to support managing future year budget pressures.

The level of risk evident within the budget is clearly increasing as set out in the analysis above at a time when it is clear that the revenue budget will have to be supported significantly by reserves. The setting up of a transitional reserve was a recognition of this requirement and the effectiveness of budgetary control is a combination of both systems and processes and the risk environment within which the Council is operating. Budgetary control procedures are strong, however, based on the evidence of the current year and given the increased level of financial risk there is a greater risk that the processes in place would not be adequate to reduce any significant overspend over the course of the following years.

In relation to the Council's general reserve (County Fund Balance), the forecast level at 31 March 2017 remains as £36m.

Overall, the Council has an appropriate level of reserves available to manage the financial risks it is facing in 2017/18, but this is unlikely to be the case for 2018/19 and subsequent years. Within the MTFs there is a revised funding gap of £85.162m for 2018/19 and, excluding County Fund and committed reserves but including the projected revenue underspend at the end of quarter 3 of £15.298m, there is estimated to be £83.629m of uncommitted reserves remaining at 1st April 2018.

Even if the 2018/19 gap could ultimately be covered by the use of reserves the forecast funding gap increases to £115.392m in 2019/20 and therefore it is critical that a significant level of additional savings are identified which can be delivered in 2018/19 to minimise the scale of reserves required to support the revenue budget and that

utilisation of those reserves remaining should support, wherever possible, activities which reduce ongoing revenue costs. One of the priority areas for new savings will be in seeking to implement the aim within the current financial strategy of seeking to move to lower quartile cost, of the most appropriate comparator group of local authorities, for all services.

The Council has benefited significantly financially over a number of years from its Treasury Management activity including the investment portfolio, with a projected revenue benefit of £26.756m in 2016/17. It is important to note that one of the consequences of utilising reserves is that this effectively reduces the value of cash backed accounts on the balance sheet which support the investment portfolio. Therefore, based on current planned usage of reserves the size of the portfolio will reduce further significantly and it is reasonable to assume that the scope to generate future gains will also therefore reduce.

Conclusion

Following the ongoing detailed budget monitoring, zero base budget review work, identification of £12m of further budget proposals and a detailed review of the current reserves commitments, a balanced budget for 2017/18 with the use of £54.045m of reserves can be recommended. However, this is clearly dependent on all budget options agreed at Cabinet in December being delivered fully within the timeframes identified, along with the other savings agreed in previous budget cycles. Should any of these budget options ultimately not be taken forward they will need to be replaced with alternative savings to avoid increasing the size of the gap. There also remains a funding gap of £85.162m in 2018/19 and an urgent need to identify proposals for additional savings early in 2017/18 that can be delivered in 2018/19.

Whilst the principle has been agreed of reviewing each and every continuing service using a zero based approach, with reference to our benchmark unit costs, and moving towards the lowest quartile of the most appropriate comparator group, this will need to make early progress during 2017/18 to meet the 2018/19 shortfall and consider whether a sustainable financial position will be achievable over a longer period. Taking everything into account, there remains a strong likelihood that the Council will, during the course of this financial strategy period (in 2018/19 at the earliest), be in the position of being unable to set a budget which will meet the cost of its statutory responsibilities.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
None		
Reason for inclusion in Part II, if appropriate		
N/A		

Money Matters

The County Council's Financial Position

As at 31st December 2016

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Section A – The 2016/17 Revenue Budget	4

Money Matters – Update on the County Council's Financial Position for 2016/17

1. Introduction

This report provides an update for Cabinet on the County Council's 2016/17 revenue financial position.

2. Summary of the Financial Position

This report provides a view on the Council's current financial performance and the anticipated position at the year end. The forecast is predominantly based on the information up to the end of November 2016 with adjustments made to reflect further information available in December (this is usual practice for Quarter 3 reports due to Cabinet deadlines). The report also contains a comparison to the previously reported financial position as at 30th September 2016. The current forecast outturn for the County Council is an underspend of £15.298m and represents a variance of c2% against the overall County Council budget. This is subject to a number of assumptions around the anticipated profile of expenditure for the rest of the year which is difficult to predict in some demand led budget areas. The report identifies those areas where forecast pressures exist and will be subject to ongoing detailed review with a focus on controlling and reducing costs and the delivery of an improved financial position by year-end.

It is important to recognise that the forecast variance includes the impact of additional income arising from Treasury Management activities, with a surplus of c£26m now being forecast in this area. This, in great part, reflects opportunities in response to external events post Brexit and is an extremely positive position, however without these gains the County Council would be forecasting an overspend of £11.458m across service budgets. Therefore it is critical to note that there remains an underlying pressure within the forecast from service budgets.

The 2016/17 budget of £713.020m includes a significant savings requirement of c£100m and in addition there are further agreed savings of c£54m predominantly relating to 2017/18 although some of which will not be fully delivered until 2020/21. However, a significant proportion of savings will not be fully implemented until 2017/18 or 2018/19 and as it was agreed that these would be covered by the use of reserves

The narrative provides details as to progress on the achievement and delivery of the savings relating to each Head of Service. The level of reserves that were approved to be applied from the transitional reserve 2016/17 in support of the delivery of savings was £46.417m and the amount that is now forecast to be required is £34.231m. This is due to early delivery of some savings, particularly through staff vacancies and turnover, although this is partially offset by some budget savings that are delayed and will require reserve funding to cover the delay in implementation.

In total the forecast includes £88.434m from reserves which includes the strategic investment reserve, downsizing reserve, risk management reserve, transitional reserve and specific service reserves. (details can be found in Appendix C). In addition there are transfers between reserves and contributions to reserves that total £8.784m.

Delivery of the significant savings programme has been identified as a key risk area and the savings plans are subject to detailed regular scrutiny by the Programme Office and Finance.

The report reflects the organisational structure with detailed budget monitoring undertaken at Head of Service Level and is summarised in the report up to their appropriate management line, e.g. the Director for Development and Corporate Services. All forecast variances +/- £0.1m are explained within the report along with any mitigating actions being put in place.

A significant budget realignment has taken place in relation to staffing budgets in Quarter 1 and enables post by post budget monitoring, this has been a critical piece of work given the importance and value of staffing budgets within the County Council's overall budget. It is currently forecast that the overall staffing underspend will be £3.5m reflecting early delivery of savings, staff turnover and a number of services undergoing restructures and populating their agreed structures including the filling of agreed vacancies.

2.1 Recommendations

Cabinet are asked to:

- Note the current financial revenue forecast based on financial data at the end of Quarter 3.

3. Section A

The summary forecast outturn for 2016/17 is as follows:

Ref	Service Area	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.1	ADULT SERVICES	317.674	319.528	1.854	3.848	1%
3.2	CHILDREN'S SERVICES	119.421	132.729	13.308	10.981	11%
3.3	COMMUNITY SERVICES	134.239	137.044	2.805	4.085	2%
3.4	PUBLIC HEALTH & WELLBEING	28.860	28.867	0.007	1.907	0%
3.5	DEVELOPMENT AND CORPORATE SERVICES	35.574	35.408	-0.166	0.199	2%
3.6	COMMISSIONING	46.649	44.556	-2.093	-0.835	-3%
3.7	CHIEF EXECUTIVE	30.603	-0.410	-31.013	-33.456	-97%
	TOTAL	713.020	697.722	-15.298	-13.271	-2%

3.1 Operations and Delivery – Adult Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.1.1	ADULT SERVICES	0.135	0.152	0.017	0.017	13%
3.1.2	DISABILITY (adults)	-4.468	-4.399	0.069	0.066	-2%
3.1.3	OLDER PEOPLE	0.629	0.280	-0.349	-0.417	-55%
3.1.4	LEARNING DISABILITIES, AUTISM & MENTAL HEALTH	161.886	158.391	-3.495	-1.321	-2%
3.1.5	SOCIAL CARE SERVICES (adults)	159.492	165.104	5.612	5.503	3%
	TOTAL - ADULT SERVICES	317.674	319.528	1.854	3.848	1%

The total net approved budget for Adult Services in 2016/17 is £317.674. The service is forecast to overspend by £1.854m, a reduction in overspend of £1.994m compared with the previous Quarter 2 monitoring update to Cabinet.

This forecast includes the impact of the fee increases across homecare services, Learning Disabilities supported living and Physical Support over 65 residential and nursing services. Several further fee uplifts have also been included in the forecast position and future year impact has been considered as part of the MTFS review in Appendix B. The forecast also incorporates budgeted savings of £13.223m. £6.651m of this budgeted savings figures relates to the Transformation work being undertaken with Newton's Europe under the name of Passport to Independence which is considered undeliverable in 2016/17 and therefore has been reconsidered as part of the Quarter 2 MTFS update in terms of re-profiling the timing of these savings.

Adult social care staffing including Mental Health, Learning Disabilities and Autism are currently implementing their approved staffing restructure which is forecast to utilise £1.580m from agreed reserves.

3.1.2 Disability Service

The service is forecast to overspend by £0.069m.

Net expenditure for Day and Domiciliary services is largely in line with 2015/16 spend patterns.

The service have been able to manage the impact of the revised transport to day services policy through changes to staff rotas to extend opening hours where required, this policy change has seen positive results for the majority of service users. The domiciliary service undertook to provide additional hours for provider failure, crisis hours and a supported living service on top of existing provision.

3.1.3 Older People – In-House Care Services

The Service is forecasting a positive variance to budget through an overachievement of its income of £0.349m. This service delivers care through the operation of 17 care homes and 14 day centres across the County.

3.1.4 Learning Disability, Autism & Mental Health

The Service is forecast to underspend overall by £3.495m, compared with £1.321m last quarter. The main reason for the increase in underspend is additional forecast income of £1.446m relating to joint funded packages. The breakdown of the total variance is detailed below.

Learning Disabilities

- Learning Disability services include the provision of care services including residential and nursing care, but predominantly supported living and direct payments. Services are commissioned via a pooled fund arrangement with the six Lancashire CCGs. The LCC share of the service is forecast to underspend by £1.087m.
- Increases in service user activity are forecast to increase spending in 2016/17 by £2.000m which includes the impact of transitions from Children's services, however this is lower than the expected demand build into the budget.
- The forecast includes the impact of agreed fee increases for supported living and domiciliary care valued at £7.400m. Of this, £3.500m of this has been funded by reserves in 2016/17 as agreed with the future impacts built into the MTFS.
- The budget has been reduced by £1.000m to reflect the agreed savings relating to the remodelling packages of care, this saving is forecast to be achieved £0.650m in year as the average saving per tenancy is lower than forecast.

Mental Health – Residential

- Mental Health residential care is forecast to underspend by £2.535m, a further underspend of £1.387m compared to last quarter. Within this an additional £0.690m of income for joint funded packages has been forecast.
- Since April 2016 there has been a 2% increase in the number of service users (April 2016 290; November 2016 296) and the average weekly cost of care packages has increased by 10% from £796 to £875.
- There are currently 296 clients supported via this service.

Mental Health – Nursing

- Mental Health Nursing is forecast to overspend by £0.675m, a reduction of £0.382m compared to Quarter 2 monitoring. Within this additional income of £0.249m has been forecast.
- The overspend is due to the average weekly package costs increasing at a rate higher than budgeted for and the number of nursing placements not reducing in line with the assumptions built into the MTFS.

Mental Health - Home Care

- Mental Health Home Care services are forecast to underspend by £0.641m, a further underspend of £0.410m compared with Quarter 2 monitoring.
- An additional £0.507m of income has been forecast.
- In the year to date service user numbers have increased by 5% (April 2016 472; November 2016 495) which is lower than anticipated.

- Average care package costs have increased by 7% in year.

In addition there are other small variances across Mental Health that result in an additional overspend of £0.093m.

This budget has been reduced by £0.362m as a result of approved savings, however it was agreed that funding from the transitional reserve would fully support this saving in 2016/17. Due to natural turnover and disbandment of the Health Care Systems Development Team the funding is no longer required.

3.1.5 Social Care Services (Adults)

Changes in statutory reporting requirements has meant the previous client groups of 'Older People' and 'Physical Disability' have been combined to form the client group 'Physical Support'. People enter these services via from community settings but a significant proportion come as they are discharged from hospital.

The total budget for this service area is £159.492m. The forecast overspend is £5.612m, an increase of £0.109m compared with last quarter.

The significant areas of variance are detailed below. Additionally, there are also a number of other variances which amount to an overspend of £1.912m in total across equipment and adaptations, reablement and carers and central expenses, as spend is forecast to increase in these preventative areas.

Physical Support

The service is forecast to overspend by £4.738m, a decrease of £0.714m compared to the Quarter 2 update to Cabinet. The forecast overspend is as a result of delayed achievement of savings.

This forecast also includes the drawdown of £1.700m from the Transitional Reserve to support an agreed uplift of residential and nursing home fees in 2016/17. The future year's impact above the level built into the current budget has been built into the MTFS in future years.

Social Care Service Central Costs

This service is forecast to underspend by £0.698m through controlling costs on non-essential spending.

The forecast for 2016/17 includes £10.177m contributions from reserves, offsetting the expenditure in relation to the Newton's design and proposed implementation work estimated at £5.961m and £4.216m for the agreed repayment of outstanding CCG monies held on their behalf.

Supporting People

Supporting People services assist people to live as independently as possible. The range of services include supported and sheltered housing, refuges for women experiencing domestic violence, alarm services for elderly people, and 'floating support' where workers visit people in their own homes. The delivery of the service to Lancashire

residents is facilitated by a large number of contracts with external providers and agencies directly providing these schemes.

The remaining statutory service is currently forecast to underspend by £0.340m. A full assessment in conjunction with the service consultation has been carried out to review the ongoing budget requirement in 2017/18. Where required extensions to contracts have been granted during 16/17 to ensure appropriate support during the transition period, the service is working towards a reduced service aimed at providing accommodation for homeless 16/17 year olds. The remaining service has close links to the Prevention and Early Help Fund and the aims of this funding stream.

The forecast for 2016/17 includes £8.355m contributions from reserves, for the continuation of the non-statutory services up to the end of March 2017 as per the agreed savings. It was originally anticipated and approved that £10.150m would be drawn down from reserves to support the transitional arrangements of this budget option however the reduced amount is required due to early delivery of savings.

3.2 Operations and Delivery – Children's Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.2.1	CHILDREN'S SERVICES	-0.623	-0.642	-0.019	0.006	3%
3.2.2	SEN & DISABILITY	15.690	13.975	-1.715	-1.487	-11%
3.2.3	SAFEGUARDING INSPEC & AUDIT	9.376	7.731	-1.645	-1.769	-18%
3.2.4	ADOPTION & FOSTERING RESIDENTIAL AND YOT	26.134	24.989	-1.145	-0.696	-4%
3.2.5	CHILDREN SOCIAL CARE	64.719	84.425	19.706	17.736	30%
3.2.6	SCHOOL IMPROVEMENT	6.785	6.158	-0.627	-0.667	-9%
3.2.7	TRADED SERVICES (START WELL)	-2.660	-3.907	-1.247	-2.142	47%
	TOTAL - CHILDREN'S SERVICES	119.421	132.729	13.308	10.981	11%

The total net approved budget for Children's Services in 2016/17 is £119.421m. As at the end of November 2016, the service is forecast to overspend by £13.308m. An additional £5.000m was included in the 2016/17 budget following the Ofsted inspection in mid-2015/16.

3.2.2 Special Education Needs and Disability (SEND)

SEN and Disability is forecast to underspend by £1.715m in 2016/17.

- Children with Disabilities (CwD) Family Support is forecast to underspend by £0.188m based on spend to date.
- CwD Placements, which includes in-house fostering payments and residential and foster care placements with external providers, is forecast to underspend by £0.346m. Of this forecast underspend, £0.294m relates to in-house fostering payments and is in line with the outturn in 2015/16 and £0.052m to agency fostering placements.
- CwD Direct Payments is forecast to underspend by £0.250m as a result of clawback.
- Forecast underspends of £0.300m relate to budgeted increases in charges for SLA's with Health for Occupational Therapy and Speech and Language Services which are not expected to materialise in 2016/17. This has been adjusted for within the MTFS for future years.
- Underspends of £0.673m are forecast across a number of teams of which £0.439m relates to staff costs, £0.214m to non-staff costs and £0.020m to over recovery of income.
- Overspends of £0.042m are forecast for SEN Traded Services.

The service reported underspends of £1.487m at the end of Quarter 2, compared to the current forecast underspend of £1.715m, an increase in forecast underspend of £0.228m, which largely relates to an improved position on direct payments.

This forecast reflects the achievement of approved budget savings of £0.301m in 2016/17.

3.2.3 Safeguarding, Inspection and Audit

Safeguarding Inspection and Audit (SIA) is forecast to underspend by £1.645m in 2016/17, of which £1.562m relates to staff costs across the service, and in particular vacant posts covered by agency staff for which the costs are included within Children's Social Care, and £0.143m relates to over recovery of income, offset by £0.061m of overspends on non-staff costs. The cost of all agency staff recruited to social work related posts following the Ofsted inspection in 2015/16 and non-staff costs incurred in response to the Ofsted inspection, are recorded against the Children's Social Care budget in order to identify and track additional costs arising from the inspection.

The service reported underspends of £1.769m at the end of Quarter 2, compared to the current forecast underspend of £1.645m, an increase in forecast of £0.124m, which relates to a number of budget areas across the service.

The forecast includes the application of non-recurrent funding of £0.100m from the Strategic Investment Reserve to support the Early Response Service and £0.079m from the Lancashire Safeguarding Children's Board Reserve.

3.2.4 Adoption, Fostering Residential and YOT

Adoption, Fostering, Residential and YOT is forecast to underspend by £1.145m in 2016/17.

- Adoption Service is forecast to underspend by £0.914m. Underspends of £0.368m relate to staff costs and vacant posts some of which are covered by agency staff for which the costs are included within Children's Social Care, and £0.163m to various non-staff costs. Forecast underspends of £0.211m relate to adoption allowances (although forecast spend is in line with spend in 2015/16). Forecast underspends of £0.234m relate to inter-agency adoption fees and the extension of grant funding from October 2016 to March 2017, as well as a number of adoption placements for which grant has been received in line with grant conditions but no fees are payable to other organisations.
- Residential In-house Provision is forecast to overspend by £0.120m, which relates to staff costs.
- In-house foster care allowances are forecast to underspend by £0.078m based on current demand levels. Of this forecast underspend, £0.212m relates to expected increases in allowances that have not increased in 2016/17 (which is in line with national minimum weekly allowances), offset by higher than expected payments of £0.134m. The forecast shows an increase of £0.699m from the outturn in 2015/16 which largely reflects an increase of 36 (6.2%) in-house foster care placements from 535 in August 2015 to 571 in March 2016. Numbers of in-house foster care placements are 1.6% higher in November 2016 than at the same time in 2015/16.
- Net underspends of £0.273m are forecast across a number of teams, of which underspends of £0.319m relate to staff costs in the In-house Fostering Service, SCAYT and the Adoption, Fostering, Residential and YOT Management Team, (some of which relate to posts covered by agency staff for which the costs are

included within Children's Social Care) and £0.023m to over recovery of income, offset by overspends of £0.069m on non-staff costs.

The service reported underspends of £0.696m at the end of Quarter 2, compared to the current forecast underspend of £1.145m, an additional forecast underspend of £0.449m. Of this £0.361m relates to the Adoption Service, in particular the extension of interagency fee grant funding from October 2016 to March 2016, a number of adoption placements for which grant has been received in line with grant conditions but no fees are payable to other organisations, and non-staff costs. Additional forecast underspends of £0.088m relate to a number of other budgets across the service.

The budget for Adoption, Fostering, Residential and YOT includes approved budget savings of £0.956m in 2016/17. The forecast reflects the fact that some of the £0.642m savings for YOT are offset by the approved application of non-recurrent funding of £0.041m from the Transitional Reserve, however, whilst use of £0.320m was originally approved, only £0.041m is expected to be required in 2016/17. The forecast reflects non-delivery of £0.006m of savings on ONSB Service and non-delivery of £0.005m of savings on Residential In-house Provision in 2016/17.

The forecast also includes the application of non-recurrent funding of £0.131m from the YOT – General Youth Offending Reserve to cover the cost of projects approved by the Youth Justice Board.

3.2.5 Children's Social Care

Children's Social Care (CSC) is forecast to overspend by £19.706m in 2016/17.

- Overspends of £7.283m are forecast across Social Work Staff and Management CSC.
 - Overspends of £4.415m relate to staff costs (including car allowances) which includes agency staff covering vacant posts, additional temporary staff required for 12 months over 2016/17 and 2017/18 to increase capacity in children's social care and to support the development and implementation of a single operating model across Children's Services being trialled in Fylde and Wyre, and temporary workstarts required for 3 months to provide business support to Project Accuracy, in order to implement agreed actions detailed in the Lancashire Children's Services Improvement Plan following the Ofsted inspection. Of this £2.249m is offset by underspends on staff within Safeguarding, Inspection and Audit Service and Adoption Fostering, Residential and YOT Service as referred to earlier in this report. It is anticipated that this overspend will reduce following recruitment campaigns in 2016/17 as vacant posts are filled by permanent staff reducing the need to cover posts with agency staff which are more expensive.
 - Forecast overspends of £2.915m relate to a number of other expenses arising as a result of work undertaken in response to the Ofsted inspection. Of the additional £5.000m included in the budget in 2016/17 following the Ofsted inspection, circa £4.400m, was budgeted to cover staff costs, with the remaining amount, circa £0.600m, budgeted to cover various non-staff costs, consultant and professional fees. The forecast includes one-off spend of £3.218m for Children's Social Care Referral and Assessment Service Framework, £0.168m for children in need

assessments undertaken by an external social work provider in 2016/17 and £0.162m for consultant and professional fees.

- Forecast underspends of £0.047m relate to various non staff costs.
- Forecast overspends of £9.729m relate to agency residential placements. Placements have increased by 90 (67%) from 135 in November 2015 to 225 in November 2016. The forecast is based on available financial and activity information and assumes that placements will continue to increase for the remainder of the financial year. Work is continuing as part of the 0–25 Programme Board to review the underlying reasons for increases in numbers of placements, and to estimate likely future demand and the impact of this on the County Council's budget. The capacity of a number of in-house residential units is limited due to the placement of young people with increasingly complex needs that require high staff to child ratio's to support. Consequently young people who would otherwise have been placed in these units have been placed with external providers. As at 28th October 2016 there were 12 vacancies within in-house residential units (based on 6 10-bed units), albeit that 2 units are now operating as 2-3 rather than 6 bed units. It is likely that demand has been effected by work undertaken following the Ofsted inspection, although the pathway diagnostic work has already identified some potential for efficiencies which could reduce costs in the future without affecting levels of service delivery.
- Forecast overspends of £2.264m relate to agency fostering placements. Placements have increased by 62 (16%) from 392 in October 2015 to 454 in November 2016. The forecast is based on available financial and activity information and assumes that placements will increase for the remainder of the financial year. Again work is continuing as part of the 0–25 Programme Board to review the underlying reasons for increases in numbers of placements, and to estimate likely future demand and the impact of this on the County Council's budget.
- Forecast overspends of £1.042m relate to numbers of Special Guardianship Orders (SGO's) which continue to increase which is offset by underspends of £0.267m on Child Arrangement Orders (CAO's).
- Forecast underspends of £0.296m relate to financial assistance for care leavers.
- Forecast underspends of £0.049m relate to a number of items including DBS costs.

The service reported overspends of £17.736m at the end of Quarter 2, compared to the current forecast overspend of £19.706m, an additional forecast overspend of £1.970m. Of this £0.229m relates to SGO's and £0.375m to agency residential placements both of which reflect continuing increases in placements, £1.490m to non-staff costs in particular the Children's Social Care Referral and Assessment Service Framework, offset by a reduction in forecast of £0.124m relating to staff costs.

The budget for Children's Social Care includes approved budget savings of £0.504m in 2016/17. The forecast reflects the fact that delivery of these savings which relate to CSC Placements and Social Worker Teams are delayed due to demand pressures. The forecast includes the following planned application of non-recurrent funding.

- Contribution of £0.275m from the Risk Management Reserve to cover the cost of the LCC Children's Priority Reporting on LCS contract with Newton's (Project Accuracy).
- Contribution of £0.200m from the Transitional Reserve to fund the cost of the Transformation of Children's Services Pathways in Lancashire Assessment/Diagnostic based on payments made to date.
- Contribution of £0.200m from the Former CYP DFM General Reserve to fund risk assessment training and models and quality assurance, auditing and training costs.

3.2.6 School Improvement

The service is currently holding vacancies awaiting the approval of its new structure whilst maintaining income levels which is resulting in a forecast underspend of £0.627m. The income levels for the service are forecast to achieve the target within their budget, however there is potential for this to increase and will be kept under review.

This budget has been reduced by £0.657m with the forecast incorporating that this saving will be achieved.

3.2.7 Traded Services (Start Well)

Traded Services are forecasting a positive variance to budget through the overachievement of income of £1.247m in 2016/17. This relates primarily to the maintenance of income levels within the School Catering Service in line with the 2015/16 outturn position that the service achieved. This also incorporates a saving target that is being achieved of £0.037m.

3.2 Operations and Delivery – Community Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.3.1	CUSTOMER ACCESS	3.779	3.233	-0.545	-0.557	-15%
3.3.2	COMMUNITY SERVICES	0.126	0.126	0.000	0.000	0%
3.3.3	HIGHWAYS	21.268	20.267	-1.001	-0.173	-5%
3.3.4	LIBRARIES MUSEUMS CULTURE & REGISTRARS	9.698	10.063	0.365	0.316	4%
3.3.5	PUBLIC & INTEGRATED TRANSPORT	42.100	42.232	0.133	0.594	0%
3.3.6	WASTE MGT	57.269	61.122	3.854	3.905	7%
	TOTAL - COMMUNITY SERVICES	134.239	137.044	2.805	4.085	2%

The total net approved budget for Community Services in 2016/17 is £134.239m. As at the end of December 2016 the service is forecast to overspend by £2.805m.

3.3.1 Customer Access

Customer Access is forecast to underspend by £0.545m in 2016/17. Forecast underspends of £0.398m relate to staff vacancies and £0.175m is attributable to the over recovery of income, offset by forecast overspends of £0.028m on non-staff costs. Delays in recruiting to vacant posts could lead to further underspends and these will be kept under review over the coming months.

There is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 2. The forecast reflects the achievement of approved budget savings of £0.234m in 2016/17.

3.3.3 Highways

The service is forecast to underspend by £1.001m.

- This is due to additional income forecast of £1.264m across highways on the permit scheme which includes traffic regulation orders and charges to utilities companies for breaching codes of practice, delays in work and road closures. Additional income was seen in the 2015/16 outturn position and as a result, part of the savings strategy was to increase these income targets in the 2016/17 budget. However, these targets have been exceeded during the course of the year. This is largely due to fee increases and the fact that these fee increases have not resulted in a significant reduction in utilities companies' activity.
- This underspend has been partly offset by a £0.263m pressure on parking services due to a forecast reduction in parking income. This is being reviewed with the service as to the causes and whether this may represent a continuing pressure into future years.
- The service is forecast to spend the agreed highways maintenance and drainage budget within year.

- Staff time charged to capital schemes is significantly lower than expected however this is not shown as a pressure as it is believed that this is due to some initial issues relating to the new time recording system.

There has been a change to the forecast underspend reported to Cabinet at the end of Quarter 2 of £0.828m predominantly resulting from increased fees for traffic regulation orders.

The forecast includes the approved application of non-recurrent funding from the roundabout sponsorship reserve of £0.048m relating to previous years income generation and subsequent reinvestment in specific public realm schemes.

The budget for Highways includes approved budget savings of £3.210m in 2016/17, the forecast reflects the fact that these savings are on track to be delivered in full in 16/17 therefore the approved application of non-recurrent reserve funding of £1.404m from the Transitional Reserve in 2016/17 to support the service as it works towards delivering these savings is not required.

3.3.4 Libraries, Museums, Culture and Registrars

Libraries, Museums, Cultural Services and Registrars (LMCR) is forecast to overspend by £0.365m in 2016/17.

- Cultural Services Museums is forecast to overspend by £0.586m. Following the closure of 5 museums from October 2016 it is expected that the remaining 6 museums will be self-financing, including covering costs associated with collections, with the exception of Gawthorpe Hall for which there is a recurring annual budget (of £0.104m in 2016/17) to cover running costs. It is forecast that it will cost £0.690m to run Museums in 2016/17 after applying non-recurrent funding of £0.500m from the Transitional Reserve. Of the 5 museums which have closed negotiations are underway to transfer 3 of the museums to other organisations by 31st March 2017 and the future of 2 museums is still to be determined. The forecast reflects the fact that the County Council will incur care and maintenance costs following the closure of museums particularly in respect of Helmshore Textile Mill and Queen Street Mill, one-off costs to prepare museums for transfer and will be required to retain collections staff to assist with the work associated with collections held in museums prior to transfer. Given that negotiations are ongoing and the future of 2 museums is still to be determined, the forecast position may change over the remainder of the financial year as further decisions are made and transfer arrangements confirmed.
- County Libraries is forecast to overspend by £0.216m which relates to non-delivery of previously agreed savings. The forecast includes the application of non-recurrent funding of £1.608m from the Transitional Reserve. The forecast reflects the closure of 22 libraries on 30th September 2016 and that these buildings will be cleared and/or transferred by 30th December 2016, and assumes the LMCR restructure will be implemented from February 2017. The future of a number of other libraries is still under consideration and the exact timescales for the closure, transfer and transition to satellites of a number of other libraries is still to be confirmed. Consequently the forecast for 2016/17 may change over

the coming months as further decisions are made and closure, transfer and transition arrangements are confirmed.

- Registration Service is forecast to underspend by £0.122m of which £0.146m relates to over recovery of income offset by overspends of £0.024 on staff costs.
- Underspends of £0.314m relate to the remainder of the service which includes Archives, Conservation, Heritage and Arts, Museum School Service, and Support and Development. The forecast includes the application of non-recurrent funding of £0.487m from the Transitional Reserve. Underspends of £0.199m relate to staff costs and £0.155m to non-staff costs, offset by under-recovery of income of £0.040m.

There is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 2.

The budget for Libraries, Museums, Culture and Registrars includes approved budget savings of £5.808m in 2016/17. The forecast reflects the fact that £2.411m of savings have been achieved, £0.802m will not be achieved in 2016/17 and £2.595m of savings are offset by the approved application of non-recurrent reserve funding from the Transitional Reserve in 2016/17 (see below) to support the service as it transitions and works towards delivering these savings.

The forecast includes the following approved application of non-recurrent funding from the Transitional Reserve.

- Contribution of £0.500m from Transitional Reserve to cover the cost of operating 5 museums which closed on 30th September 2016.
- Contribution of £0.347m from Transitional Reserve to cover the continuation of Arts Grants to outside bodies within the Heritage and Arts Service.
- Contribution of £0.140m from the Transitional Reserve to cover staff costs within Cultural Services Support and Development.
- Contribution of £1.608m from the Transitional Reserve to fund transition costs as the County Library Service downsizes.

The forecast also includes the following planned application of non-recurrent funding from reserves.

- Contribution of £0.010m from the Queen St Engine Repair Fund.
- Contribution of £0.001m from the Lancaster City General Acquisitions Fund.
- Contribution of £0.011m from the Former Adults Directorate Grant Funded Reserve to fund a creative writing programme.
- Contribution of £0.020m from the Former Adults Directorate Grant Funded Reserve to fund a Borrowbox scheme.

3.3.5 Public & Integrated Transport

Public and Integrated Transport is forecast to overspend by £0.133m in 2016/17.

- Public Transport Initiatives is forecast to overspend by £0.879m. Of this overspends of £0.932m relate to lower than originally estimated sales from the Todmorden Curve New Rail Scheme. Whilst demand levels (passenger

numbers) appear to be in line with the ramp up period predictions, revenues are lower than expected due to discounted fares with student rather than commuter full price fares accounting for the bulk of sales. The forecast is based on current levels of fare revenue and reflects the fact that franchised payments to Northern Rail are largely fixed. This is offset by underspends of £0.053m on Heysham Park and Ride which opened in November 2016 but for which there is a full year budget provision in 2016/17.

- Integrated Transport Travelcare is forecast to overspend by £0.919m. Savings of £2.499m were approved at Full Council in February 2016 in relation to entirely ceasing the provision of free travel to day care from September 2016. However, it has been possible to redesign the service to continue to provide a free service by reconfiguring the transport arrangements and still deliver savings of £1.170m in 2016/17 from September 2016 and £2.006m in future years, resulting in a partial non-delivery of savings of £0.489m, of which £0.389m relates to staff costs and £0.100m to non-staff costs. Savings of £2.200m approved in previous years relate to transport for children and young people with special educational needs (SEN). Of these £0.500m of savings relating to staff cost have been achieved. Delivery of the remaining savings of £1.700m is delayed and these will not be delivered until September 2017 at the earliest. However, this is offset by additional income of £1.000m which has not been budgeted for in 2016/17 or previous years, resulting in an in year underspend. The budget has been adjusted for this additional income in the MTFS from 2017/18. Underspends of £0.320m relates to the impact in 2016/17 of an over accrual in 2015/16, offset by overspends of £0.050m relating to a number of other smaller items across the service.
- Public Transport Concessionary Travel is forecast to underspend by £1.027m, due to a seasonal decline in passenger numbers and changes in eligibility criteria relating to pensionable age (increased from 60 to 65).
- Public Transport School Transport is forecast to underspend by £0.176m. The agreed saving of £0.282m in 2016/17 is not achievable in the way originally planned because denominational transport services cannot cease until September 2017 at the earliest. However, the impact of this has been off-set by actual price inflation being lower than estimated price inflation applied to the 2016/17 budget in the MTFS, lower forecast bus operator costs in real terms than in 2015/16 and an over accrual that took place at the end of 2015/16.
- Public Transport Bus Stations, Interchanges and Information Centres are forecast to underspend by £0.225m. The forecast underspend is non-recurring and relates to Accrington Bus Station. Whilst there is a budget for Accrington Bus Station (Pennine Reach) in 2016/17, this has now been superseded by the introduction of departure fees as the service moves towards all bus stations operated or supported by the County Council becoming self-financing in order to deliver agreed savings and therefore this budget has been removed in the MTFS from 2017/18. The forecast does, however, include the use of £0.587m of Bus Service Operators Grant (BSOG) which it was not anticipated the County Council would receive in 2016/17 following the cessation of the majority of tendered network bus services, to cover the in-year shortfall arising from the phased introduction of departure fees at bus stations over a 2 year period from 2016/17.

- Community transport and tendered network bus services are forecast to underspend by £0.180m, which relates to contracts with bus operators and vehicle costs.
- Forecast underspends of £0.057m relate to other areas including Fleet Services.

The service reported overspends of £0.594m at the end of Quarter 2 compared to the current forecast overspend of £0.133m a decrease in forecast overspends of £0.461m which largely relates to Integrated Transport Travelcare and concessionary travel.

The budget for Public and Integrated Transport includes approved budget savings of £15.133m in 2016/17, and the forecast reflects the fact it is not anticipated that all savings will be made in year (as discussed above) and some savings are offset by the application of non-recurrent reserve funding of £0.836m from the Transitional Reserve in 2016/17 (see below) to support the service as it transitions and works towards delivering these savings.

The forecast includes the following planned application of non-recurrent funding from reserves.

- Contribution of £0.836m from the Transitional Reserve to fund the cost of transport to day centres.
- Contribution of £0.500m from the Transitional Reserve to cover the travel costs for young people not in education, employment or training (NEET).
- Contribution of £0.089 from the Transitional Reserve to cover the naval architect fees employed to carry out a feasibility study on and valuation of the Knott End Ferry and revenue costs in 2016/17 (as approved by Management Team).
- Contribution of £0.977m of Bus Service Operators Grant (BSOG) to transport reserves to be used to fund shortfalls in 2017/18 arising from the phased introduction of departure charges at bus stations.

3.3.6 Waste Management

Waste Management is forecast to overspend by £3.854m in 2016/17.

Forecast overspends of £1.841m can be attributed to assumptions made in the MTFs which have not materialised. In addition, an increase in residual waste arisings of 5.4% is forecast (compared to increases of 1% previously assumed) resulting in forecast overspends of £1.768m, and the forecast one-off cost of landfilling residues from emptying of the composting halls, following cessation of processing activities (as required to deliver agreed savings), is £0.692m. These are offset by forecast savings of £1.703m from diverting waste from landfill to alternative treatment facilities and forecast underspends of £0.328m on green waste such as garden waste composting where work with district councils to remove food waste from garden waste collections has been completed allowing in year reductions in gate prices. Forecast overspends of £1.584m relate to the high cost of insurance premiums at the waste recovery parks which continue to put pressure on the waste budget.

There is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

The budget for Waste Management includes approved budget savings of £20.337m in 2016/17, and the forecast reflects the fact that some savings are offset by the approved application of non-recurrent funding of £10.258m from the Transitional Reserve to cover the costs of payments to District Councils under cost sharing arrangements and £7.750m also from the Transitional Reserve to cover transition costs associated with the transformation of the waste company.

The forecast also includes the planned application of non-recurrent reserves funding of £1.071m from the Waste Plant Rectification Reserve to cover part of Blackpool Councils contribution to waste costs, £0.100m from the Waste General Reserve for payment of a Lendlease invoice which was in dispute at the end of 2015/16 and £0.014m also from the Waste General Reserve to cover costs relating to Ingol Reuse Shop.

3.3 Operations and Delivery – Public Health and Wellbeing Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.4.1	PUBLIC HEALTH & WELLBEING	-73.727	-71.783	1.944	1.944	-3%
3.4.2	PATIENT SAFETY & QUALITY IMPROVEMENT	4.832	4.591	-0.240	-0.241	-5%
3.4.3	HEALTH EQUITY WELFARE & PARTNERSHIPS	9.399	9.399	0.000	0.000	0%
3.4.4	WELLBEING PREVENTION & EARLY HELP	83.879	82.494	-1.385	0.235	-2%
3.4.5	EMERGENCY PLANNING & RESILIENCE	1.224	0.835	-0.389	-0.109	-32%
3.4.6	TRADING STANDARDS & SCIENTIFIC SERVICES	2.951	3.160	0.208	0.209	7%
3.4.7	DEPUTY DIR PUBLIC HEALTH & CONSULTANTS	0.301	0.170	-0.131	-0.131	-43%
	TOTAL – PUBLIC HEALTH	28.860	28.867	0.007	1.907	0%

The total net revised budget for Public Health & Wellbeing Services in 2016/17 is £28.860m. As at the end of quarter 3, the service is forecast to overspend by £0.007m.

3.4.1 Public Health & Wellbeing

The overspend reported at £1.944m is largely due to a reduction in the Public Health grant amounting to £1.925m. These grant reductions continue into 2017/18 and have been highlighted and adjusted for within the revised MTFs.

There is no significant change to the forecast overspend reported for Quarter 2.

3.4.2 Patient Safety & Quality Improvement

This service is forecast to underspend by £0.240m as a result of staffing underspends and the delayed restructure of the service.

There is no significant change to the forecast underspend reported for Quarter 2.

The budget for Patient Safety & Quality Improvement includes approved budget savings of £0.788m in 2016/17 which are on track to be delivered through contract reductions and staff restructuring.

The forecast includes the following planned application of non-recurrent funding.

- Contribution of £0.165m from the Public Health Reserve in relation to the Steady On falls prevention strategy.
- Contribution of £0.276m from the Health Reserve in relation to building resilience.
- Contribution of £0.153m from the Health Reserve utilising the Section 256 monies on agreed activities.

3.4.3 Health Equity, Welfare & Partnerships

There is no variance forecast against the service budget. There is no change to the forecast underspend reported to Cabinet at Quarter 2.

The budget for Health Equity, Welfare & Partnerships includes approved budget savings of £2.852m in 2016/17 which are all on track for delivery.

The forecast includes the following planned application of non-recurrent funding.

- Contribution of £0.952m from reserves in relation to the Domestic Abuse strategy to continue this service up to the end of March 2017. This is part funded from the Crime and Disorder reserve £0.714m and part funded from the Transitional reserve £0.238m.
- Contribution of £1.000m to the Transitional reserve in relation to the Prevention & Early Help Fund to facilitate services for care leavers and young people who are homeless into 2017/18 from the underspend of this £3.000m fund in 2016/17.

3.4.4 Wellbeing, Prevention & Early Help

An overall underspend of £1.385m has been forecast for the service.

- The Public Health General budget has experienced a delay in ceasing the Homestart contract £0.170m earmarked to end March 2016 as part of the agreed savings (BOP 48) however this activity aligns with the 0-19 service recommissioning and has therefore been extended to coincide with this full procurement of services. There has been a delay in the substance misuse saving strategy causing an in year pressure of £0.911m. These pressures have been partly offset by the early delivery of agreed savings in year of £0.503m in Children's services as the service redesign moves forward.
- Further underspends have been highlighted this quarter in relation to the recommissioned Sexual Health and Healthy lifestyles contracts which now work on a tariff payment mechanism of £1.232m. Data has now been provided to suggest lower uptake than expected in this first year of these new commissions.
- The Public Health Combined Offer budget is forecasting that the underspend seen in 2015/16 will continue into 2016/17 in addition to this as the restructure takes shape staff turnover will mean there is no requirement from reserves to fund the service in its transition year. Troubled Families is forecast to exceed its original income target, and this has again meant that the in-year requirement from reserves to fund the service in its transition year has been eliminated. Payment by results income has now been built into the 2016/17 monitoring position against 320 families. Providing an additional £0.731m underspend overall in the area.

There has been a significant change to the forecast overspend reported to Cabinet in Quarter 2 due to early delivery of the revised early help service model and the realisation of in year savings on the tariff structured public health contracts.

The budget for Wellbeing, Prevention & Early Help includes budget reductions of £9.688m in 2016/17 but offsetting these savings is an approved drawdown from the transitional reserve of £4.755m. However due to early delivery of savings of the Public Health Combined Offer and the additional troubled families monies the drawn down

from the transitional reserve to support the Wellbeing & Prevention Service Offer has not been needed.

The forecast includes the following planned application of non-recurrent funding amounting to £0.374m.

- Contribution of £0.111m from the Public Health reserve for small grants YPS
- Contribution of £0.263m from the working together with families reserve for planned workforce development and transition work.

3.4.5 Emergency Planning & Resilience

An underspend of £0.389m has been forecast for the service.

This is due to the over-delivery of income against current targets for Health & Safety work. This income stream has been explored further as part of the services zero based budget review to ensure the fees and budget are set at a sustainable level going forward.

There has been a change £0.280m to the forecast underspend reported to Cabinet at the end of Quarter 2 as a result of more Schools purchasing the Health & Safety services and efficiencies within running costs across the services.

The budget for Emergency Planning & Resilience includes approved budget savings of £0.088m as part of the Health and Safety traded service which are on track to be delivered.

3.4.6 Trading Standards & Scientific Services

An overspend of £0.209m has been forecast for the service.

Overall, Scientific Services are reporting £0.195m shortfall on income levels made up of: a £0.085m reduction on FSA Foods grant, and £0.070m related to the transfer of the asbestos function from Design & Construction where there was no budget provision for the related costs of sampling this work. Design & Construction were able to absorb this pressure within their overall budget, however Scientific Services have no capacity to do this, and have inherited a pressure on their budget. The other income targets show a £0.040m pressure and the remaining small variance of £0.014m is in relation to increased rates at the Laboratory.

There is no significant change to the forecast overspend reported to Cabinet at the end of Quarter 2.

The budget for Trading Standards & Scientific Services includes approved budget savings of £0.363m to be achieved as part of the current restructure.

The forecast includes the following planned application of non-recurrent funding.

- Contribution of £0.060m from equipment renewal reserve for the purchase of food testing/analysis equipment for Scientific Services.
- Contribution of £0.057m from improved outcomes reserve reinvesting crime proceeds into local crime reduction initiatives delivered via the service.

3.4.7 Deputy Dir Public Health & Consultants

This service is forecast to underspend as a result of staffing savings of £0.131m within the management structure due to consultant vacancies and delayed utilisation of this funding in the service staffing redesign.

There is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 2.

3.5 Development and Corporate Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.5.1	DEVELOPMENT AND CORPORATE SERVICES	0.171	0.171	0.000	0.000	0%
3.5.2	LANCASHIRE ADULT LEARNING	-0.075	-0.105	-0.030	-0.030	40%
3.5.3	CORPORATE SERVICES	0.108	0.108	0.000	0.000	0%
3.5.4	CORE BUSINESS SYSTEMS TRANSFORMATION	23.993	23.784	-0.209	-0.090	-1%
3.5.5	FACILITIES MGT	5.625	6.047	0.422	0.868	8%
3.5.6	HUMAN RESOURCES	1.035	0.925	-0.110	-0.110	-11%
3.5.7	ECONOMIC DEVELOPMENT	0.190	0.190	0.000	0.000	0%
3.5.8	BUSINESS GROWTH	0.080	0.080	0.000	0.000	0%
3.5.9	LEP COORDINATION	0.000	0.064	0.064	0.064	100%
3.5.10	STRATEGIC ECONOMIC DEVELOPMENT	0.235	0.080	-0.155	-0.155	-66%
3.5.11	PROGRAMMES & PROJECT MGT	0.119	0.119	0.000	0.000	0%
3.5.12	DESIGN and CONSTRUCTION	-2.019	-1.951	0.068	0.069	-3%
3.5.13	ESTATES	1.552	1.552	0.000	0.000	0%
3.5.14	PLANNING AND ENVIRONMENT	1.459	1.189	-0.270	-0.270	-19%
3.5.15	PROGRAMME OFFICE	-0.073	-0.073	0.000	0.000	-0%
3.5.16	SKILLS LEARNING & DEVELOPMENT	3.173	3.228	0.055	-0.147	2%
3.5.17	HEALTH & CARE SYSTEMS DEVELOPMENT	0.000	0.000	0.000	0.000	0%
	TOTAL - DEVELOPMENT AND CORPORATE	35.574	35.408	-0.166	0.199	2%

The total net revised budget for Development and Corporate Services in 2016/17 is £35.574m. As at the end of December 2016 the service is forecast to underspend by £0.166m.

3.5.2 Lancashire Adult Learning

No significant variance from budget is forecast for Lancashire Adult Learning in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

The forecast includes the planned application of non-recurrent funding of £0.030m from the Lancashire Adult Learning Reserve to cover the cost of back dated pay awards for lecturer staff, £0.007 to cover the costs of Skills funding Agency grant clawback for ESF Programmes from 2007 to 2013 and £0.005m for costs relating to projects dating back to 2014/15.

3.5.4 Core Business Systems/Transformation

Core Systems is forecast to underspend by £0.209m in 2016/17 which largely relates to vacancies and staff costs.

The service reported underspends of £0.090m at the end of Quarter 2 compared to the current forecast underspend of £0.209m, an increase in forecast underspends of £0.119m.

The budget for Core Business Systems/Transformation includes approved budget savings of £0.592m. The forecast reflects the achievement of savings and whilst £0.175m of non-recurrent funding from the Transitional Reserve in 2016/17 was approved, in year underspends has meant that this will not be required.

3.5.5 Facilities Management

Facilities Management is forecast to overspend by £0.422m in 2016/17.

- Forecast overspends of £0.394m relate to delays in delivering savings as a result of the impact of the property strategy and a number of properties transferred to Facilities Management for which there is insufficient budget.
- Forecast overspends of £0.404m relate to staff and civic catering which are largely due to non-delivery of 2015/16 savings and non-delivery of 2015/16 and 2016/17 savings on Reflections. The financial position of both Woodlands and Reflections will need to be considered as part of the combined conferencing and catering service at County Hall when Woodlands closes.
- Forecast overspends of £0.077m relate to the non-delivery of service offer savings and changes to the opening hours of County Hall which will not now go ahead.
- Forecast underspends of £0.331m relating to electricity consumption on retained County Buildings.
- Forecast underspend of £0.122m relate to staff costs.

The service reported overspends of £0.868m at the end of Quarter 2 compared to the current forecast overspend of £0.422m, a decrease in forecast overspends of £0.446m which largely relates to electricity consumption and staffs costs.

The budget for Facilities Management includes approved budget savings of £0.286m and progress in delivering savings is referred to above.

3.5.6 Human Resources

Human Resources is forecast to underspend by £0.110m in 2016/17.

Forecast underspends of £0.351m relate to the over recovery of income from schools following the transition to operating on a traded basis during 2015/16 and £0.056m to staff costs, whilst forecast overspends of £0.008m relate to non-staff costs. This is offset by forecast overspends of £0.289m against budgeted use reserves and reflects the fact that in year underspends have reduced the need to draw down reserves.

There is no change to the forecast reported to Cabinet at the end of Quarter 2.

The budget for Human Resources includes approved budget savings of £0.289m. Whilst £0.371m of non-recurrent funding from the Transitional Reserve in 2016/17 was approved, in year underspends has meant that this will not be required.

3.5.7 Economic Development

This service is forecast to break-even in 2016/17. This incorporates a saving of £0.650m that was approved, however it was also approved that this would be offset by funding from the transitional reserve of £0.650m in 2016/17.

3.5.12 Design and Construction

No significant variance is forecast for Design and Construction in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

The forecast reflects the partial achievement of £0.110m of approved budget savings of £0.220m in 2016/17, although it is anticipated that savings will be achieved in 2017/18. The forecast includes the planned application of non-recurrent reserves funding of £6.210m from the Schools Prop Reserve to cover the cost of schools repairs and maintenance.

3.5.13 Estates

No variance from budget is forecast for Estates in 2016/17 and there is no change to the forecast reported to Cabinet at the end of Quarter 2.

The forecast reflects the achievement of approved budget savings of £0.067m in 2016/17.

3.5.14 Planning and Environment

Planning and Environment is forecast to underspend by £0.270m in 2016/17, which relates to over achievement of income by the Master Planning Team.

There is no change to the forecast reported to Cabinet at the end of Quarter 2.

The budget for Planning and Environment includes approved budget savings of £1.016m and the forecast reflects the approved application of non-recurrent funding of £0.305m from the Transitional Reserve to cover the cost of the phased reduction in countryside services.

The forecast also includes the planned application of non-recurrent funding of £0.022m from the Waste General Reserve to recompense Farington residents for odour issues.

3.5.15 Programme Office

No variance from budget is forecast for Programme Office in 2016/17. The forecast includes savings of £2.590m with the planned application of non-recurrent reserves funding of £0.369m from the Transitional Reserve to cover staff costs. It was originally approved that £0.831m would be required to support the 16/17 budget saving, however the service only now require the figure stated above.

3.5.16 Skills, Learning and Development

No significant variance from budget is forecast for Skills, Learning and Development in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

The budget for Skills, Learning and Development includes approved budget savings of £0.646m in 2016/17. Whilst £1.013m of non-recurrent funding from the Transitional Reserve in 2016/17 was approved, in year underspends and early deliver of savings has meant that this will not be required in 2016/17.

The forecast includes the following planned application of non-recurrent funding from reserves.

- Contribution of £0.287m from the Strategic Investment Reserve to cover the costs of the Ex Service Personnel Mentoring in Schools.
- Contribution of £0.304m from the Strategic Investment Reserves to cover the costs of promoting sustainable employment for young people.
- Contribution of £0.050m from the Former Adults Directorate Grant Funded Reserve relating to North Lancashire Carers.
- Contribution of £0.177m from the Transitional Reserve to cover the cost of approved apprentices and graduates programme.

3.6 Commissioning Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.6.1	COMMISSIONING	0.163	0.163	0.000	0.000	0%
3.6.2	CORPORATE COMMISSIONING	0.136	0.136	0.000	0.000	0%
3.6.3	ASSET MGT	15.430	14.436	-0.995	-0.037	-6%
3.6.4	POLICY INFO & COMMISSION AGE WELL	0.528	0.527	-0.001	0.000	0%
3.6.5	POLICY INFO & COMMISSION LIVE WELL	0.513	0.511	-0.002	0.006	0%
3.6.6	POLICY INFO & COMMISSION START WELL	0.432	0.462	0.030	0.018	7%
3.6.7	PROCUREMENT	1.271	1.270	-0.001	0.000	0%
3.6.8	BUSINESS INTELLIGENCE	0.809	0.810	0.001	0.000	0%
3.6.9	FINANCIAL RESOURCES	0.113	0.113	0.000	0.000	0%
3.6.10	EXCHEQUER SERVICES	2.530	2.126	-0.404	-0.300	-16%
3.6.11	FINANCIAL MGT (DEVELOPMENT AND SCHOOLS)	0.424	0.207	-0.217	-0.100	-51%
3.6.12	FINANCIAL MGT (OPERATIONAL)	1.572	1.353	-0.219	-0.050	-14%
3.6.13	OFFICE OF THE POLICE AND CRIME COMMISSIONER	-0.015	-0.015	0.000	0.000	0%
3.6.14	CORPORATE FINANCE	6.374	6.374	0.000	-0.050	0%
3.6.15	GOVERNANCE FINANCE & PUBLIC SERVICES	0.139	0.139	0.000	0.000	0%
3.6.16	CORONER'S SERVICE	2.472	2.714	0.242	0.318	10%
3.6.17	INTERNAL AUDIT	0.623	0.593	-0.031	0.060	-5%
3.6.18	LEGAL AND DEMOCRATIC SERVICES	13.034	12.536	-0.497	-0.700	-4%
3.6.19	LEGAL DEMOCRATIC & GOVERNANCE	0.101	0.101	0.000	0.000	0%
	TOTAL - COMMISSIONING	46.649	44.556	-2.093	-0.835	-4%

The total net revised budget for Commissioning Services in 2016/17 is £46.649m. As at the end of December 2016 the service is forecast to underspend by £2.093m.

3.6.3 Asset Management

Asset Management is forecast to underspend by £0.995m in 2016/17.

- Forecast underspends of £0.965m relates to street lighting. The County Council contributed a £5.000m of capital investment along with the DfT Challenge Fund grant to undertake a large scale replacement of existing less efficient sodium vapour lanterns with LED energy efficient lanterns which has resulted in reductions in energy consumption. In addition the MTFS included price and volume increases within the street lighting budget which have not materialised.
- Forecast underspends of £0.037m relate to Building Schools for the Future (BSF).
- Forecast overspends of £0.007m relate to non-staff costs.

The service reported underspends of £0.037m at the end of Quarter 2 compared to the current forecast underspend of £0.995m, an increase in forecast underspends of £0.958m which largely relates to street lighting costs.

The budget for Asset Management includes approved budget savings of £0.391m in 2016/17 which is offset by the application of non-recurrent reserve funding of £0.341m from the Transitional Reserve. Whilst use of £0.341m was originally approved, vacancies and early delivery of savings has meant that this will not be required in 2016/17.

The forecast includes a contribution from the Schools PFI Reserves of £0.070m and a contribution to the PFI BSF Reserve of £0.560m to fund BSF PFI costs over the life of the PFI contracts and the planned application of £0.727m from the Former OCE General Reserve to cover the cost of repairs and maintenance works.

3.6.4 Policy, Information and Commissioning Age Well

3.6.5 Policy, Information and Commissioning Live Well

3.6.6 Policy, Information and Commissioning Start Well

No significant variance from budget is forecast for the Policy, Information and Commissioning Teams for Start Well, Live Well and Age Well in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

The budget for Policy, Information and Commissioning includes approved budget savings of £1.337m in 2016/17 which is offset by the application of non-recurrent reserve funding of £0.856m from the Transitional Reserve. Whilst use £1.337m was originally approved, vacancies and early delivery of savings has meant that only £0.856m will be required.

3.6.7 Procurement

No significant variance from budget is forecast for Procurement in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

The budget for Procurement includes approved budget savings of £0.416m in 2016/17, which is offset by the application of non-recurrent reserves funding of £0.029m from the Transitional Reserve. Whilst use of £0.416m was originally approved, vacancies and early delivery of savings has meant that only £0.029m will be required in 2016/17.

3.6.8 Business Intelligence

No significant variance from budget is forecast for Business Intelligence in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

The budget for Business Intelligence includes approved budget savings of £0.555m in 2016/17, which is offset by the application of non-recurrent reserves funding of £0.271m from the Transitional Reserve. Whilst use of £0.472m was originally approved, vacancies and early deliver of savings has meant that only £0.271m will be required in 2016/17.

3.6.9 Financial Resources

3.6.10 Exchequer Services

3.6.11 Financial Management (Development and Schools)

3.6.12 Financial Management (Operational)

3.6.13 Office of the Police and Crime Commissioner Treasurer

3.6.14 Corporate Finance

Financial Resources (covering all of the above services) is forecast to underspend by £0.840m in 2016/17, which relates to staff vacancies.

The change to the forecast reported to Cabinet at the end of Quarter 2 of £0.340m is as a result of further staff vacancies.

The forecast reflects the achievement of approved budget savings of £0.911m in 2016/17 and includes the application of £0.060m from the Former CYP DFM General Reserve to cover the cost of ICT developments and £1.830m of from the Former Corporate DFM Reserves.

3.6.16 Coroners

Coroners Service is forecast to overspend by £0.242m in 2016/17 which relates to SLA's with other Local Authorities, various fees for services provided (toxicology, pathology, mortuary fees, etc.) as a result of demand led pressures and coroner related staff costs.

There is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

3.6.17 Internal Audit

No significant variance from budget is forecast for Internal Audit in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

3.6.18 Legal and Democratic Services

Legal and Democratic Services is forecast to underspend by £0.497m in 2016/17.

- Member Grants is forecast to underspend by £0.156m which relates to members expenses and development.
- Legal Services is forecast to underspend by £0.246m of which £0.526m relates to staff costs offset by overspends of £0.113m on non-staff costs including legal fees, and £0.166m relating to under recovery of income across a number of income streams.
- Underspends of £0.094m relate to the remainder of the service which includes Democratic Services and management staff and largely relates to staff costs.

The service reported underspends of £0.700m at the end of Quarter 2 compared to the current forecast underspend of £0.497m, an decrease in forecast underspends of £0.203m which largely relates to an increase in forecast in legal fees and a number of other smaller changes across the service.

The budget for Legal and Democratic Services includes approved budget savings of £0.286m in 2016/17. Whilst use of £0.135m in 2016/17 was originally approved,

vacancies and early delivery of savings has meant that this will not be required in 2016/17.

The forecast also includes the application of non-recurrent funding of £0.049m of SEND Implementation/Reform Grant held on the Former CYP Directorate Grant Funded Reserve to cover the cost of a temporary SEN solicitor and a contribution to the County Council Elections reserve of £0.400m to fund the cost of future local elections.

Chief Executive Services

Ref	Cost Centre Description LEVEL D	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.7.1	CHIEF EXECUTIVE	0.553	-0.567	-1.120	-3.160	-202%
3.7.2	SERVICE COMMUNICATIONS	0.791	0.790	-0.001	0.000	0%
3.7.3	LARGE SPECIFIC GRANTS TO SUPPORT THE AUTHORITY	-14.589	-14.589	0.000	0.000	0%
3.7.4	NON SERVICE ISSUES CORPORATE BUDGETS	43.848	13.937	-29.911	-30.308	-68%
3.7.5	BUSINESS SUPPORT	0.000	0.019	0.019	0.013	0%
	TOTAL - CHIEF EXECUTIVE	30.603	-0.410	-31.013	-33.456	-101%

The total net revised budget for Chief Executive in 2016/17 is £30.603m. As at the end of December 2016 the service is forecast to underspend by £31.013m.

The budget includes approved budget savings of £0.065m which has reduced the former contingencies budget to nil and is therefore not shown in the table above.

3.7.1 Chief Executive

Chief Executive is forecast to underspend by £1.120m in 2016/17 which relates to staff costs.

The service reported underspends of £3.160m at the end of Quarter 2 compared to the current forecast underspend of £1.120m, an increase in forecast of £2.040m as a result of cleansing of staffing budgets and forecasts.

The budget for Chief Executive includes approved budget savings of £0.930m in 2016/17, which is offset by the approved application of non-recurrent reserves funding of £0.930m from the Transitional Reserve to cover staff costs (specifically Executive Directors, Directors and Executive Support).

The forecast also includes the application of non-recurrent funding of £1.033m from the Transitional Reserve to cover the cost of work being undertaken by PwC.

3.7.2 Service Communications

No significant variance from budget is forecast for Service Communications and there is no change to the forecast reported to Cabinet at the end of Quarter 2.

The budget for Service Communications includes approved budget savings of £0.829m in 2016/17, which is offset by the approved application of non-recurrent reserves funding of £0.434m from the Transitional Reserve. Whilst use £0.760m was originally approved, early delivery of savings has meant that only £0.434m will be required in 2016/17.

3.7.4 Non Service Issues Corporate Budgets

Non Service Issues Corporate Budgets is forecast to underspend by £29.911m in 2016/17.

- The inherited liabilities provision and centralised employers liability have been reviewed and as a result are forecast to underspend by £0.283m which is 0.9% of the total budget.
- Strategic is forecast to underspend by £2.915m. This service area was previously forecast to underspend by £1.620m with the movement in forecast in this report being as a result of borrowing for the annual contribution to the City Deal of £1.295m rather than charging this amount to the revenue budget. This was identified as a saving as part of the zero based budget review.
- Projects is forecast to overspend by £0.043m relating to school closure costs for which there is no budget. Budget of £0.060m has been added in the MTFS from 2017/18.
- Treasury Management is forecast to underspend by £26.756m. Of this £0.572m relates to MRP resulting from changes in the 2016/17 capital programme, £1.954m relates to forecast interest payable being lower than budgeted and the level of borrowings (net of shared investment scheme) reducing along with more favourable interest rates which has thereby reduced interest payable. A further £24.974m relates to a forecast surplus on interest receivable largely due to gains incurred for the sale of core bonds and the volatility of markets since BREXIT, offsetting the reduction in interest receivable on sold bonds which was reflected in the budget. The ability to make a surplus on the sale of bonds generally arises as bond prices rise in reaction to economic uncertainty and monetary policy.

The impact of external events can be shown by the weekly gains with some £15m of the gains coming in just three weeks as follows.

- Some £9.2m of the gains arose in 2 weeks in early August. This followed the Bank of England announcing a package of measures to stimulate the economy based on concerns around the impact on the economy of BREXIT. These measures include the purchase of UK corporate and government bonds thereby increasing the price of GILTS in particular.
- A further £5.5m was generated in early October when markets reacted to Government announcements on the BREXIT timetable and the potential of a so called hard exit which may involve not having free access to trade.

The forecast only includes those gains actually realised. This is a prudent approach because there is no guarantee that market movement will provide the opportunity for future gains. It must also be taken into account that there is actually a potential for some loss. Although the level of investments are kept within approved levels there is a possibility that some of them will need to be sold for liquidity purposes. If this was to be the case then any gain or loss generated would be dependent upon the market at the time of sale.

The gains achieved in recent years may indicate that the budget should include an additional estimated level of gain. However, in addition to the difficulty in predicting future market conditions there are a couple of other factors which need to be considered. Firstly, the ability for the County Council to have an investment portfolio is

based on holding reserves and other cash backed accounts on the Balance Sheet. It has been well documented that it is estimated that the County Council is anticipating a significant reduction in these balances over the next two years. The Investment Strategy will need to be altered to meet the changes and it is reasonable to assume that the investment portfolio will then be much smaller. This significantly reduces the ability to generate gains.

The service reported underspends of £30.308m at the end of Quarter 2 compared to the current forecast underspend of £29.911m a decrease in forecast underspends of £0.397m which relates to pension costs and the strategic budget.

The forecast includes the planned application of non-recurrent of £18.286m from the Transitional Reserve and relates to the agreed application funds to support the shortfall in the County Council's revenue budget. This forecast also includes an agreed contribution from capital receipts of £5.000m under new flexibilities to support the revenue budget.



Money Matters
Financial Outlook for the County Council
Medium Term Financial Strategy as at
31st December 2016

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Financial Outlook for the County Council: Medium Term Financial Strategy

1. Executive Summary

1.1 Introduction

This report outlines the financial position facing Lancashire County Council over the period 2017/18 to 2020/21. The County Council is experiencing an ongoing period of unprecedented financial pressure as a result of the Government's extended programme of austerity combined with significant increases in demand for public services.

In December 2016 Cabinet received a report outlining the latest financial position facing Lancashire Council which covered the period 2017/18 – 2020/21 and estimated an estimated in year funding gap of £146.133m by the end of the 4 year period. The Council being forecast to have a cumulative deficit of £411.209m by the end of 2020/21.

This report provides an updated position following a review of the existing assumptions to reflect the most current information available. As a result of these reviews the funding gap has increased to £153.389m, however the cumulative gap has however decreased to £407.988m as a result of a reduced gap in earlier years. The increase in the financial gap is primarily due the announcement within the provisional financial settlement that the 2% Adults Social Care Precept could not be applied in 2020/21, which had previously been assumed in the MTFS.

1.2 Financial Overview 2017/18 – 2020/21

Under a separate Money Matters report the County Council's financial position for 2016/17 as at 31st December has been outlined (£15.298m forecast underspend). This is a slightly improved variance reported compared to Cabinet in December , but it is important to note that the underspend is primarily the result of Treasury Management activities and the underlying position still contains significant pressures on demand led budgets, particularly Children's Social Care.

The assumptions made in the original MTFS have been reviewed and been updated to reflect the latest information available.

The table below provides a detailed analysis and movements between the previously reported financial gap and the revised financial gap:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Spending Gap as reported to Cabinet December 2016	60.350	26.497	31.032	28.254	146.133
Add change to forecast of spending:					
Pay and Pensions	0.000	0.000	0.000	0.000	0.000
Price Inflation and Cost Changes	0.502	0.179	0.009	0.115	0.805
Service Demand and Volume Pressures	-0.606	-0.536	-0.140	0.030	-1.252
Adjustments to Savings Programme	-0.414	0.000	0.000	0.000	-0.414
Total change to forecast of spending	-0.518	-0.357	-0.131	0.145	-0.861
Funding	-5.787	4.977	-0.671	9.598	8.117
Total change to forecast of resources	-5.787	4.977	-0.671	9.598	8.117
Revised funding gap	54.045	31.117	30.230	37.997	153.389

Aggregated Funding Gap					Total £m
2017/18 (£m)	54.045	54.045	54.405	54.405	216.180
2018/19 (£m)		31.117	31.117	31.117	93.351
2019/20 (£m)			30.230	30.230	60.460
2020/21 (£m)				37.997	37.997
Total	54.045	85.162	115.392	153.389	407.988

1.3 Conclusion

Lancashire County Council continues to face, as previously stated, an unprecedented period of financial constraint through to at least 2020/21.

The Statutory Services Budget Review undertaken by PwC and reported to Cabinet in October validated the financial position as reported through the MTFS and confirmed that even should the County Council reduce its expenditure to the median of lowest quartile by 2020/21 an in-year deficit of £79m would remain.

One of the considerations raised within the report was whether the current funding model of the Council is disproportionately contributing to the Lancashire funding gap. The County Council has continued to lobby Central Government and relevant stakeholders regarding the extreme challenges being faced as a result of the local government finance system.

Whilst the principle has been agreed of reviewing each and every continuing service using a zero based approach, with reference to our benchmark unit costs and moving towards the lowest quartile of the most appropriate comparator group, this will need to make early progress during 2017/18 to meet the 2018/19 shortfall and consider whether a sustainable financial position will be achievable over a longer period. Whilst the Lancashire Public Service Deliver Model Business Case produced by PwC includes a level of estimated financial benefits along with requirement for transitional funding, at this stage it remains a proposal to go out to consultation with key partners and stakeholders and has not therefore been factored into any of the MTFS assumptions.

It is important to note that the report prepared by PwC and presented at this meeting has been based on the MTFS position as at 30th June 2016 which was presented to Cabinet in September 2016.

As part of the process of redesigning its services the County Council has previously explicitly recognised that it will need to utilise its reserves. Details on the reserves are detailed in the Money Matters report Appendix C. In this report it is noted that as at 1 April 2016 the County Council had £314.647m of reserves, some of which are already committed. Including the Funding Gap identified in this report, it has been identified that there is an estimated reserves requirement of £54.045m to support the revenue budget in 2017/18. Consequently, by 31st March 2018 it is anticipated that there will only be the £36.000m County Fund and a residual £91.699m of service reserves which includes £8.354m school PFI expenditure and £4.944m which is not LCC money, meaning in effect the available balance of £78.401m. All other reserves will have been spent. If the additional contribution from revenue is available of £15.298m (budget monitoring forecast underspend), this will result in a revised balance of service reserves being available as at 31st March 2018 of £93.699m.

When reviewing the County Council's reserves in conjunction with the Medium Term Financial Strategy (Appendix C) the funding requirement to bridge the financial gap in 2018/19 would total £85.162m. Although there are reserves available at 31st March 2018 of £93.699m (if the currently forecast underspend is achieved) there are commitments in 2018/19 of £10.450m (excluding non LCC commitments) therefore

the available balance to support the 2018/19 budget is £83.249m resulting in there not being sufficient funds within reserves to support the 2018/19 budget. The table in Section 3 (Appendix C) clearly demonstrates that there are not sufficient reserves to fully meet the budget gap in 2018/19.

This position is a forecast dependent upon a number of key factors that are detailed within Appendix C.

2. Resources

The MTFS includes government funding based on the Secretary of State's proposed allocations up to 2019/20.

The MTFS approved by Cabinet in December 2016 included the following forecast resources:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Revenue Support Grant	81.508	56.979	32.894	26.928
Business Rates	180.861	186.141	192.038	197.255
Council Tax	430.627	452.288	475.036	498.932
New Homes Bonus	5.530	3.475	3.334	3.334
Better Care Fund	3.210	22.656	40.014	40.014
Transitional Grant	1.154	0.000	0.000	0.000
Capital receipts	12.500	5.000	0.000	0.000
Total	715.390	726.539	743.316	766.463

The figures above were based on a number of assumptions which have been revisited as part of this report. This report has been updated to include information from the Provisional Finance Settlement announced in December 2016. It is important to note that Council Tax had been increased by 3.99%, however this would have been a Full Council decision when setting the budget for each financial year.

The revised resources position incorporating the details set out below is as follows:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Revenue Support Grant	81.508	56.979	32.894	26.928
Business Rates	181.391	186.747	193.323	198.540
Council Tax	430.627	452.288	475.036	489.334
New Homes Bonus	5.244	3.679	3.530	3.530
Better Care Fund	3.210	22.656	40.014	40.014
Adult Care Support Grant	5.543	0.000	0.000	0.000
Transitional Grant	1.154	0.000	0.000	0.000
Capital receipts	12.500	5.000	0.000	0.000
Total	721.177	727.349	744.797	758.346

2.1 Provisional Local Government Finance Settlement

The Secretary of State announced the Provisional Local Government Finance Settlement on 15th December 2016. This has resulted in some amendments to the finance assumptions as outlined below. It is important to note that the Settlement only covers the period up to 2019/20. It is currently anticipated that a new system of local government finance will be in place in 2020/21 which involves local government retaining all of the business rates and the impact of a review of the funding formula. (However, details of the scheme and the impact on Lancashire are not known.)

2.2 Settlement Funding Assessment (SFA)

The Secretary of State announces a Settlement Funding Assessment (SFA) for each authority. This is an indication of the level of resources required by an authority which is to be met from business rates and Revenue Support Grant (RSG). On 15th December 2016 the Secretary of State announced details of proposed support for the next 3 years, i.e. up to 2019/20 and the MTFs has been based on this Settlement. These were:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment (SFA)	292.249	258.456	239.621	222.032
Funded by:				
Revenue Support Grant		81.508	56.979	32.894
Business Rate Baseline		176.948	182.642	189.138
Total		258.456	239.621	222.032
Reduction in SFA		-33.793	-18.835	-17.589

The Settlement for 2017/18 to 2020/21 is provisional, however the Secretary of State offered local authorities the opportunity to apply for a four year finance settlement covering the Revenue Support Grant, Rural Services Delivery Grant and Transitional Grant.

In order to accept the four year settlement the County Council would have been required to provide an efficiency plan that could deliver a balanced budget. However as it has been evidenced by work completed on the base budget review and regular reviews of the MTFs, and validated by PwC, there are not sufficient funds within the proposed settlement to support the Council's statutory services. This has resulted in the County Council declining the offer of a four year settlement.

Although the Revenue Support Grant has been confirmed for 2017/18 the decision not to take the four year settlement could result in future years grant being subject to change. As part of this forecast Revenue Support Grant is assumed to reduce each year until ultimately it is phased out completely by April 2021 at the latest.

A further significant risk associated with the figures included in the table above relates to growth. At the time of the Autumn Statement the Chancellor indicated that the economy was still resilient but forecasted a fall in future economic growth. The forecast of economic growth at the time of the Autumn Statement was 2.1% for 2016 but estimated a worsening position in 2017 (1.4%) and 2018 (1.7%). There is currently

still uncertainty both at home and in the world economy, particularly following the United Kingdom's decision to leave the European Union. This will have an impact on Government finances and could potentially result in further public sector expenditure reductions although the Chancellor has announced that the aim to generate a surplus by the end of parliament is no longer sustainable.

Business Rates

The business rates budget consists of:

- Business rate top up grant
- Business rate income from District Councils
- Section 31 grants

As shown in the table above detailing the SFA the business rate income is a significant portion of funding to local authorities. The baseline is an assessment of the business rate income required to meet service needs. For the County Council the amount anticipated to be received from the business rates collected in the area is less than its assessed need, therefore it receives a top up grant.

The MTFs that was reported to December Cabinet consisted of:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Top Up grant	142.827	147.041	151.741	156.441
Funding from Districts at baseline	33.991	34.994	36.112	36.542
S31 Grants	4.043	4.106	4.185	4.272
Total	180.861	186.141	192.038	197.255

Note: 2020/21 does not form part of the indicative settlement announced by the Secretary of State.

Unless there is change in the SFA due to the economic uncertainties referred to above; the level of the top up grant between 2017/18 and 2020/21 is the best basis of the forecast available for business rates figures in the MTFs. There is however some degree of discretion over the locally raised amounts.

It is also possible that business rate income could fall, although there is a safety net within the business rates retention system which ensures that no authority's income will fall by more than a set percentage of their original baseline funding level (and this level will be increased by RPI every year). The Safety Net percentage has been set at -7.5%.

In terms of the MTFs, whether or not to add additional income is difficult to assess. There is little local information and much will depend on the general economic performance of local areas. In addition, there are valuation appeals outstanding, some of which are on large value properties. If successful these will have a negative impact on the ability to generate business rates.

The baseline data already assumes an increase in income derived from local business rates. Therefore given the economic uncertainty, forecast income has been maintained at the baseline funding level.

In 2015/16 the Government compensated authorities for the cost of a number of measures introduced by the Government. These were the multiplier cap, the temporary doubling of small business rates relief, the temporary maintenance of small business rate relief when a second property is occupied, relief given to newly built properties whilst they are empty (herein after referred to as “new empty” property relief), relief given to long-term empty property brought into occupation (“long-term empty relief”), retail relief, flooding relief and payments made in lieu of transitional relief. Compensation is provided by means of a grant paid under Section 31 of the Local Government Act 2003 and the County Council has been notified that its S31 grant in 2016/17 is £3.992m. There is no information in respect of future years but the main elements of the grant relate to the multiplier cap and the doubling of the small business rate relief.

Assuming that the reliefs continue the impact of the multiplier cap is likely to rise with inflation as without the cap the income would have increased. Other reliefs are more likely to relate to the change in the business rate base. It has been assumed that the level of S31 grants is maintained at the current level.

The final aspect of the business rate forecast is the pooling arrangement. The 2017/18 budget now includes an additional £0.400m due to the continuation of the pooling arrangement that is in place for 2016/17. This is agreed on an annual basis and was not included in the previous MTFs reported to Cabinet as a continuation had not been confirmed at that point. The pool is a one year arrangement, therefore the additional income has not been included past 2017/18.

The impact of changes are as follows:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Increase in income	0.530	0.606	1.285	1.285
Impact on Funding Gap	-0.530	-0.076	-0.679	0.000

Council Tax

The MTFs presented to Cabinet in December included the assumption that Council Tax would increase by 3.99% per annum which is the current referendum limit; although at that time it was important to note that this had not been confirmed for future years.

The MTFs last presented to Cabinet also assumed an increase to the tax base year on year of 1%, as this level of growth would seem to be reasonable given the economy is growing, and also with the City Deal impacting on the number of households that will be paying Council Tax.

In the provisional settlement issued on 15th December 2016 one of the significant changes confirmed by the Secretary of State was in relation to the referendum limit for the Adult Social Care Precept. When it was introduced in 2016/17 the limit was a 2% increase. However, in recognition of the pressures facing Local Authorities responsible for Adult Social Care it was announced that Local Authorities could bring forward the additional precept (with a cap of 3% rather than 2% each year) but could still only increase Council Tax by a maximum of 6% over the financial years 2017/18 – 2019/20. The settlement also announced that there would be no Adult Social Care Precept in 2020/21.

On reviewing the flexibility given by the secretary of state the impact is minimal on the impact on the financial gap over the 4 years despite the different levels of increases available in in each year:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Previous MTFS (2% 2017/18 - 2020/21)	430.627	452.288	475.036	498.932	1,856.882
Current Position (2% 2017/18 - 2019/20, 0% 2020/21)	430.627	452.288	475.036	489.334	1,847.284
Increase/decrease in income	0.000	0.000	0.000	9.598	
Impact on financial gap	0.000	0.000	0.000	9.598	9.598
Scenario A (3% 2017/18 - 2018/19, 0% 2019/20 -2020/21)	434.768	461.027	474.903	489.196	1,859.894
Increase/decrease in income	4.142	8.740	-0.133	-9.736	
Impact on Funding Gap	-4.142	-4.598	8.873	9.603	9.736

**includes 1% increase in tax base and 1.99% council tax increase*

This MTFS currently contains an Adult Social Care precept increase of 2% for 2017/18, 2018/19 and 2019/20. The significant impact on this MTFS is that it can no longer be forecast that a 2% Adult Social Care Precept can be applied in 2020/21 and this has therefore been reflected.

The estimated impact of not being able to include the Adult Social Care Precept in 2020/21 is as follows:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Council Tax following settlement (3.99% 2017/18, 2018/19, 2019/20 and 1.99% in 2020/21)	430.627	452.288	475.036	489.334
Council Tax – Previous MTFS (3.99% each year)	430.627	452.288	475.036	498.932
Difference	0.000	0.000	0.000	9.598
Impact on funding gap	0.000	0.000	0.000	9.598

New Homes Bonus

The operation of the New Homes Bonus (NHB) has recently been subject to consultation, with one area for consideration being the number of years for which NHB will be paid. As part of the provisional settlement the Secretary of State announced that payments would be received for 5 years from 2017/18 and 4 years in future years. In addition no NHB will be given for the first 0.4% of growth. These changes have been made to wholly fund the 2017/18 Adult Care Support Grant which has resulted in a new gain for Lancashire overall (County Council, District Council and Unitary Councils) benefitting by £4.033m.

The impact on the previously reported MTFS is shown below:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
New Homes Bonus – provisional settlement	5.244	3.679	3.530	3.530
New Homes Bonus – previous MTFS	5.530	3.475	3.334	3.334
Difference	-0.286	0.204	0.196	0.196
Impact on funding gap	0.286	-0.490	0.008	0.000

Better Care Fund

Last year the Government announced a new Better Care Fund with an additional £1.5bn being provided by 2019/20 to support the cost of social care. The first allocation was due in 2017/18 with allocations increasing up to 2019/20. The provisional allocations within the provisional settlement remained unchanged.

Adult Care Support Grant

A key announcement by the Secretary of State as part of the provisional settlement was a new £240m Adult Care Support Grant for 2017/18 only with Lancashire County Council's indicative allocation being £5.543m. This has been wholly funded by the changes that the Secretary of State announced in relation to New Homes Bonus allocations. As this is new funding this has not previously been included in the MTFs, with the impact on the financial gap shown below:

	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Adult Care Support Grant – provisional settlement	5.543	0.000	0.000	0.000
Adult Care Support Grant - previous MTFs	0.000	0.000	0.000	0.000
Difference	5.543	0.000	0.000	0.000
Impact on funding gap	-5.543	5.543	0.000	0.000

Capital Receipts

As part of the 2015 Autumn Statement the Chancellor of the Exchequer announced that the rules for the use of capital receipts, which is the income received from the sale of the County Council's fixed assets, were to be amended to help local authorities deliver more efficient and sustainable services. Previously the use of capital receipts has been restricted to the funding of capital expenditure or the repayment of debt. From 1 April 2016 capital receipts can be used to fund revenue expenditure which meets qualifying criteria, which is that the revenue expenditure needs to be on any project which is designed to generate ongoing revenue savings or to transform the service so as to make savings or improve the quality of service provision.

Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

Current estimates of the capital receipts to be generated are:

	2016/17	2017/18	2018/19
	£m	£m	£m
Capital receipts generated	5.000	12.500	5.000

An estimated £22.500m has previously been agreed to be applied to the revenue budget. It should be noted that the receipts are one-off resources and there is a possibility that the level of receipts to be generated from the sale of assets will not be maintained at these levels for a sustained period of time. The actual receipts received in any one year will fluctuate in line with local property markets and the type of asset available for sale. Therefore, there is a risk that in any given year the receipts actually

received will be less than assumed and therefore the situation will be monitored closely. This report does not assume any variation from the existing assumptions. However, receipts received in the year to date total £7.269m with capital receipts over £5.000m being able to be carried forward to support the £12.500m target in 2017/18.

The funding gap shown in section 1.1 already assumes the use of these receipts in supporting the revenue budget under the new flexibilities which Councils can apply

3. Net Spending Pressures

The MTFs covers spending pressures including pay increases, contractual inflation, increased demand for services and the impact of previously agreed savings measures that are either no longer achievable at all or not to the scale or in the timeframes originally planned.

3.1 Pay

In the July 2015 Budget the Chancellor announced a 4 year restriction on public sector pay increases at 1% per year. This assumption was built into the current MTFs and remains unchanged, however a full review of the current staffing cohort and future savings that may impact on staffing has been included. This also incorporates a separate calculation for the National Living Wage which the County Council is committed to paying its employees as an accredited member of the Living Wage Foundation. The pay requirement also includes a provisional amount for additional holiday pay to staff.

As part of the review of the MTFs a resource requirement has been built in to fund the cost of increments that will be paid to staff as they progress up their respective grades. The staffing budgets have undergone a full realignment in 2016/17 with budgets being allocated on specific grade points at the start of 2016/17, with the staffing data being regularly reviewed as changes occur, particularly in relation to service restructures.

The pension's element of the pay budget is also included in the MTFs based on the latest information in relation to the County Council's estimated contribution rate and deficit contributions.

The Chancellor has previously announced that an apprenticeship levy would be introduced to help fund employer apprenticeship schemes and "invest in Britain's future." The levy will be introduced in April 2017 at a rate of 0.5% of an employer's pay bill, therefore an estimate of £1.500m has been included in the MTFs.

The pay estimates in this MTFs have not changed since those reported to December Cabinet as there is no new information available.

The table below presents the amounts built into the MTFS for pay:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Revised Pay Budget Requirement	9.837	5.851	6.018	5.672	27.378

3.2 Price Inflation and Cost Changes

Contractual price increases represent a significant cost pressure to the County Council. The assumptions have been subject to regular review by services with an increase of £5.212m identified over the 4 year period.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Price inflation – previous MTFS	19.784	14.288	16.552	17.955	68.579
Revised price inflation requirements	20.286	14.467	16.561	18.070	69.384
Impact on Financial Gap	0.502	0.179	0.009	0.115	0.805

Some of the key areas of price pressure are:

- A significant part of the price pressures shown in the above table relate to inflationary pressures within Adults Services. This is calculated using a model designed by Laing and Buisson which is commonly used to estimate inflation within social care. It is forecast that a budget requirement of £46.224m over the MTFS period is required for payments to external providers of social care (excluding the impact of the National Living Wage) and it is important that the County Council keeps up with increases in the price of resources for suppliers to ensure the required service provision is delivered.

The price inflation included in the MTFS for Adults Service is profiled as follows:

- 2017/18 – £14.734m
- 2018/19 - £9.847m
- 2019/20 - £10.404m
- 2020/21 - £11.239m

The inflationary pressures included in this MTFS for Adults Services reflects an increase of £0.805m following updated inflationary information figures based on the most up to date information available. The County Council has a legal

responsibility to demonstrate that suppliers are able to deliver services with the fees paid to them. This figure also incorporates recent fee increases of £5.200m that were agreed by the Cabinet Member which is the main reason behind the additional requirement in 2017/18.

- Waste Disposal continues to require significant budget to meet inflationary commitments over the next four years. In total the budget requirement for the service is £9.055m. This requirement has not changed since the previous MTFS presented to Cabinet.
- Children's Social Care is the final significant area that requires price inflation within its budget. In the previous MTFS a total of £7.344m was included for items that will inflate such as agency payments, residence orders, foster and other allowances and payments to health and this has remained unchanged for this iteration of the MTFS.
- Other smaller areas of price inflation include transport costs, concessionary travel, highways, winter maintenance, energy and legal fees.

3.3 Demand Pressures

All services have reviewed the demand pressures faced by the County Council in future years. The impact of this review has been identified and is reflected in the revised MTFS and it can be seen that a significant proportion of the funding gap that has been identified is due to demand pressures.

In total it is estimated that the demand pressures are now £91.005m. This is a decrease of £1.251m from the previous MTFS over this time period.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Demand – previous MTFS	37.883	15.180	18.068	21.126	92.257
Revised Demand Requirements	37.277	14.644	17.928	21.156	91.005
Impact on Financial Gap	-0.606	-0.536	-0.140	0.030	-1.252

Adult Social Care represents a large proportion of the demand pressures. Adult Social Care has long seen annual increases in the demand for services and the MTFS attempts to predict growth in future years largely based on reviewing current and past activity trends but also taking into account future population changes. From "a social care perspective" demand covers both increasing numbers of people eligible for

support and the increasing complexity of those supported reflected in higher average costs per service user.

In deriving the estimated cost of demand the following projections have been used:

- Older People – population projections from the ONS for the aged over 85 population.

	2017/18	2018/19	2019/20	2020/21
Total Older People Population Projection Growth	1.92%	2.52%	3.07%	3.57%

The percentages presented above are those that were used within the previous MTFS, and still reflect the best estimate of population increases and have therefore continued to be used within this MTFS.

All other demand assumptions contained within this revised MTFS regarding Adult Social Care have been reviewed based on the most up-to-date trend analysis and also incorporated budget realignments that are reflected within the revenue monitoring report. The previous MTFS contained £56.493m additional budget requirement for demand over the next four years, whereas this MTFS now contains £52.354m. The reduction of £4.140m primarily relates to a detailed review of actual activity in the year to date which supports a lower increase in those demand assumptions reflected in the previous MTFS.

The demand included in the MTFS for Adults Service is profiled as follows:

- 2017/18 – £9.456m
 - 2018/19 - £11.369m
 - 2019/20 - £14.476m
 - 2020/21 - £17.053m
- The cost of Children's Social Care continues to experience increasing demand and has been significantly increased again as part of this iteration of the MTFS (and can be linked to the budget monitoring position for Children's Social Care). The forecast continues to be £21.420m. This is in addition to significant additional budget that the service has been given to support improvements following the Ofsted inspection. Both previous MTFS' reported to Cabinet in 2016/17 included significant increases to the Children's Social Care budget. However, as part of this MTFS there is not a further additional requirement as previous increases are currently deemed sufficient based on the most recent activity information available.

The particular area of concern is in relation to Agency Residential placements as demand seems to be particularly high in this area. The forecast is based on available financial and activity information and assumes that placements will continue to increase by 3.4% (the current average monthly increase in the number of children placed in Agency Residential) until the end of the financial year and then after that will increase as per child population increases. Work is

underway to review the underlying reasons for increases in numbers of placements and is an area that is being kept closely under review by the 0-25 Board.

A Finance Sub-Group has been established to specifically focus on the cost drivers, unit costs and financial analysis of the costs and demand levels being experienced in Children's Social Care, with their findings being reported back to the 0-25 Board. This analysis and action is vital as the current demand levels represent a significant risk to the MTFs assumptions, as there are only currently population increases (c£0.300m - £0.400m) included in each year from 2018/19 – 2020/21 which are significantly below the current demand levels.

- The revised MTFs for 2017/18 continues to include a significant amount in relation to Waste Services demand pressures as a result of increases in residual waste arisings with 5.4% currently being forecast (compared to a previously assumed 1%) and some additional green waste costs. The budget requirement for waste was previously £11.204m and has now increased to £14.092m as a result of increased projections for waste arisings based on the most recent information available.

3.4 Other

There are no adjustments to this section as part of this revised MTFs.

3.5 Adjustments to Savings Programme

The positive adjustment relates to the planned savings in Highways as a result of a combination of extra savings identified from implementing the new Highways Asset Management System that will be in place by the start of 2017/18, and additional income that it is anticipated the service will receive for pre-application advice.

4. Future Risks

In addition to the economic uncertainty post-Brexit outlined earlier in the report, the following are key future risks, the full impact of which is not yet known at this stage:

4.1 Agreed Savings Plans Delivery

The scale of agreed savings is hugely significant given both the scale and areas covered, and there are inherent risks in their delivery (2016/17 – c£100m, 2017/18 – 2020/21 c£54m). Any significant under-delivery of agreed savings will create an additional funding gap and impact on the ongoing and longer-term financial health of the Council. This has been identified as one of the highest level risks in the Risk and Opportunity Register. There are comprehensive arrangements in place to track delivery of financial savings and take corrective actions where required.

4.2 Identification of Further Savings Opportunities

Cabinet has previously agreed a financial strategy based on:

- Setting an expenditure target for service expenditure levels to move in line with the lower quartile of the most appropriate group of local authorities for individual services.
- Stage 3 of the base budget review being the zero base with a fundamental review of all expenditure within services to ensure the best value for money. The outcome of this work was presented as part of the Money Matters reports at the December Cabinet with the impact included within the MTFS.
- PwC are assisting the council in scoping and undertaking the review prioritising development of a public services operating strategy for the County Council to enable it to be sustainable within its forecast financial resource envelope by 2020/21. This is ongoing with the outcomes from this work to be presented at the same Cabinet meeting as this report. Whilst the Lancashire Public Service Deliver Model Business Case produced by PwC includes a level of estimated financial benefits along with requirement for transitional funding, at this stage it remains a proposal to go out to consultation with key partners and stakeholders and has not therefore been factored into any of the MTFS assumptions.
- Transformational work across Adult Social Care aimed at both improving systems and processes and delivering significant financial savings. The overall scale and phasing of benefits from the review has now been finalised and included in the revised position within this report.

4.3 Business Rates Retention / Changes to Funding Formula

In 2015 the Chancellor announced that local government as a whole would be able to keep 100% of business rates by 2020. Using Office for Budget Responsibility (OBR) forecasts the Government has estimated that additional business rates kept by councils will be c£13bn by 2020/21 with the intention to transfer new responsibilities to local government to ensure cost neutrality overall of the funding changes. There is currently a system of redistribution (top-ups and tariffs) to reflect there are councils with relatively higher needs but lower income from business rates and vice versa. The Secretary of State for Communities and Local Government has also announced a full review of needs and redistribution which will be used as the starting point for the new system when it comes into force.

The County Council currently receives a top-up grant, primarily as a result of having Adult Social Care responsibilities, and there is insufficient information currently, although work is progressing nationally with a number of complete and planned consultations regarding the changes, to model what the financial impact of the changes will be and the financial impact on the County Council.

4.4 STP

Since 2015 the County Council has been a partner organisation in the Better Care Fund planning and pooled budget arrangements with Clinical Commissioning Groups (CCG's). Building on this is the requirement for every part of the NHS to have a locally led Sustainability and Transformation Plan (STP) in place by 2017. This is within the context of the substantial financial challenges for the health and social care system in Lancashire and will necessarily involve the development of new delivery models and ways of working to minimise the impact of funding reductions and provide a better offer for patients and service users.

4.5 Children's Social Care

Children's Social Care is currently reporting an overspend of £19.706m with demand levels continuing to increase, particularly within agency residential placements. The establishment of the 0-25 Programme Board in addition to a supporting Finance Sub Group are critical in analysing the current and future levels of demand and working to develop demand management across the service. However if demand levels are not controlled then there will be substantial additional costs to the County Council that are not currently reflected within this MTFS.

4.6 Procurement

The MTFS includes general inflationary price increases across impacted areas which are generally based around national statistics such as RPI. It also includes any contractual or other price pressures that are known about. However, there are a number of significant procurement exercises that the County Council (e.g. homecare) will be undertaking over the timeframe of the MTFS (with some over the next 12 months) and any additional price increases will be built into future MTFS revisions.

4.7 Education Services Grant

The Local Authority received £14.5m revenue funding in 2016/17 from this grant. This funding stream will cease in its current form in September 2017 with transitional funding being provided for 2017/18. The exact level of this funding is still to be announced but a reduction in overall funding is anticipated. This will be reviewed as further information becomes available. Generally there is a shift towards LAs being funded for "Central Duties" via a new smaller grant and "Retained Duties" being funded out of the Dedicated Schools Grant which will require Schools approval. New regulations and rates are still awaited. The MTFS does not currently reflect a reduction in this grant.

Money Matters

Update on the County Council's Reserves

Position as at 31st December 2016

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Money Matters – Update on the County Council's Reserves Position for 2016/17

1. Executive Summary

1.1 Introduction

As at 1st April 2016 the County Council had total reserves of £400.669m. Of this, £86.022m was held for schools and its use is restricted.

This report sets out the reserves position in line with the current budget monitoring report.

1.2 Summary

As part of the process of redesigning its services the County Council has previously explicitly recognised that it will need to significantly utilise its reserves over the next 2 financial years.

At Full Council in February 2016 the revenue budget included an approved commitment from the Transitional Reserve of £46.518m in 2017/18 to support the reported financial gap at that time. However, following a review of the Medium Term Financial Strategy (MTFS) for Cabinet in December 2016 (as at 30th September 2016) it was identified that a revised value of £60.350m was required in 2017/18 which resulted in an additional £13.832m added into the MTFS in total.

A further quarterly review of the MTFS has taken place as at 31st December 2016 (Appendix B) it is now identified that £54.045m is required in 2017/18 (a reduction of £6.305m compared to the figures reported to Cabinet in December). The reduction **has been included within the reserves forecast detailed within this report.**

The budget monitoring position for the financial year 2016/17 (Appendix A) is reporting a forecast underspend of £15.298m. **Please note that this is not currently included within the forecast reserves position in this report.**

In summary, by 31st March 2018 it is expected that there will only be the £36.000m County Fund and a residual £91.699m of service reserves which includes £8.354m school PFI expenditure and £4.944m which is not LCC money, meaning in effect the available balance of £78.401m. All other reserves will have been spent. If the additional contribution from revenue is available of £15.298m (budget monitoring forecast underspend), this will result in a revised balance of service reserves being available as at 31st March 2018 of £93.699m.

When reviewing the County Council's reserves in conjunction with the Medium Term Financial Strategy (Appendix B) the funding requirement to bridge the financial gap in 2018/19 would total £85.162m. Although there are reserves available at 31st March 2018 of £93.699m (if the currently forecast underspend is achieved) there are commitments in 2018/19 of £10.450m (excluding non LCC commitments) therefore the available balance to support the 2018/19 budget is £83.249m resulting in there not being sufficient funds within reserves to support the 2018/19 budget. The table in Section 2 clearly

demonstrates that there are not sufficient funds to support the budget gap in 2018/19. In order to set a legal budget therefore further savings will need to be made.

In summary, this report indicates that there are sufficient funds within the Transitional Reserve to deliver a balanced budget in 2017/18 as per the agreed financial strategy. However this is dependent upon a number of key factors and risks which are as follows:

- All values within reserves that are currently reported to be available funds are transferred into the transitional reserves with no further commitments emerging in these areas now that the transfer has taken place.
- There is limited slippage on the agreed savings programme for 2017/18 and 2018/19. Any slippage will result in a requirement for funding from reserves.

2. Reserves

The table below illustrates the summary forecast position in respect of the Council's reserves:

Reserve Name	Opening Balance as at 1 April 2016	2016-17 Forecast Spend	2016-17 Transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m	£m
County Fund (3.1)	-36.000	0.000	0.000	-36.000	0.000	0.000	0.000	-36.000
Strategic Investment Reserve (3.2)	-10.971	2.351	5.194	-3.426	1.543	0.883	0.060	-0.940
Downsizing Reserve (3.3.1)	-64.841	14.171	28.062	-22.608	13.548	9.060	0.000	0.000
Risk Management Reserve (3.3.2)	-15.784	3.155	4.872	-7.757	7.757	0.000	0.000	0.000
Transitional Reserve (3.4.1)	-141.837	59.863	-54.712	-136.685	74.125	0.530	0.000	-62.031
To facilitate the transition of services (3.4.2)	0.000	0.000	-3.000	-3.000	0.000	0.000	0.000	-3.000
Service Reserves (3.5)	-45.214	8.893	10.800	-25.521	10.325	-0.340	-0.683	-16.219
TOTAL	-314.647	88.434	-8.784	-234.997	107.298	10.133	-0.623	-118.189
Forecast underspend 2016/17	0.000	0.000	-15.298	-15.298	0.000	0.000	0.000	-15.298
<i>MTFS Funding Gap (for information)</i>						85.162	115.392	200.554
Available reserves to support financial gap	0.000	0.000	0.000	0.000	0.000	83.249	0.000	83.249
TOTAL (not including MTFS Funding Gap included above for information)	-314.648	88.434	-24.082	-250.295	107.298	93.382	-0.623	-50.238

Note 1: the Service Reserves reflect the inclusion of the actual income and committed expenditure for the Growth Deal of £52.825m. This cannot be seen in the table above as these are funds that come into reserves and are spent during the year and therefore have a net nil impact.

Note 2: £0.415m has transferred from Service Reserves to Schools Reserves which are not included in this report.

The above table demonstrates that following the application of the remaining available reserves of £83.249m to support the financial gap/shortfall within the 2018/19 budget the only remaining balance on reserves are County Fund (£36.000m), non LCC reserves (£13.898m) and 2019/20 commitments (-£0.340m). This draw down from reserves in 2018/19 is not sufficient to cover the whole financial gap in this financial year and provides confirmation that there are no reserves left to support the financial gap in future years.

2.1 County Fund Balance

The County Fund is the balance set aside to cover the authority against a serious emergency situation (e.g. widespread flooding); a critical and unexpected loss of income to the authority and for general cash flow purposes. In considering these various factors the County Council holds a County Fund balance at £36.000m. It is proposed this balance is retained as a prudent safeguard against any unexpected financial pressures.

2.2 Strategic Investment Reserve

This reserve is held to fund an agreed programme of investment in areas including economic development, increasing employment opportunities and green energy.

On 1st April 2016 this reserve held a balance of £10.971m. £2.351m is forecast to be spent in 2016/17, £5.194m is being transferred to the Transitional Reserve and another £2.486m is forecast to be spent by 2019/20 leaving a balance of £0.940m.

Details of the commitments are shown in Annex A.

2.3 Reserves held to deliver Organisational Change

The County Council currently has two reserves to deliver organisational change: the Downsizing Reserve and the Risk Management Reserve.

2.3.1 Downsizing Reserve

The Downsizing Reserve is predominantly used to fund voluntary redundancies arising from the reduction in the size of the organisation.

On 1st April 2016 this reserve held a balance of £64.841m. In 2016/17 spend against the reserve is forecast to be £14.171m of which £8.210m is committed for estimated redundancy costs. In the previous report to Cabinet in December 2016 the profile of redundancy payments was revised resulting in revised commitment estimates of £12.109m in 2017/18 and £9.060m in 2018/19, resulting in £21.470m being transferred to the Transitional Reserve as it was no longer required.

In addition, as part of the review of this reserve a further uncommitted amount of £6.992m has been transferred to the Transitional Reserve, with an additional £0.400m transferred to into the Downsizing Reserve. Expenditure of £1.439m is forecast to be spent in 2017/18 leaving a nil balance on the reserve.

Details of the commitments are shown in Annex B.

2.3.2 Risk Management Reserve

The Risk Management Reserve was created as a result of extraordinary Treasury Management performance during 2014/15 and previous years. This reserve is available to help the authority manage risks to funding and service delivery going forward.

This reserve had a balance of £15.784m on 1st April 2016. It is forecast that £3.155m will be spent in 2016/17 in addition to £4.872m uncommitted reserves transferring to the Transitional Reserve. It is forecast that a further £7.757m is committed in 2017/18 leaving a nil balance at the end of 2019/20.

Details of the commitments are shown in Annex B.

2.4 Transitional Reserve

The plans announced at 26th November Cabinet for the period 1st April 2016 until 31st March 2018 are heavily supported by reserves. A Transitional Reserve has been created to provide a source of funding for these plans and the balance at the 1st April 2016 was £141.837m. Cabinet plans have specifically identified £134.519m use of reserves during the period which includes the funding gap identified in the Medium Term Financial Strategy (MTFS) for 2016/17 and 2017/18 of £72.331m. Additional net transfers in from other reserves and transfer in of surplus balances on the 2015/16 council tax, business rates, new homes bonus, a Clayton Park Conference centre saving, a Prevention and Early Help underspend and a VAT repayment this totals £54.712m. The forecast balance on the reserve at the end of 2019/20 is a surplus of £62.031m. However this will not be available if the balance is utilised in 2018/19 to support the revenue budget gap.

Details of the commitments are shown in Annex C.

2.4.1 Reserve to facilitate the transition of services

At Full Council on 11th February 2016 a budget amendment was approved that requested a £3.000m contingency be made available from reserves to facilitate the transition of services. This has been set aside from the Transitional Reserve because of this specific nature of the approval.

Details are shown in Annex C.

2.5 Service Reserves

The County Council holds numerous reserves for specific service provision.

As at 1st April 2016 service reserves totalled £45.214m. There are forecast costs of £8.893m in 2016/17, transfers to the Transitional Reserve of £10.929m, and a transfer to the schools reserve of £0.415m, in addition to an offsetting transfer into a non- LCC reserve in relation to Health monies of £0.544m. There is forecast spend from these reserves of £9.303m in later years to leave a balance of £16.219m at the end of 2019/20. £9.064m of this balance relates to long term PFI programmes and £4.834m is not LCC money.

Details of the Service Reserves are shown in Annex D.

2.6 Schools

Under statute schools have delegated budgets. It is the responsibility of the individual schools to maintain reserves to cover risks and meet future plans. As schools make their

own delegated decisions on when to use reserves, no forecast is made. School reserves cannot be used for any other purpose. The current status of schools' reserves is as follows

Reserve Name	Opening Balance as at 1 April 2016	YTD actual 2016/17	Forecast Closing Balance as at 31st March 2017
	£m	£m	£m
School Reserves	-86.022	3.196	-82.826

3. Impact of 2016/17 Outturn Forecast

The current monitoring report is showing an underspend of £15.298m. Any underspend at the year-end can be transferred to the Transitional Reserve.

4. Transfers between Reserves

In the previous reports to Cabinet in September and December the transfers below were agreed between reserves:

TRANSFERS BETWEEN RESERVES	£m	Transfer from	Transfer To	Reason
Young Person's Travel	-0.194	Strategic Investment Reserve	Transitional Reserve	Additional spend needed
School Crossing Patrols	-1.500	Risk Management Reserve	Transitional Reserve	Not needed
Delay in Wellbeing & Prevention Service Offer	-3.000	Risk Management Reserve	Transitional Reserve	Additional spend needed
Unallocated surplus	-4.664	Dow nsizing Reserve	Transitional Reserve	Not needed
Schools Forum money	-0.415	Service Reserves	1093306 Schools DSG Reserve	Surplus transferred back to Schools
Schools Forum money	-0.884	Service Reserves	Transitional Reserve	Unused
Adult fee increases	-1.365	Service Reserves	Transitional Reserve	Uncommitted balance in Adult Social Care for work being funded from Transitional Reserve
To facilitate the transition of services	-3.000	Transitional Reserve	Facilitate of transition of services	To keep separate from Transitional Reserve
Green Energy Fund	-5.000	Strategic Investment Reserve	Transitional Reserve	Capital expenditure to be funded from borrow ing
Transitional costs associated w ith Transformation Programme	-2.328	Dow nsizing Reserve	Transitional Reserve	Not needed
Redundancy Provision	-21.470	Dow nsizing Reserve	Transitional Reserve	Not needed
Occupational Health	0.003	Risk Management Reserve	Transitional Reserve	Not needed
Liquid Logic - Children's Services	-0.125	Risk Management Reserve	Transitional Reserve	Not needed
Liquid Logic - Adult Social Care	-0.250	Risk Management Reserve	Transitional Reserve	Not needed
Children's Services Reserve	-2.143	Service Reserves	Transitional Reserve	Troubled families reserve not needed
Mrs Acc Purcexh Fund	-0.002	Service Reserves	Transitional Reserve	Not needed
Lancashire Adult Learning Reserve	-0.350	Service Reserves	Transitional Reserve	Not needed - includes some capital expenditure that w ill be funded from borrow ing
Former Adults Directorate Grant Fund	-0.072	Service Reserves	Transitional Reserve	Not needed
UK & Ireland Civinet Network	-0.013	Service Reserves	Transitional Reserve	Not needed
Waste PFI Comp Payments Reserve	-0.312	Service Reserves	Transitional Reserve	Not needed
Equipment Renew al Reserve	-0.271	Service Reserves	Transitional Reserve	Not needed
Parking Reserve Fund	-0.144	Service Reserves	Transitional Reserve	Not needed
Building Design & Construction Reserve	-0.020	Service Reserves	Transitional Reserve	Not needed
Energy Surveys Reserve	-0.066	Service Reserves	Transitional Reserve	Not needed
Priorities Contingencies Reserve	-0.010	Service Reserves	Transitional Reserve	Not needed
Waste Plant Rectification	-5.000	Service Reserves	Transitional Reserve	Not needed - capital expenditure that w ill be funded from borrow ing
Finance & Information Dfm	-0.060	Service Reserves	Transitional Reserve	Not needed
Cap Funding Reserve - Resou	-0.147	Service Reserves	Transitional Reserve	Not needed
NoWCard Renew al Reserve	-0.100	Service Reserves	Transitional Reserve	Not needed

A further review of reserves held has identified additional transfer between reserves has been included in this report:

TRANSFERS BETWEEN RESERVES	£m	Transfer from	Transfer To	Reason
Repayment of funds held for East Lancs CCG	0.544	Transitional Reserve	1293756 Health Services - Earmarked	Balance not LCC money
Adults - New tons	0.400	Transitional Reserve	Dow nsizing Reserve	Additional commitment
Farrington Fund Commitments	0.031	Transitional Reserve	Waste PFI Comp Payments Reserve	Commitments made - funds transferred in error

Annex A – Strategic Investment Reserve

STRATEGIC INVESTMENT RESERVE	Opening Balance as at 1 April 2016	2016-17 Forecast Spend	2016-17 Transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m	£m
Promoting Sustainable Employment for Young People	-0.304	0.304	0.000	0.000	0.000	0.000	0.000	0.000
Young Person's Travel	-0.194	0.000	0.194	0.000	0.000	0.000	0.000	0.000
Economic Development - GAMMA	-0.017	0.017	0.000	0.000	0.000	0.000	0.000	0.000
Economic Enterprise Zone Strategic Development	-0.500	0.500	0.000	0.000	0.000	0.000	0.000	0.000
Economic Development - Exertis	-0.500	0.500	0.000	0.000	0.000	0.000	0.000	0.000
Economic Development - Boost Continuation	-1.929	0.643	0.000	-1.286	0.643	0.643	0.000	0.000
Armed Forces Apprentice Costs	-1.770	0.287	0.000	-1.483	0.243	0.240	0.060	-0.940
Early Action /Early Response	-0.100	0.100	0.000	0.000	0.000	0.000	0.000	0.000
Green Energy Fund	-5.000	0.000	5.000	0.000	0.000	0.000	0.000	0.000
Core Systems Transformation	-0.657	0.000	0.000	-0.657	0.657	0.000	0.000	0.000
Total on Strategic Investment Reserve	-10.971	2.351	5.194	-3.426	1.543	0.883	0.060	-0.940

Annex B – Downsizing and Risk Management Reserves

DOWNSIZING & RISK MANAGEMENT RESERVES	Opening Balance as at 1 April 2016	2016-17 Forecast Spend	2016-17 Transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
Downsizing Reserve	£m	£m	£m	£m	£m	£m	£m	£m
Redundancy provision	-50.849	8.210	21.470	-21.169	12.109	9.060	0.000	0.000
Transitional costs associated with Transformation Programme	-2.328	0.000	2.328	0.000	0.000	0.000	0.000	0.000
Review for Adult Social Care (Newtons)	-7.000	5.961	-0.400	-1.439	1.439	0.000	0.000	0.000
Unallocated surplus	-4.664	0.000	4.664	0.000	0.000	0.000	0.000	0.000
Total on Downsizing Reserve	-64.841	14.171	28.062	-22.608	13.548	9.060	0.000	0.000

Risk Management Reserve	£m	£m	£m	£m	£m	£m	£m	£m
Occupational Health	0.003	0.000	-0.003	0.000	0.000	0.000	0.000	0.000
Adults LD Remodelling Reserve	-0.784	0.000	0.000	-0.784	0.784	0.000	0.000	0.000
Provision to mitigate against risk DoLS- Deprivation of Liberty Safeguards	-2.900	0.424	0.000	-2.476	2.476	0.000	0.000	0.000
Impact of Fairness Commission Report Council Welfare Provision and the Care and Urgent Needs	-3.000	0.000	0.000	-3.000	3.000	0.000	0.000	0.000
School Crossing Patrols	-1.500	0.000	1.500	0.000	0.000	0.000	0.000	0.000
Social Work Dedicated Review Team	-2.653	1.156	0.000	-1.497	1.497	0.000	0.000	0.000
Liquid Logic - Children's Services	-0.400	0.275	0.125	0.000	0.000	0.000	0.000	0.000
Liquid Logic - Adult Social Care	-0.250	0.000	0.250	0.000	0.000	0.000	0.000	0.000
Payment of additional allowances when staff are on leave	-1.300	1.300	0.000	0.000	0.000	0.000	0.000	0.000
Transfer to Transitional Reserve for Wellbeing	-3.000	0.000	3.000	0.000	0.000	0.000	0.000	0.000
Total on Risk Management Reserve	-15.784	3.155	4.872	-7.757	7.757	0.000	0.000	0.000

Annex C – Transitional Reserve & Transition of Services Reserve

TRANSITIONAL RESERVE	Approved at 1st April 2016	2016-17 Forecast Spend	2016-17 transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m	£m
SPEND FROM THE TRANSITIONAL RESERVE								
Use of reserves in future years as per 26th Nov Cabinet paper - revised in Feb 16 (BoP) 16/17 & 17/18 spend	-65.856	34.231	0.000	-31.625	16.331	0.000	0.000	-15.294
Use of reserves in future years to cover revenue shortfall	-64.804	18.286	0.000	-46.518	54.045	0.000	0.000	7.527
Delay in Wellbeing & Prevention Service Offer	-4.755	0.000	0.000	-4.755	0.000	0.000	0.000	-4.755
Children's New tons + Skylake	-0.200	0.200	0.000	0.000	0.000	0.000	0.000	0.000
To fund shortfall on domestic abuse contracts (C&D)	-0.238	0.238	0.000	0.000	0.000	0.000	0.000	0.000
To facilitate the transition of services	-3.000	0.000	3.000	0.000	0.000	0.000	0.000	0.000
Pw C Consultancy packages	0.000	1.033	0.000	1.033	0.000	0.000	0.000	1.033
Older People's Residential & Nursing Homes	0.000	1.700	0.000	1.700	0.000	0.000	0.000	1.700
Repayment of funds held for East Lancs CCG	0.000	0.000	0.544	0.544	0.000	0.000	0.000	0.544
Supported Living and Domiciliary Care Fees for 2016/17	0.000	3.500	0.000	3.500	0.000	0.000	0.000	3.500
Apprentices & Graduate salaries	0.000	0.177	0.000	0.177	2.248	0.530	0.000	2.955
Young Person's Travel	0.000	0.500	0.000	0.500	0.500	0.000	0.000	1.000
Prevention and Early Help Fund	0.000	0.000	0.000	0.000	1.000	0.000	0.000	1.000
New tons - Adults	0.000	0.000	0.400	0.400	0.000	0.000	0.000	0.400
Unallocated Balance on Transitional Reserve	-2.984	0.000	0.000	-2.984	0.000	0.000	0.000	-2.984
TRANSFERS INTO THE TRANSITIONAL RESERVE								
Council Tax Collection Fund surplus 2015-16	0.000	0.000	-7.037	-7.037	0.000	0.000	0.000	-7.037
Returned New Homes Bonus 2015-16	0.000	0.000	-0.399	-0.399	0.000	0.000	0.000	-0.399
Business Rates Collection Fund Deficit 2015-16	0.000	0.000	2.334	2.334	0.000	0.000	0.000	2.334
Clayton Park Conference Centre Limited	0.000	0.000	-0.542	-0.542	0.000	0.000	0.000	-0.542
VAT Repayment	0.000	0.000	-2.556	-2.556	0.000	0.000	0.000	-2.556
Prevention and Early Help Underspend	0.000	0.000	-1.000	-1.000	0.000	0.000	0.000	-1.000
Transfer to / from other Reserves	0.000	0.000	-49.457	-49.457	0.000	0.000	0.000	-49.457
Total on Transitional Reserve	-141.837	59.863	-54.712	-136.685	74.125	0.530	0.000	-62.030
TRANSITION OF SERVICES RESERVE								
	Approved at 1st April 2016	2016-17 Forecast Spend	2016-17 transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m	£m
To facilitate the transition of services	0.000	0.000	-3.000	-3.000	0.000	0.000	0.000	-3.000

Annex D – Service Reserves

Reserve Name	Opening Balance as at 1 April 2016	2016-17 Forecast Spend	2016-17 transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m	£m
Children's Services Reserve	-5.902	0.914	3.442	-1.546	1.249	0.000	0.000	-0.297
SEN Reform/Implementation Grant	-1.852	0.049	0.000	-1.803	1.803	0.000	0.000	0.000
C&D Domestic Abuse	-0.714	0.714	0.000	0.000	0.000	0.000	0.000	0.000
Mvs Acc Purcexh Fund	-0.002	0.000	0.002	0.000	0.000	0.000	0.000	0.000
Lancashire Adult Learning Reserve	-0.429	0.042	0.350	-0.037	0.000	0.000	0.000	-0.037
Former Adults Directorate Grant Fund	-0.537	0.051	0.072	-0.415	0.415	0.000	0.000	0.000
Adult Social Care - Transitional Res	-4.004	0.050	1.365	-2.589	2.589	0.000	0.000	0.000
Better Care Fund Reserve	-1.368	0.000	0.000	-1.368	1.368	0.000	0.000	0.000
Bus Stations Reserve	0.000	-0.977	0.000	-0.977	0.600	0.377	0.000	0.000
Roundabout Sponsorship Inco	-0.048	0.048	0.000	0.000	0.000	0.000	0.000	0.000
Improved Outcomes Partnership	-0.057	0.057	0.000	0.000	0.000	0.000	0.000	0.000
UK & Ireland Civinet Network	-0.030	0.017	0.013	0.000	0.000	0.000	0.000	0.000
Waste PFI Comp Payments Reserve	-0.482	0.167	0.282	-0.033	0.033	0.000	0.000	0.000
Equipment Renewal Reserve	-0.331	0.055	0.271	-0.005	0.000	0.000	0.000	-0.005
Parking Reserve Fund	-0.144	0.000	0.144	0.000	0.000	0.000	0.000	0.000
Building Design & Construction Reserve	-0.020	0.000	0.020	0.000	0.000	0.000	0.000	0.000
Energy Surveys Reserve	-0.066	0.000	0.066	0.000	0.000	0.000	0.000	0.000
Priorities Contingencies Reserve	-0.010	0.000	0.010	0.000	0.000	0.000	0.000	0.000
Waste Plant Rectification	-7.500	1.071	5.000	-1.429	0.491	0.000	0.000	-0.938
Finance & Information Dfm	-0.060	0.000	0.060	0.000	0.000	0.000	0.000	0.000
R&M Planned Property Review Works	-0.727	0.727	0.000	0.000	0.000	0.000	0.000	0.000
Economic Development	-0.027	0.027	0.000	0.000	0.000	0.000	0.000	0.000
Growth Deal Reserve	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Champions Funds	-0.003	0.000	0.000	-0.003	0.003	0.000	0.000	0.000
Local Member & Gateway Grant	-0.083	0.000	0.000	-0.083	0.083	0.000	0.000	0.000
Cap Funding Reserve - Resou	-0.147	0.000	0.147	0.000	0.000	0.000	0.000	0.000
NoWCard Renewal Reserve	-0.400	0.000	0.100	-0.300	0.300	0.000	0.000	0.000
CC Election Reserve	-1.251	-0.400	0.000	-1.651	1.651	-0.400	-0.400	-0.800
Public Health Grant	-0.628	0.276	0.000	-0.352	0.108	0.000	0.000	-0.244
School PFI								
Schools - Fleetwood High School PFI Earmarked	-1.014	0.070	0.000	-0.944	0.060	0.070	0.080	-0.734
Schools – Private Finance Initiative - Building Schools for the Future Phases 1, 2, 2a & 3	-6.311	-0.560	0.000	-6.871	-0.600	-0.490	-0.370	-8.331
Not LCC Reserves								
Youth Offending Team Reserve	-1.024	0.131	0.000	-0.893	0.172	0.103	0.000	-0.618
Lancs Safeguarding Children Board Reserve	-0.449	0.089	0.000	-0.361	0.000	0.000	0.000	-0.361
Queen St Engine Repair Fund	-0.204	0.010	0.000	-0.194	0.000	0.000	0.000	-0.194
Lancaster City Gen Acqsts Fund	-0.008	0.001	0.000	-0.007	0.000	0.000	0.007	0.000
Health Services - Earmarked	-4.100	4.644	-0.544	0.000	0.000	0.000	0.000	0.000
LEP reserve	-1.553	0.000	0.000	-1.553	0.000	0.000	0.000	-1.553
DfT Funding for P/Ship (not LCC monies)	-1.830	1.830	0.000	0.000	0.000	0.000	0.000	0.000
School Catering Repair And	-1.743	-0.210	0.000	-1.953	0.000	0.000	0.000	-1.953
JSNA reserve	-0.104	0.000	0.000	-0.104	0.000	0.000	0.000	-0.104
MADE reserve	-0.051	0.000	0.000	-0.051	0.000	0.000	0.000	-0.051
TOTALS	-45.214	8.893	10.800	-25.521	10.325	-0.340	-0.683	-16.219

Note: included in the LCC Waste Plant Rectification reserve at 31st March 2017 is a forecast £0.491m held for Blackpool Borough Council.

Money Matters - Capital Monitoring and Financing Position as at 30th November 2016

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Money Matters – Capital Monitoring and Financing Position as at 30th November 2016

1. Executive Summary

Cabinet on 8th December 2016 approved a report entitled "Capital Monitoring and Financing Position" as at 30th September 2016. The Quarter 2 capital monitoring position presented in that report showed forecast spend for 2016/17 of £150.264m against a re-profiled budget of £151.510m, a forecast spend less than budget of £1.246m, equating to a variance of 0.8%. This means that 99.2% of the budget is forecast to be spent.

This report sets out the capital monitoring position at the end of November 2016 against the re-profiled capital programme 2016/17 budget approved by Cabinet on 6th October 2016. It does not include any additions to the capital programme in October and November 2016, which were immaterial.

Table 1 shows that the forecast spend for 2016/17 is unchanged from the 8th December report.

Table 1 also shows the cumulative spend to 30 November 2016 and compares it with the equivalent position in 2015/16 in order to give an understanding of the progress being made to date with regard to overall spend level.

In addition, Table 2 contains an analysis of spend between spend on actual project delivery, as distinguished from spend on purely financial matters e.g. passporting of a grant or payment of a final invoice.

Details of progress on some of the larger projects within the programme are provided (Table 3). The full delivery schedule of projects was presented within the 6th October Cabinet report appendices.

2. Quarter 3 Monitoring (as at November 2016)

Table 1 below shows capital expenditure up to the end of November 2016 on the major blocks of the capital programme, with the equivalent 2015/16 figures for comparison.

Table 1	2016/17 full year re-profiled approved budget	2016/17 full year Forecast out turn	Forecast Variance (under budget)/ over budget	Forecast Variance as a percentage of budget	2015/16 NOV ACTUALS		2016/17 NOV ACTUALS	
	£m	£m	£m		2015/16 spend to end Nov £m	% of budget spent at Nov %	2016/17 spend to end Nov £m	% of budget spent at Nov %
Schools (excluding Devolved Formula Capital DFC)	27.318	27.407	0.089	0.33%	13.850	67.8%	20.001	73.2%
Schools DFC	2.545	2.545	0.000	0.00%	1.913	60.3%	1.189	46.7%
Children and Young People	1.491	1.491	0.000	0.0%	3.594	78.7%	0.217	14.5%
Waste and Other	6.091	6.091	0.000	0.00%	0.409	46.5%	1.635	26.8%
Adult Social Care	12.537	12.537	0.000	0.00%	1.137	14.3%	11.500	91.7%
Corporate	13.251	13.251	0.000	0.00%	8.511	46.2%	7.874	59.4%
Vehicle Replacement	1.934	1.884	-0.050	-2.59%	2.347	53.1%	0.063	3.2%
Transport	35.280	35.125	-0.155	-0.44%	32.094	63.4%	23.444	66.4%
Highways	51.063	50.093	-0.970	-1.89%	23.122	57.1%	16.928	33.2%
Total	151.510	150.424	-1.086	-0.72%	86.977	57.6%	82.851	54.6%

Direct comparison between one year and another is difficult given that capital projects and their profiles of expenditure will vary to some degree from year to year. Spend in the year to date is comparable with the same point last year and 2015/16 outturn was very similar in scale to the size of the 2016/17 programme.

Forecast variances in excess of £0.1m are analysed below:

- Transport block forecast spend less than budget £0.155m mainly due to delay in Ormskirk Town Centre scheme now to be slipped into 2017/18.
- Highways block forecast spend less than budget £0.970m due to 3 schemes potential underspend, 2 schemes retention monies re-profiled, 2 schemes slippage due to bad weather, 5 s106 schemes slippage due to resource issues, 1 scheme delay due to ongoing cost negotiations.

3. Analysis of Quarter 3 (as at November 2016) spend total between project delivery and financial transactions only

Table 2 below shows the analysis of spend in each block between project delivery and financial transactions such as grants passported to third parties, or payment of final invoices:

Table 2	2016/17 spend to end Nov 16	Passported grant	Non –delivery costs eg. final invoice payments	Project delivery as at November 2016
	£m	£m	£m	£m
Schools (excluding Devolved Formula Capital DFC)	20.001	0.000	0.000	20.001
Schools DFC (Bank account schools only- other schools reimbursed at year end)	1.189	1.189	0.000	0.000
Children and Young People	0.217	0.000	0.000	0.217
Waste and Other	1.635	0.000	0.000	1.635
Adult Social Care	11.500	11.477	0.000	0.023
Corporate	7.874	0.000	0.000	7.874
Vehicle Replacement	0.063	0.000	0.000	0.063
Transport	23.444	0.000	0.610	22.834
Highways	16.928	0.000	1.662	15.266
Total	82.851	12.666	2.272	67.913

At the end of November 2016, the percentage of spend comprised of project delivery was 82%.

4. Delivery of Outputs on larger projects

Table 3 below illustrates progress on some of the larger projects within the re-profiled 2016/17 capital programme.

*Figures for the budget are simply 66% of the full year budget, (representing eight months to 30th November 2016 out of twelve months) which in some cases may not be a relevant comparator.

Table 3	Projects	Full Year Budget 2016/17	Budget 2016/17*	Spend to end of Nov 2016	Actual physical delivery
		£m	£m	£m	
Schools (excluding DFC)	15/16 Condition	8.297	5.531	5.291	88 projects of which 41 are complete, 25 are on site and 22 are in design/ tender stage.
	15/16 Basic Need	9.981	6.654	4.390	21 projects of which 12 are operationally complete, 4 are on site and 5 are in design.
	Pre-15/16 Basic Need	9.486	6.324	9.481	16 projects of which 13 are complete, 1 is on site, and 2 are partial possession and are phased.
Schools DFC	15/16 DFC	2.545	1.696	1.189	
Children and Young People	Chorley Youth Zone	1.000	n/a	0.000	Contribution agreed in principle but not paid by end of Nov due to Cabinet report decision due Jan 2017.
	Overnight short breaks Lynhurst	0.065	0.043	0.033	The re-profiled budget for 2017/18 and 2018/19 contains £2.242m and £0.560m respectively to provide 2 further facilities.
	The Bungalow, Fulwood	0.000	0.000	0.000	Cabinet Member report being prepared to approve use of £0.105m of unallocated CYP budget to provide residential placements for young people with complex needs.
Waste and Other	Fire suppression upgrade	2.268	1.512	0.000	Works due to commence late November 2016.
	Asset preservation	3.492	2.328	1.351	Waste company has profiled full budget to be spent by 31.3.17.
Adult Social Care	16/17 Disabled Facilities Grant	11.477	n/a	11.477	Passported to Districts in full in April 2016.
	Chorley Extra Care	1.000	n/a	0.000	Contribution agreed but not paid by end of November. (Cabinet report approved 13/9/16.)
Corporate	Superfast Broadband	3.470	2.313	0.469	BT delivery on track but delay in BT evidencing claims for payment.
	Brierfield Mill / (Northlight)	1.280	0.853	0.094	New programme.
	Core Systems	2.078	1.385	0.719	Delay in Highways Asset Management system

	Customer Access Systems Core	1.419	0.946	0.936	implementation.
	County Hall refurb	3.000	2.000	1.969	
Vehicle Replacement	Ongoing vehicle replacement	1.934	1.289	0.063	A new procurement framework has resulted in vehicle orders being placed in the latter part of the year. Projected 16/17 spend is £1.884m.
Transport	Heysham to M6 Link	20.800	13.800	18.500	Road opening took place on 31 October 2016, with outstanding work on landscaping and motorway communications scheduled for completion by Mar 17.
	Blackpool Tramway	2.681	1.787	0.610	Final Invoice expected in 16/17.
	Burnley Pendle Growth Corridor	3.166	2.111	1.932	Substantive programme to be completed by Mar 2018, but one project has been delayed due land acquisition issues, so this may not complete until Mar 2019.
	Pennine Reach	1.327	0.885	0.762	Majority of work completed. A bus lane, off road parking and Statutory Quality Bus Partnership to be completed.
	Burnley Town Centre	1.522	1.015	0.770	Scheme delivery on programme. Manchester Road complete. The Mall and Curzon Street south substantially complete and St James's Street started. Advanced preparation work ahead of programme.
	East Lancs Strategic Cycle Network	2.668	1.779	0.160	<p>Delivery has been delayed due to five factors:</p> <ul style="list-style-type: none"> • Objection to tarmac surfacing. • Negotiations with land owners re: route. • Objections to upgrade from PROW to Bridleways. • Resolution of issues raised by flooding last December. • Awaiting decision re Highways England potential delivery of 4

	Contribution to City Deal	2.500	0.000	0.000	sections. Annual contribution at year end
	Asset maintenance several years starts excluding Bridges and Local Priorities Response Fund(LPRF)	23.574	15.716	9.172	WIP not included
	LPRF	2.500	1.666	0.325	
	Bridges	2.000	1.333	1.136	
	Rawtenstall Bus Station	3.910	2.606	0.000	Planning permission secured. Commuted sum approved to fund future maintenance. A legal agreement is being drawn up which will enable a transfer of monies to Rossendale Borough Council in 16/17.
Highways	DfT grant funded Flood projects	3.796	2.530	1.316	The total DfT grant received in 15/16 was £5m, of which £0.293m was spent in 15/16, £3.796m is forecast to be spent in 16/17 and £0.911 is phased to be spent in 17/18. 65 projects have been completed to date and 27 are due to be completed in 17/18 due to issues re site investigation, land access and underwater surveys. Nb. In their capacity as Risk Management Authorities, Districts are able to submit business cases for submission to EA / DEFRA re further flood related schemes.
	DfT Street Lighting Challenge Fund	6.750	4.500	4.247	To ensure the optimum balance between reduction in revenue energy cost and minimum contractor price, procurement was delayed in order to secure a 25% procurement saving.

Money Matters - Capital Programme 2017/18 – 2020/21

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Money Matters – Capital Monitoring Programme 2017/18 – 2020/21

1. Introduction

Cabinet on 6th October 2016 approved a re-profiled programme for 2016/17 to 2018/19 and beyond, totalling £390.967m, of which £151.510m related to 2016/17. This report restates and updates the 2017/18 onwards element of that re-profiled programme

2. Proposed Programme and Funding

Table 1 below details the re-profiled capital programme for the period 2017/18 to 2019/20 and 20/21, as approved as part of the 2016/17 and beyond re-profiled programme at Cabinet on 6th October 2016, and the funding thereof including an addition to the programme totalling £1.428m added to the Corporate block of the programme. The addition of £1.428m will be spent partly on White Cross Education Centre-Mill 14, Lancaster, and partly on County Hall Old Building essential capital works.

City Deal is included only where LCC make a direct contribution to it or where the County Council is supporting the cash flow requirements of the project in the early years. City Deal and other Lancashire Economic Partnership activity is reported separately via the existing LEP reporting and performance framework. LCC is the accountable body for the LEP.

It should also be noted that the programme below does not include any estimate of spend carried forward from 2016/17, which will be quantified in the 2016/17 outturn report.

TABLE 1	2017/18 (£m)	2018/19 (£m)	2019/20 & 2020/21 (£m)	Total (£m)
Schools (excluding Devolved Formula Capital)	29.686	28.562	2.580	60.828
Schools Devolved Formula Capital	2.634	2.634	0.000	5.268
Children and Young People	3.014	4.560	3.586	11.160
Waste and Other	2.023	0.100	1.665	3.788
Adult Social Care	0.562	7.808	6.061	14.431
Corporate	12.276	13.661	11.349	37.286
Vehicle Replacement	3.930	3.460	0.000	7.390
Transport	26.082	14.641	0.840	41.563
Highways	39.604	19.567	0.000	59.171
TOTAL	119.811	94.993	26.081	240.885

FUNDED BY:	2017/18 (£m)	2018/19 (£m)	2019/20 & 2020/21 (£m)	Total (£m)
GRANTS RECEIVABLE (shown in year to be received)				
DfT Street Lighting Challenge Fund	-4.800	0.000	0.000	-4.800
DfT Annual Highways Maintenance Grant	-20.514	-18.567	0.000	-39.081
DfT Highways Maintenance Incentive Funding 2017/18 to be determined	TBC	TBC	TBC	TBC
DfT LTP/Integrated Transport Block annual grant	-6.054	-6.054	0.000	-12.108
DfE School Basic Need annual grant	-29.006	-2.580	0.000	-31.586
DfE Schools Condition annual grant	-11.209	0.000	0.000	-11.209
Schools Devolved Formula Capital	-2.634	-2.634	0.000	-5.268
Growing Places	0.000	0.000	-2.479	-2.479
Sub Total	-74.217	-29.835	-2.479	-106.531
GRANTS UNAPPLIED BALANCES as at 31st March 2016				
DfT Flood Damage Funding received in 2015/16	-0.911	0.000	0.000	-0.911
Adult Social Care grant	-2.386	0.000	0.000	-2.386
School DfE grants brought forward	-11.690	0.000	0.000	-11.690
Sub Total	-14.987	0.000	0.000	-14.987
GROWTH DEAL FUNDING				
Burnley Pendle Growth Corridor	-4.000	-4.000	0.000	-8.000
East Lancs Cycle Network	0.000	-1.550	0.000	-1.550
Sub Total	-4.000	-5.550	0.000	-9.550
DISTRICT CONTRIBUTIONS				
Burnley Town Centre	-0.550	0.000	0.000	-0.550
Burnley Pendle Growth Corridor	0.000	-0.485	0.000	-0.485
Blackpool Borough Council contribution to Waste projects (held in designated reserve)	-0.194	0.000	0.000	-0.194
Sub Total	-0.744	-0.485	0.000	-1.229
CONTRIBUTIONS FROM OTHER				

EXTERNAL BODIES				
BDUK re SFBB Phase 2	-0.965	0.000	0.000	-0.965
Sub Total	-0.965	0.000	0.000	-0.965
USE OF RESERVES				
Asset maintenance earmarked reserve	-0.727	0.000	0.000	-0.727
Sub Total	-0.727	0.000	0.000	-0.727
CAPITAL RECEIPTS				
Funding for School Playing Field programme from sale of school approved via Cabinet report	-1.036	0.000	0.000	-1.036
Sub Total	-1.036	0.000	0.000	-0.965
TOTAL FUNDING	-96.676	-35.870	-2.479	-135.025
NET BORROWING REQUIREMENT	23.135	59.123	23.602	105.860

Table 1 above shows that the total borrowing requirement over the life of the programme is expected to be £105.860m. These figures exclude cashflow support to City Deal.

It should be noted however that the mix of borrowing and external funding in each individual year is subject to change in line with factors such as changes in awards from funding bodies, changes in timing of external funding, and changes to programmed spend.

The grants receivable section includes both confirmed and indicative amounts in the year for which they are allocated and paid to the authority by national government. There is currently no indication from the Education Funding Authority (EFA) of any allocation for 2018/19, hence for prudence, no estimate for this year is included in the funding table below, and no expenditure for this allocation is included in the Schools profiled spend.

3. Capital Finance Charges

The County Council has a current debt level of approximately £1bn which has been incurred over a number of years and consists of debt incurred under the current Prudential System as well as under the previous credit control system. Prior to the introduction of the Prudential Code in April 2004 the County Council were given credit approvals from central government. This was a limit on the amount the County Council could borrow and the government included provision for the financing of the debt within the RSG settlements. Traditionally the County Council borrowed up to the maximum permitted. The introduction of the Prudential Code removed these limits enabling authorities to borrow at a level they deem as affordable. It is accepted that all authorities

would have a different basis on the concept of affordability based on their differing priorities and the need for capital expenditure.

As at the 31/3/2016 since the inception of the Prudential Code the County Council has incurred £135m of capital expenditure funded from borrowing to meet its capital priorities. These prior decisions mean that there is a long term budget commitment in terms of both Minimum Revenue Provision (MRP), which is effectively a charge for the principal repayment, and interest charges. Under the current MRP policy the charge for the debt prior to the introduction of the Prudential Code is £8.887m per annum. In addition, the MRP to cover since the implementation of the Prudential Code is in the region of £11m. This is forecast to rise to £11.7m by 2020/21.

The loans, and therefore interest charges, are not tied to specific expenditure but are managed as a pool. To fund the outstanding debt the interest charges are in the region of £18m per annum although this will vary as interest rates and MRP payments change. Therefore without any additional borrowing being incurred there is a commitment in future years' budgets of some £37.7m by 2020/21. In addition the re-profiled Capital Programme for 2016/17 onwards approved at 6th October 2016 Cabinet included borrowing of £158m over the period of the Programme. By 2020/21 the additional borrowing cost will depend on the estimated economic life of the assets, and the timing of the borrowing. It is currently estimated that by 2020/21, the additional MRP charge will be £4.4m and interest charges £2.4m. The current MTFS includes the estimated impact of the Programme.

Table 2 below shows the borrowing costs for the existing programme and new re-profiled programme, totalling £44.5m.

TABLE 2	2017/18	2018/19	2019/20	20/21
Borrowing costs of existing and new re-profiled capital programme	£m	£m	£m	£m
MRP				
Current Debt	19.986	19.788	20.188	20.603
New Capital Programme	1.397	2.040	3.683	4.431
Interest				
Current Debt	18.135	17.809	17.458	17.076
New Capital Programme	0.953	1.565	2.186	2.363
Total				
Current Debt	38.121	37.597	37.646	37.679
New Capital Programme	2.350	3.605	5.869	6.794
Grand total borrowing costs old and new programmes	40.471	41.202	43.515	44.473

Under the CIPFA Prudential Code consideration must be given as to the affordability of the Capital Programme. A budget of £44.5m represents approximately 6.4% of the estimated resources available to the County Council in 2020/21 (excluding potential Council Tax increases); although once investment income is taken into account the net budget represents 5.6% of revenue. There is no guidance on what is considered to be a reasonable proportion of the revenue budget is used for capital financing purposes. This is a matter for individual authorities and reflects their different aims. It should be noted that financing capital expenditure from borrowing does represent a long term commitment in the revenue budget. If the revenue budgets were to fall then the percentage committed to capital financing would increase.

The National Audit Office produced a report in June 2016 which expressed concern about the levels of debt currently serviced by local authorities. The NAO said: "If authorities cannot reduce their debt servicing costs, this will place further pressure on revenue spending." It added that minimising the revenue cost of capital programmes is the "primary challenge facing authorities." The NAO report does not refer to individual authorities' data however the DCLG has recently published information on borrowing at 31/3/16 which shows that Lancashire has the second highest level of borrowing of all the shire Counties. By head of population Lancashire has the highest level of borrowing. There is currently little information on the financing costs. The CIPFA 2014/15 actuals show that the principal repayment and interest charges represent on an average of 8.5% of the budget requirement. Lancashire's figure was shown as 9.8%, which was the 8th highest.

It should be noted that the figures quoted for 2019/20 show that capital financing budget represents a lower proportion of the budget than shown by the CIPFA statistics. This is the result of the change in MRP policy in 2015/16 which has seen significantly lower MRP charges. Excluding any potential Council Tax increases it is estimated that the net capital financing charges will increase to 5.6% of the budget in 2020/21 from 4.33% in 2016/17. Therefore the available statistics suggest that the County Council is facing an increase in financing and that it is starting from a relatively high debt base. It is therefore potentially one of those authorities who face the problem identified by the National Audit Office and future borrowing requirements should be subject to scrutiny.

Item 7

Report to the Cabinet

Meeting to be held on Thursday, 19 January 2017

Report of the Director of Governance, Finance and Public Services

Electoral Divisions affected: All

Regulation of Investigatory Powers Act 2000: Annual Report to Cabinet (Appendices A, B, C and D refer)

Contact for further information:

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Executive Summary

The Regulation of Investigatory Powers Act 2000 (RIPA) provides a framework for certain public bodies, including local authorities, to use "covert surveillance" to gather information about individuals without their knowledge for the purposes of undertaking statutory functions in connection with the prevention or detection of crime. The use of RIPA by a public authority provides protection against a claim of infringement of the right to respect for a private and family life, home and correspondence.

RIPA activity and authorisations are governed by Home Office Codes of Practice and Guidance issued by the Office for Surveillance Commissioners (OSC).

Local authorities are subject to regular inspections from the OSC.

Members are required to review the use of RIPA and set the policy (attached as Appendix A) at least once a year. Elected members cannot be involved in decisions on specific authorisations, but have oversight of the process via the reporting requirement to the Overview and Scrutiny Committee.

This year three additional policies linked to the use of covert surveillance are submitted for approval, in relation to non RIPA surveillance (Appendix B); the use of social media and the internet in investigations (Appendix C); and a new draft CCTV Policy incorporating the codes of practice issued by the Surveillance camera Commissioner and the Information Commissioner (Appendix D).

Recommendation

The Cabinet is asked to

- i. note the content of this report
- ii. approve, with immediate effect, the updated corporate policies on:
 - a. Non-RIPA surveillance

- b. The use of Social Media and the Internet in investigations
- c. Use of CCTV
- iii. Agree that the role of CCTV Manager be undertaken by the Head of Service, Legal and Democratic Services

Background and Advice

The Regulation of Investigatory Powers Act 2000 (RIPA) provides a framework for certain public bodies, including local authorities, to use "covert surveillance" to gather certain information about individuals without their knowledge for the purposes of undertaking statutory functions in connection with the prevention or detection of crime.

RIPA is permissive legislation, that is to say that it is not mandatory for a local authority to authorise covert surveillance under RIPA but if it does so then authorisation of surveillance in accordance with the RIPA regime, provides the local authority with a defence if the individual brings a claim against the local authority alleging that the surveillance breaches their human rights, specifically Article 8, the right to respect for private and family life, home and correspondence.

RIPA covers directed surveillance, for example the use of recording devices, photography or video to record persons suspected of being engaged in criminal activity, where there is a possibility of gaining of private information, and the use of a Covert Human Intelligence Source (CHIS), for example an informant, where the surveillance involves developing a relationship in order to obtain information.

Within the County Council, covert surveillance authorised pursuant to RIPA is used very infrequently and only in connection with Trading Standards activities, typically against rogue traders, counterfeiters or individuals engaged in selling tobacco or alcohol products to children. It is used in cases where it is important to obtain information to support potential criminal proceedings, and only where that information cannot be obtained by any other means.

RIPA activity and authorisations are governed by Codes of Practice and Guidance Issued by the Office for Surveillance Commissioners (OSC) and the Home Office.

Applications for authorisation of covert surveillance are submitted using standard home office forms, to designated authorising officers, currently the Head of Trading Standards and three Trading Standards Managers. The managers assess the information provided and need to be satisfied that the surveillance is both necessary for the prevention of crime, and proportionate – i.e. not a sledgehammer to crack a nut. If authorised, the application must then be put before a magistrate for approval before the activity can take place.

Directed surveillance authorisations last for 3 months and apply where there is a possibility that private information may be obtained as a result of the activity.

CHIS authorisations last for 12 months, and cover activity where a relationship may be built up by a source in order to gain information.

Both need to be regularly reviewed to ensure that the surveillance remains necessary and proportionate.

The OSC inspect local authorities every 3 years and examine a sample of authorisations which have been granted in the period since the last inspection. The OSC are due to inspect the authority on 28 February 2017.

Members are expected to oversee the use of RIPA and set the policy at least annually. A copy of the Corporate Policy and Guidance on the Regulation of Investigatory Powers Act is attached as Appendix 'A'.

RIPA Activity

Since the last cabinet report in February 2016 there have been 6 authorisations for the use of surveillance. 4 of these were for the use of a CHIS in connection with the supply of counterfeit goods over the internet, and two were for directed surveillance: one in connection with unsafe goods and one into motor vehicle fraud.

Non RIPA Surveillance

Although the focus of the OSC inspection is primarily on covert surveillance undertaken to prevent or detect crime, the authority may also be involved in surveillance activity for other purposes, for which authorisation is not permitted to be sought under the RIPA regime.

Such surveillance could leave the authority open to a claim of infringement of the right to privacy and family life, and therefore in such cases the approach of the authority has been to utilise what are called "shadow authorisations", to be put before the Director of Legal and Democratic Services for approval.

Such activity may include surveillance in relation to child protection work, and use of social media to obtain information, both in relation to internal investigations and those involving clients. Shadow surveillance may also be thought necessary where serious allegations of employee misconduct are received – for example employees carrying out inappropriate activity in work's time.

Shadow authorisations are rare. Brief reference is already made in the Corporate Policy and Guidance on the Regulation of Investigatory Powers Act to the potential need to use the principles of RIPA when surveillance **not** for the purposes of the prevention and detection of crime is being undertaken. However, it is believed that a more detailed separate policy will provide valuable guidance for employees who may need to seek shadow authorisations for covert surveillance. The draft policy submitted for approval recommends that these should only be approved by the Director of Legal and Democratic Services.

A copy of the Shadow RIPA Surveillance Corporate Policy is attached as Appendix B.

Shadow RIPA Activity

One authorisation has been granted, in September 2016, in relation to covert surveillance carried out by the Trading Standards Service, for the purposes of conducting a social experiment in relation to public attitudes to the proxy sales of alcohol.

Social Media and Covert Surveillance Policy

Increasingly the use of social media means that a wide range of personal information posted by individuals is available online. Some of this is available as "open source" material, some can only be accessed once the individual has accepted a "friend" request.

Individuals posting such material may be considered to have no or a reduced expectation of privacy in respect of the information they have posted. However, where the authority intends to search for information and use it in connection with either the prevention or detection of crime, or for the purpose of other investigations connected with employee misconduct or child protection matters for example, it is important that regard is given to guidance issued by the Home Office and by the Office of Surveillance Commissioners.

Accordingly a Covert Social Networking Checks and Surveillance Policy has been drafted which Cabinet are asked to note and approve. A copy of this is attached as Appendix C.

CCTV Policy

The Information Commissioner issued its first code of practice governing the use of CCTV in 2000. This was updated in 2008.

In the past the Council has employed CCTV cameras to monitor its premises to prevent theft and vandalism, although use of such technology has not been as extensive as by district councils who help with the policing town centres through sophisticated CCTV systems.

The technology itself has developed significantly since first introduced. CCTV is no longer a simple camera device that records images to video. Most CCTV devices currently in use by the Council are digital and used both inside and outside Council premises to monitor activity. In addition, the Council uses Automatic Number Plate Recognition (ANPR) systems to enforce traffic and parking regulation and this includes body worn cameras that record both the images of and audible interactions with members of the public. The Council has on occasion also employed unmanned aerial devices (drones) to carry out building surveys to limit danger and disruption.

Reference to "CCTV systems" extends to all devices that capture images or sounds of either individuals or which are used for the purpose identifying individuals.

The increased use of such systems which either deliberately or inadvertently monitor the conduct of individuals has led to heightened concern as to the extent of surveillance, the use to which it is put and whether or not it is justified. Local authorities have been a particular target of media criticism highlighting surveillance being used, for example, to check whether applicants for school places live in the relevant area, capturing dog owners who do not pick up faeces and using camera devices embedded in wheelie bins to monitor waste.

The perceived unwarranted use of surveillance systems has led to the strengthening of the regulatory landscape through the introduction of the Protection of Freedoms Act 2012. The first Surveillance Camera Commissioner was appointed under this Act alongside the introduction of a new surveillance camera code. As surveillance activities record personal data, the Information Commissioner also strengthened its stance on surveillance by publishing "A data protection code for surveillance cameras and personal information" in 2015.

The surveillance camera code established twelve basic principles that apply when any CCTV system is used. These are repeated in the data protection code.

The twelve principles are as follows:

1. Use of a surveillance camera system must always be for a specified purpose which is in pursuit of a legitimate aim and necessary to meet an identified pressing need.
2. The use of a surveillance camera system must take into account its effect on individuals and their privacy, with regular reviews to ensure its use remains justified.
3. There must be as much transparency in the use of a surveillance camera system as possible, including a published contact point for access to information and complaints.
4. There must be clear responsibility and accountability for all surveillance camera system activities including images and information collected, held and used.
5. Clear rules, policies and procedures must be in place before a surveillance camera system is used, and these must be communicated to all who need to comply with them.
6. No more images and information should be stored than that which is strictly required for the stated purpose of a surveillance camera system, and such images and information should be deleted once their purposes have been discharged.
7. Access to retained images and information should be restricted and there must be clearly defined rules on who can gain access and for what purpose such access is granted; the disclosure of images and information should only

take place when it is necessary for such a purpose or for law enforcement purposes.

8. Surveillance camera system operators should consider any approved operational, technical and competency standards relevant to a system and its purpose and work to meet and maintain those standards.
9. Surveillance camera system images and information should be subject to appropriate security measures to safeguard against unauthorised access and use.
10. There should be effective review and audit mechanisms to ensure legal requirements, policies and standards are complied with in practice, and regular reports should be published
11. When the use of a surveillance camera system is in pursuit of a legitimate aim, and there is a pressing need for its use, it should then be used in the most effective way to support public safety and law enforcement with the aim of processing images and information of evidential value.
12. Any information used to support a surveillance camera system which compares against a reference database for matching purposes should be accurate and kept up to date.

The present Council policy on the use of CCTV does not take account of the recent expansion of regulation and codes of practice and fails to address any of the twelve principles set out above; it simply refers to earlier guidance offered by the Information Commissioner.

Whilst a Surveillance Camera Commissioner has been appointed, he does not play any direct role in the enforcement of the guidance. Contraventions of the code(s) which amount to breaches of the Data Protection Act 1998 would be enforced by the Information Commissioner. However, the Office of the Surveillance Commissioner (OSC) has been given a role in the general overview of CCTV systems and this now forms part of the three yearly inspection carried out by that office. The Council's inspection of its RIPA actions by the OSC is due to take place on 28 February 2017 and the Inspector has asked to see our CCTV policy.

The current policy is not fit for purpose against the existing regulatory framework and what is expected of local authorities. A group was formed in September 2016 with a remit to review and update the Council's CCTV policy to ensure that it embraces the twelve principles. Representatives of Facilities Management, Information Governance, Legal and Democratic Services and Audit have therefore produced a new draft policy which is attached to this report at Appendix D.

This draft policy addresses each of the twelve principles and seeks to ensure that those services responsible for introducing and operating CCTV systems give due consideration and weight to the matters set out in the code(s) particularly privacy, security, technical competence and accuracy and information governance.

Further work is required to identify all relevant CCTV systems, to compile a central register, to ensure that those operating CCTV systems are aware of the new policy and what is required of them thereunder. It is proposed that the Head of Service for Legal and Democratic Services act as the CCTV Manager under the policy as part of his role and further meetings of the group will be held to plan how the policy will be rolled out.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The use of RIPA, where permitted, provides a defence to a local authority where an individual alleges that their human rights have been contravened.

Non RIPA surveillance is subject to a similar process within LCC, which will enable the authority to show that it has appropriately considered necessity and proportionality in any case where there is an allegation that human rights have been breached in a situation not involving the prevention and detection of crime.

Guidance on the use of social media in investigations will ensure that an individual's human rights are considered in the context of the use of information published by the individual online.

The current CCTV policy is out of date and requires updating in line with current regulations and guidance and to ensure it is in line with the technology available and in use.

Financial

If challenged, the Council could be liable to pay a financial penalty in respect of actions held to be an infringement of an individual's right to a private and family life, home and correspondence.

Legal

There is a possibility of legal action against the authority if covert surveillance is held to have breached an individual's human rights.

Equality and Cohesion

The use of RIPA principles requires consideration of the necessity and proportionality of surveillance and as part of this, equality and cohesion issues would be considered.

Human Rights

The use of RIPA and associated principles is recommended in the context of consideration of the impact of surveillance activities on the right to privacy, a family life, home and correspondence.

Crime and Disorder

LCC Trading Standards Service has a statutory duty to investigate criminal offences committed under a wide range of public protection legislation. In a small minority of cases the use of covert surveillance may be the only means of progressing the investigation.

Personnel

All activities are risk assessed to ensure the health and safety of individuals is considered and any mitigating measures are implemented.

List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

**Corporate Policy and Guidance
On
The Regulation
Of Investigatory Powers Act 2000**

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11. Complaints

12. Management Records

General Statement of Policy

This policy document relates to use by Lancashire County Council officers of directed surveillance, covert human intelligence sources and access to telecommunications information, for the prevention and detection of crime.

- The County Council is committed to upholding human rights
- As a public body and responsible employer, the County Council wants to conform to the letter and spirit of the requirements of the Regulation of Investigatory Powers Act 2000 and associated regulations and draft codes of practice relating to the use of covert surveillance, the use of covert human intelligence sources, and interception
- County Council officers will only undertake surveillance work when it is both necessary and proportionate to the ends it seeks to achieve
- From 1 November 2012 local authorities have been required to obtain judicial approval prior to using covert techniques. Local authority authorisations and notices under RIPA are only be given effect once an order has been granted by a justice of the peace in England and Wales, a sheriff in Scotland and a district judge (magistrates' court) in Northern Ireland.
- Additionally, from this date local authority use of directed surveillance under RIPA will be limited to the investigation of crimes which attract a 6 month or more custodial sentence, with the exception of offences relating to the underage sale of alcohol and tobacco.

Corporate Guidance

1.1 Foreword

1.1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a framework for certain bodies (including local authorities) to undertake their duties aimed at preventing or detecting crime, which may interfere with a citizens normal human rights in respect of privacy by the use of 'covert surveillance', Covert Human Intelligence Sources (CHIS) i.e. undercover officers/informants and to obtain certain limited communications data.

1.1.2 The use of these techniques must be "necessary" and "proportionate" to the investigation i.e. simple, overt methods of gathering information are not available and the matter under investigation should not be trivial.

1.1.3 RIPA establishes detailed requirements in respect of the seniority, training awareness of Authorising Officers (referred to as 'Designated Officers' in the Act) and also the formal assessment and recording processes before undertaking any surveillance activity.

1.1.4 The Authorising Officer is required to be an officer at least at the following level within the authority:

Director
Head of Service
Service Manager or equivalent

The Authorising Officers for the Council are The Head of Trading Standards and Trading Standards Managers within Trading Standards as authorised by the Director of Governance, Finance and Public Services.

1.1.5 This guidance addresses the detailed requirements of RIPA and its codes of practice in relation to:

- ◆ the covert surveillance of individuals,
- ◆ the use of covert human intelligence sources, including undercover officers/agents/informants,
- ◆ the recording of telephone conversations
- ◆ for obtaining communications data.

This guidance provides a summary and overview of the legislation and codes of practice. DO NOT seek to rely on it alone. In the event of any doubt, any senior managers, or applicants, should refer to the relevant legislation or code and consult the Director of Governance, Finance and Public Services, the Director of Legal and Democratic Services or the Head of Trading Standards before any action is taken.

1.1.6 The Act and relevant Codes of Practice (as amended in December 2014) had effect from 1 October 2000 and impose requirements as regards authorisation, procedures and records, which must be followed by Public Authorities undertaking investigations which fall within the scope of the Act

1.1.7 Appropriate staff should familiarise themselves with the guidance and procedures, the legislation and the Codes of Practice. If in any doubt advice and guidance should be sought from an appropriate officer before undertaking any enforcement activities which may fall within the scope of the Act.

1.1.8 Lancashire County Council is committed to carrying out its enforcement functions in an equitable, practical and consistent manner. We are committed to these aims and to maintaining a fair and safe environment. This guidance demonstrates our desire to carry out our criminal investigations in a fair and equitable manner that respects all human rights and contributing to this commitment.

1.1.9 Enforcement activities of the Council that fall within the remit of the RIPA are subject to monitoring and oversight by the Surveillance Commissioner and the Interception Commissioner.

1.1.10 Complaints made regarding activities of the Council, which are within the scope of RIPA, can be investigated by the Investigatory Powers Tribunal.

1.1.11 The Council may be liable to claims alleging breaches of an individual's rights under the Human Rights Act 1998 if officers fail to follow the requirements of RIPA and Codes of Practice.

1.1.12 Failure to follow RIPA and Codes may also adversely affect the admissibility of any evidence obtained using methods covered by RIPA. The safety of members of the public supplying information to the Council may also be compromised where an authorisation is not in place.

1.1.13 When undertaking any covert investigation, officers should have regard to the health and safety of persons affected by the activity. This may include themselves, colleagues and members of the public and the person you are being asked to observe. A risk assessment of the investigation technique being proposed should be undertaken, having regard to Corporate Health and Safety Policy and any supplemental guidance issued.

1.1.14 The monitoring of Internet and e-mail use is regulated by the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000, made under RIPA.

1.2 Employee or Non-RIPA Surveillance

1.2.1 RIPA does not apply where surveillance is undertaken otherwise than for 'the detection or prevention of crime' for example as part of an internal investigation into possible employee misconduct where the investigation is not primarily aimed at detecting criminal offences. However, as such surveillance may infringe an individual's Human Rights in respect of privacy, then similarly to RIPA, the procedures of authorisation and assessment should be followed with the Authorising Officer using RIPA criteria in considering the surveillance request. Assessment and Approval forms, similar to RIPA, must be used in considering surveillance activity.

1.2.2 Similarly, child custody/protection investigations requiring surveillance should follow the same principles and use the non-RIPA Application forms. Copies of appropriately completed forms should be kept with the investigation file and the original sent to the Central Register in Trading Standards, but these will not be logged on the corporate RIPA database.

1.2.3 Where surveillance is undertaken otherwise than for the prevention or detection of crime, reference should be made to the corporate policy on shadow RIPA authorisations.

1.3 CCTV Use

1.3.1 CCTV surveillance systems are not normally caught by the Act where signs or cameras are visible or members of the public are aware that such systems are in use. However there may be occasions when public authorities use CCTV systems for the purposes of a specific directed investigation or operation. In such cases, authorisation for directed surveillance may be necessary. A protocol has been produced to protect those officers responsible for such systems from being pressured into carrying out directed surveillance without an appropriate authorisation.

1.4 Lancashire County Council Auditing

1.4.1 For appropriate corporate reporting and auditing of activities to ensure awareness and ongoing compliance with RIPA policies. Contact: Director of Legal and Democratic Services

2 Definitions

2.1 Surveillance and Covert Human Intelligence Sources

The Regulation of Investigatory Powers Act 2000

Authorising Officer Means the person(s) designated under Sections 28 and 29 of the Act to grant authorisations for directed surveillance and the use and conduct of a Covert Human Intelligence Source, respectively. The Head of Trading Standards and Trading Standards Managers in Trading Standards are designated as authorising officers by the Director of Governance, Finance and Public Services.

Conduct of a Source - Any action of that source falling within the terms of the Act or action incidental to it. (ie what they do)

Confidential Material Matters of legal privilege, confidential personal
Includes: information (eg medical records), confidential journalistic material

Controller - Means the person or designated managerial officer responsible for overseeing the use of the source.

Covert Human Intelligence Sources Commonly known as Agents, Informants, Undercover Officers. (NB. See RIPA and the Codes of (CHIS) Practice for the definition)

Covert Surveillance Means surveillance carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is taking place.

Directed Surveillance - Surveillance is directed if it is covert but not intrusive and is undertaken:

- a) for the purpose of a specific investigation/operation
- b) is likely to result in the obtaining **private information** about a person (whether or not one specifically identified for the purposes of the investigation or operation)
- c) Otherwise than by way of an immediate response to events or circumstances and it would not be reasonably practicable for an authorisation to be sought for the carrying out of the surveillance.

Handler An investigating officer having day to day responsibility for:

- dealing with the source on behalf of the authority
- directing the day to day activities of the source
- recording the information supplied by the source
- monitoring the security and welfare of the source.

Intrusive Surveillance Means Covert Surveillance that is carried out in relation to anything taking place on any residential premises or in any private vehicle **and** involves the presence of any individual **on** the premises or **in** the vehicle or is carried out by means of a surveillance device.

Private Information In relation to a person or business, this includes any information relating to an individual's private, business or family life.

Senior Responsible Officer (Surveillance)

An officer responsible for the integrity of RIPA processes for the authority and compliance with Part II of the Act. The Senior Responsible Officer for Surveillance and CHIS is the Director of Governance, Finance and Public Services.

(Note: See Senior Responsible Officer for Communications Data)

Surveillance includes: - monitoring, observing or listening to persons, their movements, their conversations, or their activities or communications.

- recording anything monitored, observed or listened to in the course of surveillance.
- Surveillance by or with the assistance of a surveillance device (any apparatus designed or adapted for use in surveillance eg cameras and microphones.

2.2 Communications Data

Communications Service Provider (CSP)

These include telecommunications, Internet (including e-mail) and postal service providers.

Designated Person

This is the authorising officer for the purposes of obtaining communications data, currently the two Trading Standards Managers.

Senior responsible Officer (Communications Data)

An officer responsible for the integrity of RIPA processes in relation to the Acquisition of Communications data under the Act, currently the Head of Trading Standards.

Single Point of Contact (SPOC)

This is a nominated officer within a public authority who has completed a training course and is accredited by the Home Office to make enquiries with communication service providers. SPOC's will oversee the forwarding and receipt of notices and authorisations sent to and returned by CSPs.

(CSPs will not deal with enquires to obtain communications data from an officer who is not listed with them as being a nominated SPOC).

SPOCs: The SPOC role is carried out by the National Anti Fraud Network (NAFN) on behalf of Lancashire County Council, and access can be arranged by approaching the Head of Trading Standards.

3. Covert Surveillance Policy and Procedures

3.1 Introduction

3.1.1 Covert Surveillance means **surveillance which is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place.**

3.1.2 An authorisation provides lawful authority for a Public Authority to carry out covert surveillance.

3.1.3 Any /Service seeking to use covert surveillance techniques must seek authorisation from the Director of Governance, Finance and Public Services or nominated deputy using the appropriate forms.

3.1.4 Whenever surveillance takes place and is for the purpose of obtaining, or is likely to obtain private information about a person (whether or not they are the target of the operation) an authorisation should be obtained.

3.1.5 By obtaining an authorisation, the surveillance operation is carried out in accordance with the law and the safeguards that exist.

3.1.6 Prior to granting an authorisation the Authorising Officer must be satisfied that the proposed surveillance is **necessary** on specific grounds and is **proportionate** to what it seeks to achieve.

3.1.7 Careful consideration must also be given to any Community sensitivities that may be exacerbated by any individual surveillance operation.

3.1.8 Before applying for an authorisation, the Investigating Officer should consider whether or not the evidence sought could be obtained by alternative possibly non covert methods.

3.1.9 The Authorising Officer must also believe that the surveillance is proportionate to what it seeks to achieve and is not excessive.

Note for All Applications for Authorisations

Necessity

For interference with an individual's private, family or business life to be necessary, the action must be for the purpose of detecting crime or prevention of disorder, be necessary to secure best evidence and that less covert or intrusive action would not serve the appropriate purpose.

Proportionality

The test for proportionality goes far beyond selecting the least intrusive method of investigation. The activity to be observed must not be trivial and must warrant the surveillance to be instigated

The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair. Proportionality should contain a consideration of four elements:

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
- explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others
- Considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives of obtaining the necessary result
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented

3.2 Collateral Intrusion

3.2.1 The officer seeking the authorisation should also consider the possibility of collateral intrusion (this is where interference with the privacy of others not subject to the original surveillance may occur). Steps should be taken to assess the risk and where possible reduce the risk of collateral intrusion. Where unforeseen collateral intrusion occurs during an operation, the Authorising Officer must be notified and consideration given to amending the authorisation following a review. A separate Lancashire County Council CCTV protocol exists which also refers to avoiding collateral intrusion.

3.2.2 Consideration must also be given as to whether or not the surveillance activities of the Service take place where similar activities are also being undertaken by another agency eg the Police, Benefits Agency, Environment Agency and liaison with other enforcement agencies should be considered where appropriate.

3.3 Records of Authorisations

3.3.1 A record of all authorisations must be maintained for five years following the end of the authorisation for Covert Surveillance and CHIS. Records relating to Communications Data should be retained until they have been inspected by the Interception of Communications Commissioner. The record should include not only those authorisations granted, but also those which are refused.

3.3.2 All CHIS and Directed Surveillance records including JP authorisations must be supplied electronically by email to the Director of Governance, Finance and Public Services for the Central Record of authorisations. For the Acquisition of Communications data the record is maintained by the National Anti Fraud Network (NAFN). Nominated Authorising Officers may retain copy records for their own reference. Copies of all relevant documents should be returned electronically to the applying officer. An officer from the central record will advise Authorising Officers of the status of authorisations when renewals, cancellation etc are required.

3.3.3 Due to the sensitive nature of **all documentation** covered by the Act, consideration **must** be given to the means by which copies are forwarded to the central record to ensure confidentiality. Records of authorisations, renewals and cancellations should be forwarded by email to the Director of Governance, Finance and Public Services.

3.4 Authorisations for Directed Surveillance

3.4.1 An authorisation is required for covert surveillance undertaken:

- (a) for a specific investigation or operation; and
- (b) where the surveillance is likely to result in obtaining private information about any person (whether or not they are the subject of the surveillance).

3.4.2 Directed surveillance is conducted where the observation is for the purpose of gathering private information to produce a detailed picture of a person's life, activities and associations.

3.4.3 An authorisation is not required for covert surveillance carried out as an immediate response to events or circumstances which could not be foreseen. However, if this surveillance continues for a substantial period of time, or is recommenced after some time has elapsed, an authorisation may be required.

3.4.4 **Local Authorities cannot undertake intrusive surveillance.** Therefore Authorisations will not be granted for cover covert surveillance on residential premises or in any private vehicles where an individual or surveillance device is present on such premises or vehicle.

3.4.5 Where the surveillance activity is likely to result in **confidential material** being obtained, the Authorising Officer within Lancashire County Council will be **the Chief Executive, or in his absence the person acting as Head of Paid Service** (see paragraph 4.3 of the Code of Practice on Covert Surveillance). In practice, advice should be sought from the Director of Governance, Finance and Public Services.

3.5 Covert Video Camera and Audio Recording Equipment

3.5.1 This type of equipment may be considered for the purpose of recording the transaction/activity and obtaining photographic evidence of individuals or activities eg Trading Standards test purchases etc. Concealed cameras and voice recorders may be used to record activities and conversations without the knowledge of the other party.

3.5.2 The deployment of such equipment clearly has the potential for not only obtaining personal information in relation to the suspect, but also collateral intrusion into the activities of other persons in the vicinity of the operation.

3.5.3 Whilst the use of such equipment does not automatically require an authorisation, consideration should be given to safeguard against any challenge as to Human Rights infringements. The manner in which such equipment is used may also invoke the requirements relating to **Covert Human Intelligence Sources**. Prior to such covert use of equipment, advice should always be sought from an Authorising Officer or the Head of Trading Standards.

3.6 Grounds For Granting Authorisations

3.6.1 Surveillance **must** be shown to be necessary on specific grounds. Investigations undertaken by Local Authorities can only be authorised:

For the purposes of preventing and detecting crime

3.6.2 The Council operates parallel procedures for Non-RIPA investigations/surveillance (Ref paragraph 1.2)

3.6.3 Local Authorities are not able to issue urgent authorisations.

3.6.4 Officers should normally be able to prepare applications in advance to enable a written authorisation to be obtained.

3.7 Duration of Authorisation

3.7.1 An authorisation is valid for three months, unless cancelled.

This begins on the day on which the Authorising Officer grants the application, the expiry date will be considered to be three months minus one day (authorisation ceases at 23:59) from the date of signature by the Authorising Officer.

3.7.2 The Authorising Officer should ensure that a system is in place to review authorisations before it ceases to have effect. It is a matter for the Authorising Officer to determine how frequently a review is necessary and practicable. This is stated within the authorisation as a control measure. The authorisation should also be reviewed prior to expiry to determine whether or not a renewal is required and can be justified. It is a requirement that review forms are maintained by the Central Record.

3.8 Renewal

3.8.1 An authorisation may be renewed for a further period of three months. It may be renewed more than once provided that the renewal continues to meet the criteria for authorisation. The number of occasions it has been renewed should be recorded.

3.8.2 A record should also be made of the following:

- Any significant changes to the previous authorisation
- Why it is necessary to continue the surveillance
- The value to the investigation of the information obtained so far by surveillance
- An indication of the length of time further surveillance may be necessary

3.9 Cancellations

3.9.1 The Authorising Officer who granted or who last renewed the authorisation must cancel it if satisfied that the directed surveillance no longer satisfies the criteria outlined in this procedure.

3.9.2 An authorisation should also be cancelled once the activity which was the subject of the authorisation has been completed. **The authorisation should not be left to lapse as a result of the time limit expiring.**

3.9.3 The reason for cancellation of the authorisation must be detailed on the cancellation form. The cancellation form should be sent to the Central Record by the Authorising Officer.

3.10 Records

3.10.1 Material obtained as a result of surveillance activities should be recorded on the "Record of Product obtained by Directed Surveillance Form".

3.10.2 A copy of this form should be forwarded to the Authorising Officer to be filed with the Authorisation form. The original should be retained by the Investigating Officer as part of the case file. Internal procedures within some services may require that all authorisations and case materials are held within a specific secure location. A copy should be retained on the case file.

3.10.3 A record must also be maintained of the period over which surveillance has taken place.

3.11 Handling Product from Surveillance Activities

3.11.1 "Product" from Covert Surveillance activities may consist of:

- Photographs
- Video film
- Voice recordings
- Surveillance log
- Officer's notes

3.11.2 The above may be required as evidence in current or future criminal proceedings. Officers must have regard to the provisions of the Criminal Procedure and Investigations Act 1996 in relation to unused material. Product obtained via an authorisation may be used by the authority in other investigations.

3.11.3 Although specific legislation and the Data Protection Act 1998 provide for the disclosure of information in certain circumstances, additional controls are introduced by RIPA.

3.11.4 The use of any product obtained by authorised surveillance activities outside of the local authority or the Courts should only be authorised in the most exceptional circumstances. This requirement seeks to prevent product from being used for grounds other than that for which it was obtained. **Joint operations should make reference to the potential use of evidence by each agency.**

3.11.5 Officers may receive requests from other agencies for product, which may include photographs of suspects, descriptions and vehicle details. Where this information has been obtained under an authorisation, further guidance should be sought from the Authorising Officer since disclosure may not be permitted under the provisions of the Code of Practice.

3.12 Storage of Product

3.12.1 Officers should ensure that evidential protocols are observed to ensure the integrity, security and confidentiality of material. This will ensure that the requirements of the Data Protection Act are addressed.

3.13 Disposal of Product

3.13.1 Officers should ensure that personal data is not kept for longer than necessary for the purpose for which it was obtained as follows:

Product which is not required as evidence should not be retained any longer than necessary. It will be necessary to retain product for a sufficient time to safeguard the Council against any civil claims against infringement of an individual's Human Rights. **A period of five years** ensures that all of the retention period requirements are addressed.

3.13.2 Product which has been destroyed should have this fact recorded on the record of product obtained by Directed Surveillance and be signed by the officer

3.13.3 An amended copy of this Record form should be forwarded to the Authorising Officer indicating destruction of the product obtained from the surveillance activity.

4 Guidance Notes for the Authorisation of Directed Surveillance

4.1 Activity Involved

Does the activity involve:

The necessary and proportionate systematic covert surveillance of an individual which is likely to gather private information?

If so, an authorisation is required

4.1.1 Low-level activity for example, to determine whether a premise is still trading, will not require authorisation. Surveillance carried out in response to immediate events will also not require authorisation. However, if the surveillance activity continues for any period of time, an authorisation will be required.

4.1.2 The Authorising Officer must be satisfied that:
The authorisation is:

Necessary for the purposes of preventing and detecting crime or is pursuant to Council Policy for Non-RIPA surveillance (Ref Paragraph 1.2)

4.1.3 The Authorising Officer must also believe that the surveillance is proportionate to what it seeks to achieve, and is not excessive.

Where the identity of the subject is known to the officer, measures should also be taken to verify (where appropriate) the address under surveillance (eg electoral register, business rates, utility suppliers). The Authorising Officer must include some control measures within the authorisation eg reviews, circumstances in which the surveillance must be stopped.

4.1.4 The application should provide the background to the investigation and details of other methods which have failed to provide the information being sought or why other methods are not appropriate.

4.1.5 The description of the activity to be undertaken should be as comprehensive as possible describing how the surveillance will be undertaken, where it will occur and any equipment (eg cameras, video camera) which will be used. The investigating officers must not employ techniques which are not permitted by the authorisation.

4.1.6 The information being sought should be described and how this may provide evidence of the offence or other matter being investigated. The potential for collateral intrusion should be identified and plans to avoid/minimise such intrusion.

4.1.7 A statement must also be included as to the likelihood of obtaining confidential material/religious material eg the premises are a residential property, not located near any medical, religious or legal establishments, therefore there is no likelihood of obtaining any confidential/religious material.

4.1.8 If confidential material is being sought, or is likely to be obtained, a higher level of authorisation is required. This authorisation can only be given by the Chief Executive (or in their absence by the Head of Paid Service). Further guidance should be sought from the Director of Governance, Finance and Public Services if confidential material becomes relevant to the investigation.

4.1.9 Where applications for authorisations are refused, records of the refused application must also be maintained stating the reasons for the refusal and a service number. Copies of these refusals must be sent for inclusion in the central record.

4.2 Directed Surveillance via Recording of Telephone Conversations

4.2.1 The interception of communications sent by post or public telecommunications systems or private telecommunications systems attached to the public network may only be authorised by the Secretary of State (Part I RIPA).

4.2.2. The attachment of a general surveillance device eg "wiretapping" to a telecommunications system can only be undertaken under a warrant issued under Section 5 of RIPA (this is not available to the Council).

4.2.3 However an exception to the rule requiring a warrant exists, where one party to a telephone conversation consents and where an authorisation for directed surveillance is obtained. See Section 48(4) of RIPA.

4.2.4 For example, a member of the public may consent to the recording of a telephone conversation made by or to him/her. An officer may seek to record such a conversation to assist with an investigation into another person's activities.

4.2.5 An officer may also request a colleague to telephone another person as part of an investigation or may make the call himself or herself. These situations may require an authorisation to be granted depending on the nature of the information to be obtained. Where the call is a simple call to enquire about the availability or description of goods or services on offer for supply as any consumer would enquire, an authorisation will not be required.

4.2.6 Where the person giving consent is not present and a recording made, this activity is deemed to be intrusive surveillance and is beyond the scope of activities authorised for the Council.

4.2.7 Where the Officer acts in an overt capacity, ie clearly identifying the fact that they represent the Council, the activity will not require a directed surveillance authorisation.

4.2.8 Where the Officer makes/receives the call acting covertly, with the possibility of private information being obtained and a relationship being entered into, both a directed surveillance and CHIS authorisation will be required.

4.2.9 Similarly if a member of the public or another person acting as a covert source is asked to record a telephone conversation made/received by them, both authorisations will be required to be in place.

4.3 Test purchasing of age restricted products

4.3.1 Juveniles may only be authorised as a CHIS by the Head of Paid Service.

4.3.2 Officers should have regard to the Better Regulation Delivery Office code of Practice in determining whether directed surveillance authorisation will be necessary in the context of the planned operations.

4.3.3 Where the information obtained relates only to whether a sale is made or not, and no other information is likely to be obtained which is not already known to the officer directed surveillance authorisation is not necessary.

5 Covert Human Intelligence Sources (C.H.I.S.)

5.1 Introduction

5.1.1 This section of the guidance document deals with Covert Human Intelligence Sources (CHIS), more commonly known as:

Undercover Officers

Informants/Agents

Authorisation is a two-stage process:

- (a) to use a source
- (b) an authority for the conduct of a source

NB Juvenile surveillance CHIS – normally no-one under 18 years or any vulnerable individual should be considered as a CHIS (see 5.6 – 8)

5.1.2 A CHIS is a person who establishes or maintains a personal or other relationship with another person for the covert purpose of:

- (a) Using such a relationship to obtain information or to provide access to information to another person, or
- (b) Disclosing information obtained by the use of such a relationship or as a consequence of such a relationship.

In addition, a person who covertly provides information to a public authority is potentially a CHIS if he has obtained that information in the course of or as a consequence of the existence of a personal or other relationship, whether or not the relationship has been established or maintained for that purpose. A repeat informant if and when it becomes apparent that he obtains his information in that way is a CHIS to whom a duty of care is owed, if the information is acted upon. Legal advice should be taken before acting on the information provided by such a source.

5.1.3 The relationship is used covertly if, and only if, it is conducted in a manner calculated to ensure that the person is unaware of its purpose.

5.1.4 The Council receives complaints/information routinely from the public and traders regarding the alleged activities of individuals. The actions of these complainants do not generally fall within the definition of a covert source since they are a one off provision of information. However, a person may become a covert source if an ongoing relationship with the Council develops and activities described in paragraph 5.1.2 above are carried out.

5.1.5 Where the nature of the complaint relates to a matter where an officer requests the complainant to obtain further information covertly via a relationship with another individual, this activity is likely to fall within the scope of RIPA. An authorisation will therefore be required before seeking such information. By following the authorisation procedures, the Council will also be in a position to seek to safeguard the identity of the source in any subsequent legal proceedings. Further guidance should be sought from the Director of Governance, Finance and Public Services Group on this issue to ensure that the identities of any such individuals are safeguarded in the event of any legal proceedings, tribunals or disciplinary hearings.

5.1.6 The Code of Practice on Covert Human Intelligence Sources relates not only to sources (which may commonly be referred to as informants) but also the activities of sources, which consist of undercover officers who establish or maintain a covert relationship to obtain information and evidence.

5.1.7 Before a source may be engaged or an undercover officer deployed the use must be authorised. A separate authorisation for the conduct is also required. The use authorisation

effectively registers the source with the Council. The conduct will address each separate operation/investigation in which that source may be involved.

5.1.8 In most cases, the use and conduct of a source will be restricted to a single investigation. However, situations may arise where different conducts are required which can be done once the use authorisation is in place. An example would be officers of a Service who undertake investigations which require different undercover stories to be adopted. The use authorisation enables them to undertake such covert activities. The conduct authorisation addresses each different cover story and activity within a different investigation/operation.

5.1.9 The same authorisation form is used for both use and conduct, with the deletion of Use*/Conduct* as appropriate. A conduct authorisation should be traceable back to the original use authority. A handler and controller must also be designated as part of the authorisation process and detailed records of the use, conduct and tasking of the source maintained.

5.1.10 An Authorising Officer is a person entitled to give an authorisation for the use or conduct of a source in accordance with Section 29 of the RIPA. Trading Standards Managers have been designated as authorising officers.

5.1.11 The use of a CHIS should be **necessary** and **proportionate** to the matter being investigated (see para 3.1.9).

5.1.12 Failure to obtain an authorisation may render the Council liable to a claim of infringing the human rights of an individual and may adversely affect the admissibility of any evidence obtained by the use of covert methods employed by a source. It is also established that a public authority owes a duty of care to a CHIS. Failure to undertake a robust risk assessment and authorisation may also adversely affect the position of the Council in the source suffering any harm as a result of the activity in which they have been engaged.

5.1.13 Careful consideration must be given to any potential sensitivities which may exist before deciding whether to use a CHIS in a particular community or against a particular individual.

5.1.14 A separate directed surveillance authorisation is not required where any surveillance device (technical equipment) is used in the presence of the covert source.

5.1.15 A CHIS carrying surveillance equipment can be invited to enter residential premises or a private vehicle. However the CHIS cannot install surveillance equipment in residential premises or a private vehicle since this activity constitutes intrusive surveillance and is not available for use by local authorities.

5.2 Further Guidance on the C.H.I.S Process.

5.2.1 When seeking an authorisation for an individual to act as a CHIS, consideration needs to be made of their potential role in the investigation. Are they prepared to be a witness? Do they need to be given protection as a result of providing information? The source may also be in a position to provide information relating to a number of different matters worthy of investigation.

5.2.2 The motives of potential sources need to be considered as part of the evaluation process. Could they be motivated by possible rewards or revenge? The aim could be to deflect attention away from themselves towards other individuals.

5.2.3 Has consideration been given to building up a detailed profile of the potential source and their associates? In all cases, a face-to-face meeting with the complainant or any other person considered as a potential source should take place. Please be aware that the individual may have needs in respect of language, hearing or sight.

5.2.4 Directed surveillance may be needed to evaluate the source. Consideration should be given in certain circumstances to carrying out checks on the source with the Police. A thorough risk assessment must be carried out on the potential source and the proposed conduct.

5.3 Management of Sources

5.3.1 Tasking is the assignment given to the source by the handler/controller asking him/her to obtain information or to take action to obtain information.

5.3.2 All authorisations should be in writing and in place before tasking a source. Every source must have a designated handler and controller.

5.4 Designated Handlers and Controllers for the Use of Covert Human Intelligence Sources

5.4.1 Where the CHIS is a complainant or an informant, the Handler will be the Investigating Officer and the Controller will be their line manager. Where the CHIS is employed by the Council acting in an undercover capacity, the Handler will be the officer's line manager and the Controller will be another manager within the Service. This arrangement will ensure that an officer does not act as a Controller and Authorising Officer thereby ensuring a level of independent scrutiny.

5.5 Security and Welfare of Sources

5.5.1 A source has no licence to commit crime. In certain circumstances it may be advisable to provide written guidance to the source explaining what is being requested of them and the limits of the tasking. The source should be asked to sign such a document to confirm that they understand the terms of reference.

5.5.2 A public authority deploying a source should take into account the safety and welfare of the source when carrying out any actions in relation to the authorisation or tasking. The foreseeable consequences of the tasking should also be considered.

5.5.3 A Risk Assessment should be undertaken to evaluate the source and to determine the risk to the source of any tasking and the likely consequences should the identity and role of the source become known to the subject or others involved with the subject.

5.5.4 The handler should draw to the attention of the controller:

The Risk Assessment

The Conduct of the Source

The Safety and Welfare of the Source

A Handler is responsible for:

Dealing with the source on behalf of the Council

Directing the day to day activities of the source

Recording the information supplied by the source

Monitoring the security and welfare of the source

5.5.5 Where a source is known or suspected of being involved in crime, consideration should be given to their motives in supplying information. It may also be a prudent step in the management of such a source to have two officers present during any meetings with the

source. Background checks on the potential source via the Police Local Intelligence Officer should also be considered.

5.5.6 Special provisions exist for the conduct in use of juvenile sources (Under 18).

A source under 16 cannot be engaged to use a relationship with any person having parental responsibility for them. A source under 16 must have an appropriate adult present during any meetings and a risk assessment must also take place before granting or renewing an authorisation for the conduct and use of a source under 18. This will take account of physical and psychological risks.

See the Regulation of Investigatory Powers (Juveniles) Order 2000 for detailed guidance.

5.5.7 Special consideration should also be given to the use of vulnerable individuals as a source. This will require the highest level of Authorising Officer (see the code of practice for further guidance).

5.5.8 Authorisations for juvenile sources ie a source under the age of 18, when the authorisation is granted, have effect for one month. **Juvenile and vulnerable source authorisations can only be issued with the authorisation of the Head of Paid Service.**

5.6 The Application for Authorisation

Must include:

5.6.1 The ground on which the authorisation is sought:

- Preventing or detecting crime (or other Lancashire County Council Non-Ripa policy circumstances)
- An explanation of the necessity and proportionality of the Use/Conduct.
- Where the matter relates to a specific investigation, details of that investigation or operation.
- Details of the purpose for which the source will be tasked.
- Details of what the source will be tasked to do.
- Details of the level of authority required having regard to any confidential material that might be obtained as a consequence of the authorisation. (This will invoke the requirement to be authorised by the Chief Executive if confidential material is being sought or is likely to be obtained).
- Details of who will be affected and plans to avoid/minimise collateral intrusion. Where this changes, the Authorising Officer must be informed and the authorisation reviewed.
- A detailed Risk Assessment must have been undertaken. A review may also be required if the assessment is not current.
- The Authorising Officer may wish to impose control measures on the authorisation that is granted.

5.6.2 Unless renewed or cancelled, an authorisation remains in force for:

12 months from the date of issue (Juveniles - one month). The authorisation should be given a unique operation reference number and be recorded in management record file. Conduct authorisations should be referenced to the original use authorisation.

A duplicate/copy of the authorisation should be issued to the officer. This will ensure that the officer has a record of the scope of the activity authorised.

5.6.3 Applications which are refused should also be recorded together with the reasons for the refusal and a service number. Copies of these refusals must be sent for inclusion in the central record.

5.7 Duration of Authorisations

5.7.1 Authorisations have effect for a period of twelve months. It is suggested that the authorisation to use the source has effect for up to 12 months (other than juveniles, see above), however the conduct may be restricted to a shorter period or be made subject to reviews set as a control measure by the Authorising Officer.

5.7.2 Records of authorisations to be retained for a minimum period of five years.

5.7.3 Destruction of the authorisation form should be documented in the Authorising Officers Management Record file.

5.8 Renewals and Reviews

5.8.1 An authorisation may be renewed after the Authorising Officer reviews the use made of the source having regard to:

- a) The tasks given to the source
- b) The information obtained from the source.

If satisfied that the original authorisation criteria are met, a renewal may be granted.

5.8.2 Since an authorisation for a CHIS may remain in force for a period of twelve months, regular reviews should be undertaken to ensure the ongoing validity of the activity and the ongoing welfare and security of the source. Any changes to circumstances may require that further risk assessments are undertaken.

5.8.3 The reviews should be undertaken at intervals of no longer than three months and documented. Additional control measures may also be introduced as a result of a review. The Authorising Officer should implement a system to identify appropriate review dates.

5.9 Cancellations

5.9.1 An Authorising Officer must cancel an authorisation where:

The use or conduct of the source no longer meets the original authorisation criteria.

The procedures for managing the source are no longer in place.

Where possible the source should be informed of the cancellation, and this fact noted on the cancellation. The authorising officer should give directions on the handling, storage or destruction of the product of surveillance.

5.9.2 Where an investigation no longer requires the authorisation to be in place eg the evidence has been obtained, it should be cancelled promptly rather than allowed to expire through time, and the reason for cancellation documented.

5.10 Source Records

5.10.1 Records of Use of the source and the product provided by the source should be maintained by the service for a period of five years. Records should not be destroyed without the authority of the Authorising Officer. Destruction of records should be documented in the Central Records file.

5.10.2 The following information must be recorded:

- Authorisation Reference Number
- Authorising Officer
- Identity used by Source (If any)
- Identity of Source
- Reference used in the authority to refer to Source (If any)
- Information relating to security and welfare of Source
- A record that any risks to the security and welfare of the Source have been explained to and understood by the Source
- Records of reviews conducted on the continuing use and welfare of the Source
- The date when the Source was recruited
- The circumstances of the recruitment
- Identity of the Handler and Controller (and details of any changes)
- A record of the tasks and activities given to the Source
- A record of all contacts or communications between the Source and a person representing the Council
- The information obtained through the Source
- How the information is used
- A statement as to whether any payment, benefit or reward is provided by or on behalf of any investigating authority and details of it*.
- Reasons for cancelling/not renewing the authorisation and the date and the time of such a decision.

*(Please seek guidance regarding any payment, benefit or reward you may wish consider from an Authorising Officer).

Notes:

Necessity

For interference with an individual's private, family or business life to be necessary, the action must be for the purposes of preventing and detecting crime or of preventing disorder, be necessary to secure best evidence and that less covert or intrusive action would not serve the appropriate purpose.

Proportionality

The test for proportionality goes far beyond selecting the least intrusive method of investigation. The activity to be observed must not be trivial and must warrant the surveillance to be instigated.

The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair. Proportionality should contain a consideration of three elements:

a) that the proposed covert surveillance is proportional to the mischief under investigation; (b) that it is proportionate to the degree of anticipated intrusion on the target and others and (c) it is the only option, other overt means having been considered and discounted

6 Risk Assessments for All RIPA/Surveillance Activities

6.1 Whenever undertaking covert directed surveillance or engaging in the conduct and use of a CHIS, the proposed activity must be the subject of a risk assessment and evaluation of the proposed Source.

6.2 Directed Surveillance activities clearly have the potential to expose staff to hazards should their activities become known to the subject or even to others during the operation. The use of a CHIS has the potential to expose handlers, undercover officers, agents/informants and the public to health and safety risks. A duty of care may also lie with officers and the Council in managing sources.

6.3 Authorising Officers, Controllers, Handlers Undercover Officers and Investigating Officers must all have regard to the Council's Corporate Policy on Health and Safety. This addresses issues such as lone working and violence to staff.

6.4 It is a matter for each Service to determine the training required to ensure that staff are competent to undertake risk assessments of proposed operations/use of covert sources. All incidents/dangerous occurrences during the course of operations should be reported in accordance with the relevant Health and Safety Procedures.

6.5 Consideration should also be given to staff training requirements to engage in covert activities, surveillance and acting in an undercover capacity.

6.6 This section of this guidance document is intended to provide an overview which must be borne in mind when undertaking activities within the scope of RIPA.

6.7. Further Guidance on Health and Safety issues is available from Corporate HR/ Health and Safety sources.

6.8 Risk assessments for directed surveillance operations should be undertaken by the officer in charge of the proposed activity and submitted with the authorisation application.

6.9 Risk assessments for the use of a CHIS should be undertaken by the Handler and considered by the Controller as part of a risk management process. The assessment should then be forwarded to the Authorising Officer with the application. The assessment should consider the Ethical, Personal and Operational Risks of the proposed activity. The evaluation of a potential source is an important part of the application process.

6.10 Risk assessment is not a one off activity but an ongoing process throughout the operation and use of the source, since circumstances may change and a review may be required.

6.11 The nature of the risks surrounding the deployment and management of individual sources, handlers and operational activities will vary according to a wide range of factors on a case by case basis. Risk assessment allows the handler and controller to advise the Authorising Officer of the plan for managing the risks.

6.12 Authorising Officers will **not** authorise a Directed Surveillance operation or the use of a source without the evidence that the risks have been considered and a plan for their management exists.

7 Communications Data

7.1 Accessing Communications Data

7.1.1 The relevant provisions of Part I Chapter II of RIPA 2000 came into force on 5 January 2004. This established a formal legal framework, by which public authorities can obtain communications data by a lawful method, consistent with article 8 of the Human Rights Act 1998.

7.1.2 This section of the guidance document details the systems in place to ensure compliance with RIPA when an investigating officer seeks to obtain communications data within the scope of their enquiries.

7.1.3 In a similar manner to the existing provisions of RIPA relating to directed surveillance and the use of a CHIS, a process of submitting an application and securing an authorisation is established by the legislation and code of practice.

For this part of the Act the lead Service for the Authority is the Trading Standards Service. The Senior Responsible Officer for this Part of the Act is the Head of Service for Trading Standards.

7.1.4 Under Section 22(2) of RIPA, communications data which local authorities are entitled to access can only be sought for the purpose of:

The prevention and detection of crime or preventing disorder Section 22(2)(b)

The application is also put to the two tests under RIPA of necessity and proportionality.

7.1.5 This activity cannot be undertaken by an officer as communications service providers will only accept requests for information from accredited officers registered with the Home Office and termed **Single Points of Contact (SPOC)**.

7.1.6 The National Anti Fraud Network acts as the SPOC on behalf of Lancashire County Council. Applications are made by officers via a secure network, and forwarded to the designated persons in the Trading Standards Service for authorisation by means of this network.

7.1.7 Records of all applications, authorisations, notices, cancellations and refusals are maintained by NAFN. These are subject to periodic inspection by the body appointed to have an overview of this Part of the Act, the Interception Commissioner. As with other parts of RIPA there is a Central Record. For this part of the Act it is maintained by NAFN on behalf of Lancashire County Council.

7.2 What is Communications Data

7.2.1 Communications data is information held by communication service providers such as telecom, Internet and postal companies relating to the communications made by their customers.

7.2.2 Communications data includes the detail of the user, the use and the content (Traffic) of the communication. (Note: Local Authorities do not have the right to access traffic information).

7.3 Who are Communication Service Providers

7.3.1 Communications data is obtained from Communications Service Providers (CSPs) These include:

Telecommunications Providers

- Mobile Phone service providers eg Orange, Vodafone, T Mobile, O2
- Landline telephone service providers eg BT, NTL, Cable and Wireless
- International Simple Voice Resellers eg One-Tel

Internet Service Providers (ISPs)

Examples: AOL, BT, NTL

Virtual ISP's: Freeserve

Portals: Hotmail, Yahoo, Lycos

Postal Providers

Royal Mail, Parcelforce, DHL

Small parcel courier services

Accommodation agencies, which forward mail to clients

7.4 What Information can be obtained from Communications Service Providers

7.4.1 Information about communications service users

Section 21(4)(c)

This category mainly includes personal records supplied to the CSP by the customer/subscriber. For example, their name and address, payment method, contact number etc.

- Name of account holder/subscriber
- Installation and billing address
- Method of payment/billing arrangements
- Collection/delivery arrangements for PO Box (but not where from or to)
- Other customer information such as any account notes, demographic information or sign up data (not passwords or personalised access information)

7.4.2 Information about the use of the Communications Service Section 21(4)(b)

This category mainly includes everyday data collected relating to the customer's use of their communications system. For example, details of the dates and times they have made calls and which telephone numbers they have called.

- Outgoing calls on landline or contract or prepay mobile
- Timing and duration of service usage
- Itemised connection records
- Internet log on history
- Emails log (sent)
- Information on connection, disconnection and reconnection of services
- Information on the provision of conference calling, call messaging, call waiting and call barring
- Information about the provision and use of forwarding/redirection services (postal and telecom)
- Records of postal items, such as records of registered, recorded or special delivery postal items, records of parcel consignments, delivery and collection

7.4.3 Information about Communications (Traffic Data) Section 21(4)(a)

Local authorities are not permitted to obtain 'traffic' data (ie the actual content of the communication or more detailed information or tracking)

This category mainly includes data generated by the CSP (network data) relating to a customer's use of their communication system (that the customer may not be aware of) for example, cell site data and routing information.

- Information identifying the sender and recipient (including copy recipients) of a communication
- Information identifying any location of a communication (such as mobile phone cell site locations data)
- Routing information identifying or selecting any apparatus through which a communication is transmitted – for example dynamic IP address allocation, web postings and e-mail headers
- Call detail records for specific calls (such as calling line identity – incoming calls)
- Web browsing information (only the web site name is disclosed and not the pages visited on the web site)
- Information written on the outside of a postal item (such as a letter or parcel)
- Online tracking of communications (including postal)
- Signalling information and dialling sequences that affects the routing of a communication (but not the delivery of information) in the investigation of "dial thru" fraud

Please note that these lists are not exhaustive and the CSPs cannot all provide the same information.

7.5 How can this Information be Obtained

7.5.1 Under Section 22(2) of RIPA, communications data which local authorities are entitled to access can only be sought if it for the purpose of:

The prevention and detection of crime or preventing disorder Section 22(2)(b)

7.5.2 The application is also put to the two tests under RIPA of necessity and proportionality.

7.5.3 RIPA establishes two methods by which communications data may be obtained:

Notices

Authorisations

7.5.4 A Notice under Section 22(4) of RIPA requires the CSP to collect or disclose the data on behalf of the public authority.

7.5.5 An authorisation under permits the public authority to collect the information. This may be where the CSP is not capable of collecting the data or a prior agreement is in place to allow the authority to access the data.

7.5.6 A CSP only has to provide the data in a reasonable time and if practical to do so. Different CSPs will have different types of data and differing retention periods.

7.5.7 When it becomes clear that a witness statement is required to formally produce the data which has been provided by the CSP, it should be requested without undue delay.

7.5.8 CSPs are entitled to recover reasonable costs incurred in providing the data and supplying witness statements. These vary from one CSP to another.

7.5.9 Where the notice or authorisation is approved by the Designated Person (Authorising Officer), it remains in force for a period of one month.

7.5.10 Notices and authorisations which are no longer required are no longer necessary or proportionate and must be cancelled.

7.6 Contact with the Communications Industry

7.6.1 Notices and, where appropriate, authorisations for communications data can only be channelled through single points of contact officers (SPOCs) within each public authority.

7.6.2 Similarly, requests for a witness statement following receipt of data from a CSP should also be via a SPOC.

7.6.3 SPOCs have been trained via a course accredited by the Home Office and the details of nominated SPOCs within each public authority are held by each CSP.

A CSP will therefore not deal with any request received from another un-accredited source of enquiry.

7.7 The Role of the SPOC

7.7.1 SPOCs will enable a more efficient regime to be developed as they will deal with CSPs and become aware of the data which they hold.

7.7.2 The SPOC plays an important role in the self-regulation and internal quality control of a public authority in ensuring that the requirements of RIPA are adhered to in requesting and obtaining communications data.

7.7.3 SPOCs reduce the demands upon CSPs from a great number of sources within a public authority.

7.7.4 A SPOC will be able to advise the applicant officer of the nature and practicalities of obtaining the data which is being requested.

7.7.5 The SPOC will advise the applicant on the content of the application request prior to submission to the Authorising Officer and where necessary refuse the application at that point for stated reasons.

7.7.6 The SPOC provides a safeguard for CSPs in ensuring that applications and notices are genuine.

7.7.7 SPOCs will retain a list of contact points with relevant CSPs.

7.7.8 NAFN provide a SPOC service on behalf of Lancashire County Council, and access details are maintained within the Trading Standards Service.

7.8 The Role of the Authorising Officers

7.8.1 This officer considers the necessity and proportionality of any application for communications data (see earlier sections of this Guidance Document which provide further information on these tests).

7.8.2 Consideration should also be given to the issue of collateral intrusion where other persons may be affected by the granting of the notice or authorisation.

7.8.3 The Authorising Officer is required to be an officer at least at the following level within the authority:

Director
Head of Service
Service Manager or equivalent

An Authorising Officer should have the necessary training and experience to be competent to authorise activity. A record of Authorising Officers will be kept within the Trading Standards Service.

7.9 The Application Process

7.9.1 The investigating officer should log in to NAFN and complete the relevant online form.

7.9.2 The application should then be submitted to the SPOC via NAFN who will give consideration to the following:

- Whether the data being requested is capable of being provided by the CSP
- The reasons for the data being required in terms of the investigation being conducted and the offence being investigated
- The grounds for necessity and proportionality being addressed
- Should the application be deemed satisfactory, a Notice or authorisation form will be completed, this together with the application form will be submitted to the Authorising Officer for authorisation or refusal.

Should the SPOC, however, consider there are grounds refusing the application, the form will be returned to the officer via the network.

When a Notice or authorisation is approved by the Authorising Officer, the SPOC will send it to the relevant CSP.

A Notice is only valid for a period of one month.

When, during the life of a Notice or authorisation, it is no longer necessary or proportionate or is no longer required by the investigation it must be cancelled.

7.10 Records and Errors

7.10.1 NAFN will retain records of all applications, refusals and authorisations passed to the designated person. Copies of all Notices/authorisations and refusals from the Authorising Officer will be retained.

7.10.2 This will allow a full audit trail for an application for obtaining communications data.

7.10.3 Documentation will be maintained by NAFN for inspection by the Interception Commissioner and complaints falling within the remit of the Complaints Tribunal.

7.10.4 Where any errors have occurred in granting authorisations or notices (eg subscriber details of an incorrect telephone number being obtained), a record must be kept and the matter explained by means of a report to the Commissioner as soon as practicable. NAFN or the authorising officers will notify the Trading Standards Head of Service of any errors as soon as possible so a report can be sent to the Interception Commissioner.

8 Seeking JP approval for authorisations

8.1 In all cases involving authorisation of Directed Surveillance, use of CHIS, and access to Communications Data, officers must seek prior approval from a JP before undertaking the activity.

8.2 If the JP is satisfied that the statutory tests have been met and that the use of the technique is necessary and proportionate he/she will issue an order approving the grant or renewal for the use of the technique as described in the application.

8.3 The officer will make an appointment at the relevant magistrates' court and will provide the JP with a copy of the original RIPA authorisation or notice and the supporting documents setting out the case. This forms the basis of the application to the JP and **should contain all information that is relied upon**. For communications data requests the RIPA authorisation or notice may seek to acquire consequential acquisition of specific subscriber information. The necessity and proportionality of acquiring consequential acquisition will be assessed by the JP as part of his consideration.

8.4 The original RIPA authorisation or notice should be shown to the JP but will be retained by the local authority so that it is available for inspection by the Commissioners' offices and in the event of any legal challenge or investigations by the Investigatory Powers Tribunal (IPT). The court may wish to take a copy.

8.5 In addition, the local authority will provide the JP with a partially completed judicial application/order form.

8.6 The order section of this form will be completed by the JP and will be the official record of the JP's decision. The local authority will need to obtain judicial approval for all initial RIPA authorisations/applications **and renewals** and the local authority will need to retain a copy of the judicial application/order form after it has been signed by the JP. There is no requirement for the JP to consider either cancellations or internal reviews.

8.7 Further more detailed guidance and documentation should be accessed via the Home Office Guidance available on the www.gov.uk website.

8.8 Where JP approval is granted, this should be forwarded to the Director of Governance, Finance and Public Services for the Central record, and directed surveillance and CHIS activity can commence. For Communications Data, the approval needs to be returned to NAFN for the SPOC to contact the relevant CSP.

9 Lancashire County Council Auditing of Authorisations and Records

9.1 The Trading Standards Service must annually undertake a review of their activity within the scope of RIPA and complete the annual RIPA return form which must be returned to the Director of Governance, Finance and Public Services.

9.2. The Senior Responsible Officer reviews RIPA activity on a quarterly basis, and reports activity under RIPA to the Cabinet on an annual basis.

9.3 Part of the Audit will focus on a review of Projected Service activity and that all relevant staff have had sufficient training.

9.4 The following will also fall within the scope of the audit:

- Applications
- Authorisations
- Risk assessments
- Reviews and Renewals
- Cancellations
- Records of Product of Directed Surveillance
- Source Records
- Staff Awareness

9.5 The audit will seek to establish compliance of the authorisations/renewals/cancellations and records with the following:

- RIPA
- Statutory Instruments made under RIPA

- The Code of Practice on Covert Surveillance
- The Code of Practice on Covert Human Intelligence Sources
- The Code of Practice on Accessing Communications Data
- <https://www.gov.uk/government/collections/ripa-codes>
- Lancashire County Council RIPA corporate policy and work instructions
- Guidance material issued by the OSC and IOCCO.

9.6 Non-conformities identified as a result of the audit will be reported to the relevant Service Management Team. Action taken by local management should be reported back to the Audit team.

9.7 The cross Council audit report will be held within the Central Record.

9.8 The processing of prosecution reports by a service should have regard to compliance with RIPA where investigations include covert surveillance and/or the use of a CHIS and/or obtaining communications data.

10 Inspections by the Office of the Surveillance Commissioner (OSC) and the Interception of Communications Commissioner (IOCCO)

10.1 The Codes of Practice include a section dealing with inspection by the Commissioners. They impose a requirement to comply with requests and to disclose or provide information requested by the Commissioner to allow him to carry out his functions.

10.2 During inspection visits, the codes require certain authorisations to be drawn to the Inspector's attention. These being where the Authorising Officer has authorised an activity he is directly involved in and those where confidential material is sought or obtained.

10.3 A further inspection regime has been established by RIPA in relation to accessing communications data. This is undertaken by the Interception of Communications Commissioner. These inspections take place through NAFN, with queries raised individually with local authorities where necessary. Similar recourse to the Tribunal exists for complaints against the activities of the authority.

11 Complaints

11.1 An independent complaints procedure is provided by the legislation. Complaints can be made to:

The Investigatory Powers Tribunal
PO Box 33220
London
SW1H 9ZQ
Tel: 0207 035 3711
<http://www.ipt-uk.com/>

12 Management Records

12.1 The management files, authorisations/renewals/cancellations and Source Records **must be kept in a secure place with restricted access**. These files will provide the basis of the audits and be liable for inspection by the Office of the Surveillance Commissioners. **Originals of the authorisations (including refusals), reviews, renewals and cancellations, must also be provided to the Central Record. This is managed by the Director of Governance, Finance and Public Services.** Officers forwarding confidential material to the Central Record must ensure that it is forwarded by a secure method.

12.2 Security of the Central Record

The Central Record is to be held in a suitable locked cabinet, or secure electronic folder.

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Shadow RIPA Surveillance Policy 2016

General Statement of Policy

- **This policy document relates to use by Lancashire County Council officers of directed surveillance, and covert human intelligence sources not undertaken in relation to the prevention and detection of crime for which the authority has an enforcement responsibility, or which fall outside the RIPA regime due to offence penalties not meeting the thresholds laid down for the RIPA regime to apply.**
- **The County Council is committed to upholding human rights**
- **As a public body and responsible employer, the County Council wants to conform to the spirit of the requirements of the Regulation of Investigatory Powers Act 2000 and associated regulations and codes of practice relating to the use of covert surveillance, the use of covert human intelligence sources,**
- **County Council officers will only undertake surveillance work outwith the RIPA regime when it is both necessary and proportionate to the ends it seeks to achieve.**

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Introduction

The Regulation of Investigatory Powers Act 2000 (RIPA) does not grant powers to carry out surveillance. It simply provides a framework that allows the Council to authorise and supervise surveillance in a manner that ensures compliance with the Human Rights Act 1998. Equally, RIPA does not prevent surveillance from being carried out or require that surveillance may only be carried out under RIPA. Where a public authority carries out surveillance in accordance with RIPA this provides protection against a claim of infringement of an individual's human right to a private and family life, his home and his correspondence.

RIPA can however only be used by a local authority for the purposes of preventing and detecting crime, and case law (*C v The Police and the Secretary of State for the Home Department*) indicates that this should be interpreted to mean crime which falls within the core purpose of the authority. The question has to be "is it for a core function linked to one of the authority's regulatory functions".

There will be times when it will be necessary and proportionate to carry out covert Directed Surveillance or use a CHIS other than by using RIPA either because the investigation is not carried out for the purposes of preventing or detecting crime **in pursuance of the core enforcement functions of the authority**, or because, in the case of directed surveillance, the penalty for the offences under investigation is below the threshold which would enable use of a RIPA authorisation. This could include surveillance for the purposes of monitoring employees who may be under investigation. It could also include matters where the authority is involved in litigation and may wish to carry out surveillance to verify whether or not information provided is true or false – for example in child protection matters where there are questions raised as to residency of individuals who may pose a threat to a child .

Indeed, there may be circumstances in which Directed Surveillance or use of CHIS is the only effective means of efficiently obtaining significant information to take an investigation forward.

1. Purpose of This Policy

To establish guidance within Lancashire County Council services for seeking approval for the conduct by officers of directed surveillance, and the use of covert human intelligence sources (CHIS) **which is not undertaken for the prevention or detection of crime in connection with the core functions of LCC or where the penalty for the offence under investigation falls below the threshold for Directed Surveillance to be approved under the RIPA regime.**

If the surveillance is undertaken for purposes related to the prevention and detection of crime, reference must be made to the Corporate Policy and Guidance on the Regulation of Investigatory Powers Act 2000.

This policy is Intended to cover surveillance carried out in such situations as investigations into serious allegations regarding the conduct of employees, observations on private residences to determine the veracity of information provided to the County Council in connection with the exercise of its functions, use of sources to provide information in person or on the internet or to provide officers with information in circumstances which would be covered by relevant codes of practice if the activity was undertaken for the prevention and detection of crime.

2. Scope

2.1 Surveillance which is covert but not intrusive and undertaken for the purposes of a specific investigation or operation, in such a manner as is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation) and otherwise than by way of an immediate response to events or circumstances, the nature of which is such that it would not be reasonable practicable for an authorisation under the Act to be sought for the carrying out of the surveillance. Private information in relation to a person includes any information relating to his private or family life. **Note that this can include information about family, professional and business relationships.**

2.2 The use of Covert Human Intelligence Sources (CHIS). A CHIS is a person who establishes or maintains a personal or other relationship with another person for the covert purpose of:

- (a) Using such a relationship to obtain information or to provide access to information to another person, or
- (b) Disclosing information obtained by the use of such a relationship or as a consequence of such a relationship.

In addition, a person who covertly provides information to a public authority is potentially A CHIS if he has obtained that information in the course of or as a consequence of the existence of a personal or other relationship, whether or not the relationship has been established or maintained for that purpose. A repeat informant, if and when it becomes apparent that he obtains his information in that way, is a CHIS to whom a duty of care is owed, if the information is acted upon. Legal advice should be taken before acting on the information provided by informants.

3. Responsibilities

Director of Governance, Finance and Public Services
Director of Legal and Democratic Services – Authorising Officer
Heads of Service
Service Managers

4. References

Human Rights Act 1998
Regulation of Investigatory Powers Act 2000
Protection of Freedoms Act 2012
Codes of Practice on Covert Surveillance and CHIS
Corporate Guidance

5. Procedure – Directed Surveillance in relation to Lancashire County Council employees

If during the course of any investigation or enquiry into an Lancashire County Council employee, the investigating officer believes it necessary to carry out directed surveillance on any person involved in the investigation he shall consider the possibility of obtaining any private information about that person and if there is such a possibility, authorisation on the relevant form should be sought by completing and forwarding the form E1 -2016 to the Director of Legal and Democratic Services.

Those carrying out the covert surveillance should inform the authorising officer if the operation/investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or covered by the authorisation in some other way. This is known as collateral intrusion and steps should be taken to minimise the risks of the surveillance affecting other individuals who are not targets of the investigation, including considering the appropriateness of recording and retention of evidence regarding those individuals.

Before giving the authorisation the authorising officer will at first satisfy him/herself that the authorisation is necessary on particular grounds and that the surveillance is proportionate to what it seeks to achieve. This could include for example serious disciplinary investigations.

Assessing proportionality includes the following:

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived conduct;
- explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others
- Considering whether the surveillance activity is an appropriate response and a reasonable way, having considered all reasonable alternatives of obtaining the necessary result
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented

If other overt methods of obtaining the information can be tried, then these methods should be attempted – covert surveillance should be the last resort.

Where there is a possibility that confidential material may come into the possession of the Service special safeguards should be observed. **In such circumstances the matter should be referred to the Chief Executive immediately and legal advice sought. (If the Chief Executive is not available, the matter should be referred to a Chief Officer, it is not appropriate for the matter to be delegated).** Confidential material is more closely defined in the Home Office code of practice but relates to matters subject to legal privilege; confidential personal information; or confidential journalistic material. Such material should not be retained or copied unless necessary for a specific purpose, should not be disseminated except for a specific purpose and if retained or disseminated this should be done with a clear warning of its confidential nature. Reasonable steps should be taken to ensure that there is no possibility of its content being known to any person whose possession of it might prejudice any criminal or civil proceedings related to the information. **Confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose.**

6. Procedure – Directed Surveillance on Lancashire County Council Residents

The Council receives complaints and information on occasions in relation to LCC residents who are alleged to be involved in activities which may infringe child protection guidelines or other County Council guidelines. Covert surveillance can only be authorised in relation to Lancashire County Council residents by the Director of Legal and Democratic Services. The applicant should outline in the application why the activity is considered to be necessary and proportionate, as in paragraph 5 above.

7. Procedure – Covert Human Intelligence Sources

The Council receives complaints/information routinely from the public regarding the alleged activities of individuals. The actions of these complainants do not generally fall within the definition of a covert source since they are a one off provision of information. However, a person may become a covert source if an ongoing relationship with the Council develops and activities described in above are carried out. The use of CHIS could also cover circumstances where an employee of LCC establishes a relationship in order to gain information about a particular situation.

Where the nature of the complaint relates to a matter where an officer requests the complainant to obtain further information covertly via a relationship with another individual, this activity is likely to fall within CHIS. A shadow authorisation will therefore be required before seeking such information. By following the authorisation procedures, the Council will also be in a position to seek to safeguard the identity of the source in any subsequent legal proceedings. **Further guidance should be sought from the Director of Governance, Finance and Public Services or the Director of Legal and Democratic Services on this issue to ensure that the identities of any such individuals are safeguarded in the event of any legal proceedings, tribunals or disciplinary hearings.**

NB Juvenile surveillance CHIS – normally no one under 18 years or any vulnerable individual should be considered as a CHIS.

8. Monitoring and Retaining Applications

The Local Authority must maintain a central record of all Authorisations. The Central Record of Shadow Authorisations is currently held in the Trading Standards Service. These records will be confidential and should be retained for a period of at least five years from the ending of the authorisation. Where it is believed that the records could be relevant to pending or future criminal proceedings, they should be retained for a suitable further period, commensurate to any subsequent review.

Authorisations last for a period of three months and may be renewed more than once, if necessary, by completion of the relevant document. The renewal should be kept/recorded as part of the "authorisation record".

Regular reviews of authorisations should be undertaken to assess the need for the surveillance to continue. The results of a review should be recorded on the relevant form (**E2 - 2016**). Generally, unless circumstances dictate otherwise, reviews will be carried out at monthly to six weekly intervals.

Once surveillance activities have ceased, the officer who made the application must submit an application for cancellation to the Authorising officer. The cancellation application should be submitted immediately the activities are no longer required. The authorising officer who granted an authorisation must cancel it if satisfied that the action authorised by it is no longer necessary.

In summary, the practical procedure for obtaining an Authorisation is as follows;

- i) A completed application should be submitted to the Director of Legal and Democratic Services using form **E1-2016**. The authorising officer will consider the necessity and proportionality of the application and the likelihood of any collateral intrusion.
- ii) A review should take place at monthly to six weekly intervals. (**Form E2 – 2016**)
- iii) At the end of the surveillance operation, the investigating officer will submit a cancellation form (**E3-2016**) to the authorising officer. A copy of the cancellation form will be given to the investigating officer. All forms will be provided to the Trading Standards Manager (Fair Trading/Legal) for retention in the central record.
- iv) The investigating officer may seek a renewal of the authorisation if necessary (**Form E4 – 2016**).
- v) Copy documents will be retained on the investigation file.

9. Handling Product from Surveillance Activities

Product from Covert Surveillance activities may consist of:

- Photographs

- Video film
- Voice recordings
- Surveillance log
- Officer's notes

The above may be required as evidence in current or future proceedings. Officers must have regard to the provisions of the Data Protection Act 1998 in relation to this material. Product obtained via an authorisation may be used by the authority in other investigations.

Officers should record the results of any surveillance. When product is disposed of, a note should be made on the file.

The use of any product obtained by authorised surveillance activities outside of the Public Authority or the Courts should only be authorised in the most exceptional circumstances. This requirement seeks to prevent product from being used for grounds other than that for which it was obtained. **Joint operations should make reference to the potential use of evidence by each agency.**

Officers may receive requests from other agencies for product, which may include photographs of suspects, descriptions, and vehicle details. Where this information has been obtained under an authorisation, further guidance should be sought from the Authorising Officer, since disclosure may not be permitted under the provisions of the Code of Practice.

Version Control

Named Owner:	Laura Sales: Director – Legal and Democratic Services
Version Number:	1.00
Date Of Creation:	November 2016
Last Review:	
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Overview of Amendments to this Version:	

Covert Social Networking Checks and Surveillance Policy

Purpose:

To provide guidance to Lancashire County Council (LCC) employees when using social media or internet open source information in furtherance of LCC investigations, as to when authorisation for surveillance activities should be sought.

Responsibilities:

Director of Governance, Finance and Public Services
Director of Legal and Democratic Services
Service Managers

Guidance:

For Directed Surveillance and Covert Human Intelligence Sources
<https://www.gov.uk/government/collections/ripa-codes>
Corporate Policy and Guidance On The Regulation Of Investigatory Powers Act 2000
Corporate Policy and Guidance On Non RIPA surveillance activities

NOTE

Before any investigation takes place using the internet or social media, the investigating officer should have regard to the potential need for a directed surveillance application or a covert human intelligence source application in accordance with corporate policy.

Guidance must always be sought from a manager in the first instance, and in cases of doubt from the Director of Legal and Democratic Services. The important considerations are that the surveillance is necessary, in that there is no other way of obtaining the information, and proportionate – taking into account the following:-

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
- explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others
- Considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives of obtaining the necessary result
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented

Open Source

Information which is "open source", that is to say where the individual can have no reasonable expectation of privacy, can generally be utilised in furtherance of an investigation. However, where an operation involves the longer term monitoring of an individual and is likely to result in the gathering and retaining of private information, consideration should be given to obtaining authorisation for directed surveillance.

Where it is proposed to gather information from a source or informant, consideration should be given to authorising a CHIS.

Using Facebook/similar social networking sites

Overt warnings

Consideration will always be given to the appropriateness of gathering information in a covert way. Wherever possible the target of any investigation will be made aware of the issue and given the opportunity to amend their behaviour, unless in all the circumstances given the seriousness of an allegation, this is not appropriate.

The warning should make it clear that the target's activities will be monitored and investigated should the conduct continue. The warning, the reason for it, and a screen shot of any web page should be saved on file.

Covert activity

There may be circumstances where it is decided that it is inappropriate to send an overt warning to an individual: For example:

- where the individual has previous history of the behaviour complained of,
- where it is intended to carry out more detailed investigations into social or business links that the individual has, because serious issues are involved
- where the activity is clearly carried out with a deliberate intention to defraud, or
- Where the activity is on such a scale or linked with other illegal activity such that it is thought robust action is necessary.
- Where vulnerable individuals are at serious risk of harm from the behaviour.

This may necessitate ongoing monitoring of social media, and/or also entering into a relationship with the target, and authorisation for this should be discussed and agreed with a service manager. **LCC officers should never use their own Facebook accounts to facilitate this activity.**

RIPA authorisation

Where an overt warning has been provided, a further check should be made to assess whether the behaviour is continuing. If this is the case, the investigating officer should take a screen shot and record this on file. No further monitoring or activity should take place at this point. The investigating officer should provide full details to their manager, to discuss applying for an authorisation for CHIS or Directed Surveillance.

Summary

Authorisation is not normally necessary for open source investigations unless there is some ongoing monitoring of an individual.

Where a relationship which is more than merely transitory is entered into with an individual, authorisation under CHIS should be sought.

Where ongoing monitoring of social media is involved but no relationship is established and there is no possibility of obtaining private information, authorisation may not be necessary.

In cases of doubt further advice should be sought.

All decisions about the case should be properly logged and recorded.

Authorisations should clearly describe the conduct which is authorised.

Reviews and cancellations of authorisations should be carried out and clearly documented.

All applications should be made on the corporate forms, and sent to the central record of authorisations for retention for 5 years.

In addition any retention and disclosure of information needs to be carried out in accordance with the Data Protection Act 1998 - in particular:-:

- Only collect and process appropriate personal data to the extent that it is required to fulfil operational needs or to comply with legal requirements.
- Ensure the quality of the data we use.
- Apply retention schedules to determine the length of time we hold information and dispose of information securely when it has reached its disposal date.
- Ensure that individuals, about whom we hold data, can fully exercise their rights under the DPA 1998.
- Take appropriate security measures to safeguard personal information.
- Ensure that we do not transfer personal data outside the country without suitable safeguards.

If in doubt seek advice from the Information Governance Team.

Be aware that content you share and actions you take may show up on pages other than your own and could be reshared by other users.

For more detailed guidance on directed surveillance and CHIS see the corporate policies for RIPA and non RIPA authorisations, and the Home Office Guidance.

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Closed Circuit Television (CCTV) Policy 2017

Closed Circuit Television Policy 2017

The following policy relates to surveillance camera equipment and the gathering, storage, use and disposal of CCTV system recorded data. The council uses surveillance camera devices for various purposes. These include CCTV systems within council premises and car parks as well as on the highway, body worn video camera equipment, automatic number plate recognition and unmanned aerial vehicles (drones). In this policy, such devices shall be referred to as 'CCTV systems'.

This policy covers all CCTV systems used by Lancashire County Council but does not cover Lancashire schools.

Lancashire County Council is referred to as 'the council' throughout this policy.

This document should be read in conjunction with following codes of practice for surveillance cameras:

- [Surveillance Camera Code of Practice and 12 Guiding Principles 2013](#)
- [In the picture: A data protection code of practice for surveillance cameras and personal information 2015 – Information Commissioners Office \(ICO\)](#)
- [National Surveillance Camera Strategy for England and Wales 2016](#)

Details of all CCTV systems, policy documents, legislation, procedures and templates can be found on the council's [CCTV intranet page](#).

Definitions

Camera	Any device used as part of a CCTV system. This includes unmanned aerial vehicles (drones).
CCTV	Closed Circuit television.
CCTV System	Any system or device used by the council to monitor an area including CCTV, cameras used on the highway, body worn camera devices or unmanned aerial vehicles.
Image	Any image captured by a CCTV system.
Overwrite Period	The period between an image being recorded and it being automatically deleted from the CCTV system.
Responsible Officer	The officer with responsibility for a specific CCTV system in operation, usually a premises manager.
CCTV Manager	The officer with responsibility for CCTV policy and its use throughout the council.

1. Introduction

- 1.1. Use of cameras and other electronic recording devices in public places has escalated over recent years and the advance of technology has meant that the variety of devices available has expanded. Whilst these perform a

useful role in preventing and detecting crime and keeping people and property safe, such use has led to much greater intrusion into the private lives of individuals going about their lawful business. This policy aims to set out standards relating to the use of such equipment that maximises effectiveness whilst at the same time minimises interference with the privacy of individuals whose images are captured by the devices.

- 1.2. Officers undertaking covert surveillance with or without recording devices must comply with the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Codes of Practice issued pursuant to that legislation. This policy does not apply to such activities.

2. Objectives

- 2.1. It is important that everyone and especially those charged with operating the CCTV systems on behalf of the council understand exactly why each of the CCTV systems and each camera used as part of a CCTV system has been introduced and what the cameras should and should not be used for.
- 2.2. Each CCTV system will have its own site or task specific objectives. These could include some or all of the following:
 - Protecting areas and premises used by council officers and the public.
 - Deterring and detecting crime and anti-social behaviour.
 - Assisting in the identification of and apprehension of offenders.
 - Deterring violent or aggressive behaviour towards council officers.
 - On-site traffic and car park management.
 - Monitoring traffic movement.
 - Identifying those who have contravened parking regulations.
 - Assisting in traffic regulation enforcement.
 - Protecting council property and assets.
 - Assisting in grievances, formal complaints and investigations.
 - Surveying buildings for the purpose of maintenance and repair.
- 2.3. CCTV systems must not be used to monitor the activities of council officers or members of the public in the ordinary course of their lawful business. Council officers are not permitted to use CCTV systems to observe the working practices and time keeping of other council officers.

3. Legislation

- 3.1. CCTV systems are subject to legislation under:

- [The Data Protection Act 1998 \(DPA\).](#)
- [The Human Rights Act 1998 \(HRA\).](#)
- [The Freedom of Information Act 2000 \(FOIA\).](#)
- [The Regulation of Investigatory Powers Act 2000 \(RIPA\).](#)

- [The Protection of Freedoms Act 2012](#)
- [The Criminal Procedures and Investigations Act 1996](#)

4. Responsibilities

The CCTV Manager

- 4.1. The CCTV Manager is responsible for ensuring all those involved in the use of CCTV systems can view current legislation and guidance relating to CCTV systems. This is done through the council's [CCTV intranet page](#).
- 4.2. The CCTV Manager will review the CCTV policy annually.
- 4.3. The CCTV Manager will take the CCTV policy to the Corporate Information Governance Group (CIGG) to receive policy approval.
- 4.4. The CCTV Manager will submit an annual report to the Senior Information Risk Owner (SIRO) detailing how effective, in the previous year, CCTV systems have proved to be, in meeting the objectives listed in Section 2.

The Responsible Officer

- 4.5. The day-to-day operational responsibility for each CCTV system rests with the designated responsible officer at each council building. The responsible officer will likely be the premises manager. A list of all CCTV systems and their responsible officer will be recorded and available in a CCTV register on the council's CCTV intranet page. This will also be the case when a third party under the direction or control of the council operates the CCTV system.
- 4.6. The responsible officer shall ensure that council officers involved in the operation of the CCTV system are trained in the use of the equipment and are aware of this policy and the procedures in place to manage CCTV systems at the council.
- 4.7. The responsible officer should act as the first point of contact for all enquiries relevant to the CCTV system in their premises and should ensure that only authorised council officers are able to operate or view images.
- 4.8. The responsible officer shall investigate any reported misuse of a CCTV system and report it immediately to the CCTV Manager.
- 4.9. The responsible officer shall report any faults in the CCTV system equipment to the CCTV Manager and take steps to remedy the fault at the earliest opportunity.

5. CCTV Operations

- 5.1. Council officers operating CCTV systems are responsible for operating the equipment in accordance with all requirements set out in current legislation, this policy document, relevant guidelines, codes of practice and local operational manuals.
- 5.2. Council officers operating CCTV systems must be familiar with the requirements of information governance and should complete the councils IG eLearning course. Heads of Service shall take steps to ensure that any council officers that they manage who are involved in operating CCTV systems have completed this training.
- 5.3. Council officers involved in the use of CCTV systems shall report any misuse to the responsible officer and shall cooperate with any investigation by the responsible officer. The responsible officer shall investigate any reported misuse of a CCTV system and report it immediately to the CCTV Manager.
- 5.4. Council officers operating CCTV systems shall be responsible for bringing any equipment faults to the responsible officer's attention immediately.
- 5.5. A number of council owned CCTV systems are located in premises occupied by third parties. In these cases, it is important that there is a clear understanding between the council and the organisations concerned as to who is responsible for each aspect of the CCTV system. This should be recorded and signed by both parties. A copy of this document should be given to the council's CCTV Manager.

6. Purchasing and Deployment of CCTV Cameras

- 6.1. It is advisable when purchasing CCTV systems to purchase from suppliers that are registered with the Surveillance Camera Commissioner's Third Party Certification Scheme. Certification enables organisations to demonstrate that they use their CCTV systems transparently, effectively and proportionately.
- 6.2. It is advisable that third party data processing contracts are in place with third party CCTV system suppliers to ensure that the suppliers protect the data to the council information governance standards.
- 6.3. Those responsible for introducing and operating CCTV systems must ensure that the use of cameras is proportionate to the intended objective and that individuals' right to privacy is respected at all times. A clear operational objective for the CCTV system must be identified and an assessment on the impact on privacy must be carried out and reviewed each year. A template '[privacy impact assessment](#)' can be found on the council's CCTV intranet page. A 'privacy impact assessment' must be completed for each CCTV system in use within the council.

- 6.4. Care must be taken to ensure that cameras do not capture images or sounds of private spaces such as dwelling houses.
- 6.5. Covert cameras are not permitted to be deployed under the auspices of this policy. Such activities fall under the ambit of RIPA or shadow RIPA and authorisation must be obtained for such activity under the relevant RIPA procedures. CCTV systems should normally be clearly visible with unobstructed signage situated close to the device informing those in the vicinity that they are being monitored and/or recorded. The content of such a sign or notice may differ according to the nature of the device being used, the area it is being used in and the purpose of its use.
- 6.6. All costs associated with CCTV systems are covered under the council's scheme of delegation.
- 6.7. The council does not deploy 'dummy' cameras as part of its CCTV systems as these can provide a false sense of security.
- 6.8. The council does not generally operate cameras that can monitor conversation or be used to talk to individuals as this is seen as an unnecessary invasion of privacy. This does not apply to body worn camera devices.
- 6.9. Upon the introduction of a static CCTV system, a copy of the location of the camera should be sent to the CCTV Manager for inclusion in the council's central register of CCTV systems. Use of CCTV systems should be considered as part of planning a building construction or refurbishment. Authorisation for the deployment of CCTV systems should be shared at an early stage in building design with the Head of Service for whom the building is being constructed. This is so that this policy can be applied and either an alternative method adopted or an acceptable CCTV system built into the designs. Information about the CCTV system should be retained as part of the file relating to the completed building.

7. Monitoring

- 7.1. CCTV system monitors sited in reception areas are intended to provide live monitoring of reception areas by security or other council officers. The ability to view the CCTV system monitors must be restricted to those authorised to see them. Monitors must not be visible to all entering the premises.
- 7.2. Monitoring of CCTV systems where required will only be carried out by persons authorised by the relevant responsible officer.
- 7.3. CCTV will only be subject to the Data Protection Act 1998 if the footage captured "relates to living individuals who can be identified" from it.

7.4. If the Data Protection Act 1998 does apply, the CCTV operator will be required to do a number of things:

- Register as a data controller with the Information Commissioner's Office. The council has already done this, it's registration number is Z542705X
- Put up signs notifying people that CCTV is in use and who operates it.
- Give any individual who requests it, copies of footage of themselves. (Subject Access Request).
- Ensure that any footage stored is kept for no longer than necessary for the purposes for which it is obtained.
- Ensure that footage is not disclosed to anyone else without the consent of the individuals shown in it unless it is for a reason permitted under the Data Protection Act 1998, such as the prevention or detection of crime.

7.5. In addition to the obligations under the Data Protection Act 1998, the Human Rights Act requires any public authority using CCTV cameras to do so compatibly with Article 8 of the convention.

7.6. The council occasionally uses body worn cameras in order to protect council officers dealing with members of public in situations where they are particularly vulnerable to abuse or where there is an ongoing need to capture images or speech for evidential purposes. An example of this is Civil Enforcement Officers. Officers using body worn cameras must only activate them when there is a need to do, for example, if they consider that a member of the public is becoming abusive or may challenge evidence that could be recorded using the camera. Continuous recording is not permitted, as it is excessive and would cause a great deal of collateral intrusion.

7.7. Details of CCTV systems data collection should be included in the council's privacy notice: <http://www.lancashire.gov.uk/about/privacy-statement.aspx>

8. Viewing Images

8.1. The casual viewing or trawling of images or sounds captured by a CCTV system is strictly forbidden. Viewings must only be carried out for a specific, legitimate purpose.

8.2. Under Section 7 of the Data Protection Act 1998, data subjects are entitled to know what personal data the council holds about them and they are entitled to receive a copy of their personal data. All such requests, known as **Subject Access Requests**, must be made through the council's Information Governance Team at dataprotection@lancashire.gov.uk.

8.3. Under the Freedom of Information Act 2000, people can request access to any recorded information (with certain exemptions) that the council holds. However, if individuals are capable of being identified from the CCTV system footage then it is personal information about the individual concerned and is unlikely to be disclosed in response to a freedom of information request as the requester could potentially use the information for any purpose and the individual concerned is unlikely to expect this. This may be unfair processing in contravention of the Data Protection Act 1998. All **Freedom of Information requests** relating to CCTV system images should be directed to the council's Information Governance Team at freedomofinformation@lancashire.gov.uk.

8.4. On occasion **council services may wish to access images and recordings captured on CCTV systems as part of a legitimate investigation** into criminal activities, civil claims, potential disciplinary matters, complaints, grievances or health and safety issues. Viewings and images will only be released to a properly authorised investigating council officer upon the submission of a formal request to the CCTV Manager via cctv@lancashire.gov.uk. The viewing request should include:

- The name of the authorising officer (CCTV Manager, responsible officer, Head of Service)
- The name and contact details of the person viewing images
- The reason for viewing the images

Viewing Requests should be made in a timely manner as the retention period for most CCTV systems in operation in the council is 6 weeks. Council officers who are subject to council disciplinary, complaints or grievance procedures have the right to see and retain footage of themselves and can request copies as a Subject Access request via the Information Governance Team at dataprotection@lancashire.gov.uk.

8.5. On occasion, **police officers may request to view images taken from CCTV systems during the investigation of criminal activity**. This is acceptable under the Data Protection Act 1998 (Section 29). However, the police officer making the request must complete a [DP1 form](#) (available on the council's CCTV intranet page) confirming that the information is needed for the detection or prevention of a specific crime. The form must be signed by a senior police officer and returned to the council's Information Governance Team at dataprotection@lancashire.gov.uk. Police officers are not permitted to trawl the council's CCTV systems on the off chance of detecting a crime.

8.6. Occasionally **insurance companies or solicitors will request footage, generally over disputes regarding damage to cars in car parks**. As the footage may identify the individual drivers or vehicles involved it is classed as personal information. Copies of personal information can be requested making a Subject Access Request under the Data Protection Act, 1998 to dataprotection@lancashire.gov.uk. Ordinarily you are only entitled to information about yourself; however, in certain circumstances it is

reasonable to include information about third parties, and this is permitted by the Data Protection Act. Such circumstances may include where a third party has caused damage to you or your vehicle. All such requests must be made through the council's Information Governance Team, who log all such requests and who may need to redact third party information.

- 8.7. A record of all disclosures is kept in the council case management system Norwel.

9. Signage

- 9.1. All areas where CCTV is in use should be clearly signed. Such signs warn people that they are about to enter an area covered by a CCTV system or to remind them that they are still in an area covered by a CCTV system. Signs will also act as an additional deterrent. CCTV system signs should not be displayed in areas that do not have CCTV cameras.
- 9.2. Signs should alert road users to CCTV systems operated in connection with highways management or enforcement activity. Such signage will also be subject to additional requirements under the relevant road traffic or highways legislation. It is important that these signs do not affect the safety of road users.
- 9.3. Where body worn cameras are in use, officers using them must display a clear notice that this is the case on their person, usually as part of their uniform. This notice should not be covered up or obscured but should be visible at all times during an interaction that is being recorded or may be recorded. Where there is doubt that a member of the public is aware of this, officers should make it clear that they are wearing body worn cameras.
- 9.4. Signs should be an appropriate size depending on context. For example, whether they are viewed by pedestrians or car drivers.
- 9.5. Signs should be more prominent and frequent in areas where people are less likely to expect that they will be monitored by a CCTV system. This is particularly important when an ANPR system is being used that covers a large area.
- 9.6. Unmanned Aerial Vehicles (drones) act as a safe and effective method of surveying buildings but whilst photographing parts of buildings from above, they also capture the images of passing individuals. Some thought should be given to whether signs should be erected on a temporary or permanent basis where drones are in use for buildings maintenance. This may be advisable in relation to buildings where such activity is carried out regularly or routinely. In other circumstances, the potential use of temporary removable signs should be considered if practical.
- 9.7. Signs should:

- Be clearly visible and readable;
- Contain details of the organisation operating the system;
- The purpose for using the surveillance system;
- Contact details such as a simple website address, telephone number or email address.

10. Storage and Retention

- 10.1. CCTV system images are stored for 6 weeks and then overwritten.
- 10.2. Recorded material will not be sold or used for commercial purposes.
- 10.3. CCTV systems will be kept secure from unauthorised access.
- 10.4. All images remain the property and copyright of the council.
- 10.5. All images are stored on secure servers.
- 10.6. Each new recording disc will have a unique reference number.
- 10.7. All images are time and date stamped.
- 10.8. Image resolution should be relevant to purpose.
- 10.9. All media will be confidentially disposed of when no longer needed.
- 10.10. No CCTV system images will be stored in the Cloud
- 10.11. No CCTV system images will ever be published to the Internet

11. Inspections

- 11.1. CCTV systems at the council can be inspected at any time by:
 - The CCTV Manager.
 - The relevant responsible officer.
 - The relevant Head of Service.
 - Any of the CCTV specialist advisors named in Section 14 of this policy.
 - A member of the Information Commissioners Office.
 - A member of the Surveillance Camera Commissioners Office.
 - The council's senior management team or elected members.
- 11.2. Spot checks and audits of the council's CCTV systems will take place sporadically.

12. Health and Safety

- 12.1. The relevant responsible officer or relevant Head of Service should ensure that officers are made aware of and comply with all council policies on health and safety, in particular, working with electrical equipment, VDU regulations and working with heights.

13. Complaints

- 13.1. Any complaints regarding CCTV systems at the council should be directed to the relevant responsible officer, the relevant Head of Service or

CCTV Manager or the Corporate Complaints Team. All complaints will be dealt with in accordance with the council's complaints procedure.

14. Contacts

- 14.1. CCTV Manager: Paul Bond
- 14.2. CCTV IG Advisor: Debbie Bonser
- 14.3. CCTV Legal Advisor: Laura Sales
- 14.4. CCTV Facilities Advisor: Andrew Clarkson
- 14.5. CCTV Audit Advisor: Judith Taylor

Version Control

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Report to the Cabinet

Meeting to be held on Thursday, 19 January 2017

Report of the Head of Legal and Democratic Services

Electoral Division affected:
(All Divisions);

Report of Key Decisions taken by the Leader of the County Council, the Deputy Leader of the County Council and Cabinet Members

Contact for further information:

Janet Nuttall, Tel: (01772) 533110, Business Support Officer,
janet.nuttall@lancashire.gov.uk

Executive Summary

Key Decisions taken by the Leader of the County Council the Deputy Leader of the County Council and Cabinet Members, since the previous meeting of Cabinet. The key decisions set out below were considered by the Executive Scrutiny Committee at its meetings on 8 November 2016 and 6 December 2016.

Recommendation

Cabinet is recommended to note the decisions detailed below.

1) Key Decision taken by the Leader of the County Council, the Deputy Leader of the County Council, the Cabinet Member for Adult and Community Services and the Cabinet Member for Health and Wellbeing

The following decision was taken by the Leader of the County Council on 16 November 2016, the Deputy Leader of the County Council on 11 November 2016, the Cabinet Member for Adult and Community Services and the Cabinet Member for Health and Wellbeing on 9 November 2016.

Procurement Report - Request for Approval to Commence Procurement Exercises

The Leader of the County Council approved the commencement of the procurement exercises in respect of:

- (i) Design and Consultancy Service for Property Construction;

The Deputy Leader of the County Council approved the commencement of the procurement exercises in respect of:

(ii) Lancashire County Council Insurance Programme;

The Cabinet Member for Health and Wellbeing approved the commencement of the procurement exercises in respect of:

(iii) NHS Health Check Services; and

The Cabinet Member for Adult and Community Services approved the commencement of the procurement exercises in respect of:

(iv) Mental Health Rehabilitation Services; and

(v) Provision of Crisis Services

2) Key Decision taken by the Leader of County Council

The following decision was taken by the Leader of the County Council on 16 November 2016:

Award of Vehicle Body Building Framework Agreement - Lots 6, 8, 9, 11

The Leader of the County Council approved the recommendation as set out in the full report.

This report was dealt with under Part II. The full report is not available for publication as it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

3) Key Decision taken by the Leader of the County Council and the Cabinet Member for Adult and Community Services

The following decision was taken by the Leader of the County Council on 9 December 2016 and the Cabinet Member for Adult and Community Services on 12 December 2016:

Procurement Report - Request for Approval to Commence Procurement Exercises

The Leader of the County Council approved the commencement of the procurement exercises in respect of:

(i) Provision of Agency Staff Neutral Vendor Managed Service;

(ii) Supply and Distribution of Groceries, Frozen Foods, Soft Drinks and Confectionery, and;

The Cabinet Member for Adult and Community Services approved the commencement of the procurement exercises in respect of:

(iii) Provision of Reablement Services

4) Key Decisions taken by the Deputy Leader of the County Council

The following decisions were taken on 7 December 2016:

Disposal of Winckley Square Properties

The Deputy Leader of the County Council approved the recommendations as set out in the full report.

This decision was implemented immediately for the purposes of Standing Order 34(3) as any delay could adversely affect the execution of the County Council's responsibilities.

This report was dealt with under Part II. The full report is not available for publication as it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Disposal of the former Moor Lane Resource Centre, Moor Lane, Preston

This decision was implemented immediately for the purposes of Standing Order 34(3) as any delay could adversely affect the execution of the County Council's responsibilities.

This report was dealt with under Part II. The full report is not available for publication as it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

5) Key Decision taken by the Cabinet Member for Children, Young People and Schools

The following decision was taken on 7 December 2016:

The Future of Ashton Community Science College's Post 16 Provision

The Cabinet Member for Children, Young People and Schools:

(i) Considered the information in this report;

- (ii) Approved the proposal, as detailed in the statutory notice, to discontinue the post 16 sixth form provision at Ashton Community Science College (ACSC), by permanently lowering its age range from 11-18 years to 11-16 years, with effect from 31 August 2017; and
- (iii) Approved that an appropriate statutory decision letter be sent out as specified under legal requirements to give the reasons for the decision to those who are to be informed of them.

6) Key Decision taken by the Cabinet Member for Highways and Transport

The following decision was taken on 12 December 2016:

Assessment and Priority Policy for Public Transport in Lancashire

The Cabinet Member for Highways and Transport:

- (i) Approved the proposed Assessment and Priority Policy for Public Transport Services in Lancashire.
- (ii) Approved the extension of the existing LCC tendered bus service network for a further 12 months until 31st March 2018.

The following decision was taken on 16 December 2016:

Proposed Junction Improvements - Blackpool Road/Lea Road Preston

The Cabinet Member for Highways and Transport:

- (i) Approved that crossing facilities are provided on all four arms of the Blackpool Road/Lea Road junction in Preston at an estimated cost of £60,000;
- (ii) Approved that the improvements are funded as follows;
 - £50,000 from the remaining funding from the S106 Agreement between Preston City Council and the University of Central Lancashire.
 - £10,000 from the unallocated 2015/16 Transport block Cycling Programme.

7) Key Decision taken by the Leader of the County Council

The following Urgent Key Decision was taken on 22 December 2016. The provisions of Standing Order 27 were complied with.

Transformation of Adult Social Care Services – Contract Arrangements

This decision was implemented immediately for the purposes of Standing Order 34(3) as any delay could adversely affect the execution of the County Council's responsibilities.

This report was dealt with under Part II. The full report is not available for publication as it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains

information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

List of Background Papers

Paper	Date	Contact/Tel
Reports of key decisions taken by the Leader of the County Council, the Deputy Leader of the County Council and Cabinet Members	16 November – 30 December 2016	Janet Nuttall (01772) 533110

Reason for inclusion in Part II, if appropriate

N/A

