

Meeting of the Full Council
Meeting to be held on Thursday, 15 December 2022

Report submitted by: Director of Corporate Services

Part A

Electoral Division affected:
None;

Corporate Priorities:
Delivering better services;

Local Government Reform Cumbria Pension Arrangements

Contact for further information:
Sean Greene, Tel: (01772) 530877, Head of Fund,
sean.greene@lancashire.gov.uk

Brief Summary

It is proposed that that Lancashire County Council agrees to the Westmoreland and Furness Council delegating its pension fund administration function to Lancashire County Council pursuant to section 101 of the Local Government Act 1972.

Local government reorganisation in the Cumbria County Council area takes effect in April 2023. Lancashire County Council currently discharges the pension administration functions of Cumbria County Council, which in turn are delivered by Local Pension Partnership Administration Limited. The reorganisation requires that revised discharge of functions agreements are made with Westmoreland and Furness Council, to replace the existing agreement with Cumbria County Council.

Recommendation

Full Council is asked:

- (i) To approve the delegation of the pension fund administration function of Westmoreland and Furness Council to Lancashire County Council pursuant to section 101 of the Local Government Act 1972 subject to the council entering into appropriate legal agreements with the parties.
- (ii) That the Director of Corporate Services be authorised to agree the final legal agreements on behalf of Lancashire County Council.

Detail

Local government reorganisation is due to fully take effect within Cumbria from 1 April 2023 and will have implications for pension administration arrangements.

Current Position

Lancashire County Council provides pension administration services to other local authorities by way of a formal delegation of powers pursuant to section 101 of the Local Government Act 1972. Pension administration services have been provided by the administration arm of the Local Pensions Partnership Limited (LPPL), a company owned by Lancashire County Council and the London Pensions Fund Authority since 2016. Pension administration services are delivered by the administration subsidiary company of LPPL, Local Pensions Partnership Administration Limited (LPPA).

A delegation is currently in place between Lancashire County Council and Cumbria County Council, which passes its agreed budget for pension administration services to Lancashire County Council which in turn instructs LPPA to deliver the services with the funding being passed through to LPPA. The arrangement, whilst not being of a commercial nature, is governed by a formal written agreement involving Cumbria County Council, LPPA and Lancashire County Council.

The delegation covers Cumbria Local Government Pension Scheme and the Cumbria Fire and Rescue Services.

Reorganisation

The six district Councils within the Cumbria region and Cumbria County Council will transition to two new unitary authorities – Cumberland Council and Westmoreland and Furness Council – with effect from 1 April 2023. The new unitary authorities will provide Council services for their areas.

The decision has been made to keep one Local Government Pension Fund - Cumbria Local Government Pension Scheme - and the new administering authority will be Westmoreland and Furness Council. Whilst Cumbria Local Government Pension Scheme does not wish to dissolve the discharge arrangement, the nature of the local government reorganisation process in Cumbria is such that Cumbria County Council will cease to exist at midnight on 31 March 2023. This will effectively result in the dissolution of the arrangement at midnight on 31 March 2023. This reorganisation requires that a replacement delegation is set up with Westmoreland and Furness Council.

The replacement delegation will not continue to cover administration for the Cumbria Fire and Rescue Service. This is because the Cumbria Fire and Rescue Service is moving to sit under the Cumbria Police and Crime Commissioner – rather than under Cumbria County Council – and the Cumbria Police and Crime Commissioner is looking into entering into a delegation arrangement.

Officers of Lancashire County Council are liaising with Westmoreland and Furness Council on the appropriate legal agreements that will be required to implement these arrangements.



Consultations

Cumbria County Council
LPPA

Implications:

This item has the following implications, as indicated:

Risk management

The impact of this reorganisation is limited to a change in administering authority of the Cumbria Local Government Pension Scheme and it will not impact on the scope of services provided by LPPA and pension administration service costs. Whilst there is some scope for errors to be made by LPPL which could lead to losses, this has been addressed in the agreement between Lancashire County Council, LPPA and the customer authority. LPPA will indemnify Lancashire County Council so that the risk to Lancashire County Council is minimal.

Legal

Both parties are able to enter into this arrangement pursuant to the powers available to them under Sections 101 and 102 of the Local Government Act 1972 and the Local Government Act 2000.

Legal Services is currently in the process of reviewing and agreeing the necessary legal agreements with Cumbria County Council.

Lancashire County Council and LPPL are also currently engaged in a wider piece of work, reviewing the provision of pension administration services by LPPL under agreements between the parties. This review is likely to take some time but does not affect the delegation recommended in this report.

Financial

It is expected that there will be no financial impact for Lancashire County Council as, in practice, LPPA operates on a cost basis. As part of the annual budget setting process, LPPA estimates costs to be incurred in operating the business and these costs are pro-rated to each Pension Fund client. A monthly payment is then made by each client to LPPA to cover the pro-rated costs. At the end of the year, a 'true up' payment may be requested from each client in the event that actual costs exceed budgeted costs.



**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A

