

**Lancashire Local Pension Board**  
Meeting to be held on 8 July 2015

Electoral Division affected:  
None

## **Establishment of Budget**

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### **Executive Summary**

A proposal for the establishment of a budget for the Lancashire Local Pension Board.

### **Recommendation**

The Board is recommended to note the proposal that the sum of £30,000 be made available from the funds sets aside by the Pension Fund Committee for the establishment of a budget for the Lancashire Local Pension Board.

## **Background and Advice**

The Lancashire County Pension Fund (LCPF) Local Pension Board ("The LPB") is primarily an oversight and scrutiny board, whose formal remit is:

- i) To oversee compliance with the relevant regulations and codes of practice;
- ii) To help the Scheme Manager manage the Scheme efficiently and effectively.

As a newly set up entity, it currently has no specific budget. This report argues that a small budget or contingency budget should be created for The LPB out of the overall LCPF budget. There are two main rationales. The first is that when it comes to reporting the activities of The LPB and whether it has added value, it will be useful to have an idea of the cost as well as the value. This is simply a matter of ensuring that the costs, which will primarily be travel expenses and possibly some training costs, are recorded separately.

The second rationale is that on rare occasions The LPB may choose to use external expertise, and it will be important that it is able to do so without having to apply to the LCPF for funds to finance this in order to avoid a conflict of interest.

To do its oversight job properly, The LPB will require information, and it is the intention that in all normal circumstances it will use either standard reports which are available to the LCPF Pension Fund Committee, or if required use Officers' services

to create reports with the information needed. In both these cases there would be no need for a separate budget, though it should be noted that Officers' time does incur a cost.

There are certain circumstances where The LPB may wish to obtain outside expertise in order to be able to review the Scheme Manager's activities. These might include legal advice or specialised advice in areas where either LCPF employees are not qualified to advise, or where there might be a conflict of interest for them to do so. For example, if The LPB were reviewing the performance of the custodian, it might choose to use an external auditor to advise on the custodian's activities and the results thereof. If such a review were to directly conflict with the interest of one or more of the Officers working for the LCPF or Members of the Pension Committee, it would be important that The LPB could do so without having to apply to the LCPF for funds to finance the outside expert.

These circumstances are not likely to happen often, and it may be that the costs can be contained in a contingency budget, but the first rationale argues for a small budget specific to The LPB. A figure of £30,000 is suggested.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Financial**

In considering the forecast expenditure and income of the Fund for 2015/16 the Pension Fund Committee identified a sum of up to £50,000 for the running costs of the new Pension Board. The sum suggested in this report is therefore within the overall resource allocated for this purpose.

### **Risk management**

There are no significant risk management implications.

### **List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A