

Agenda Item 12

**Pension Committee
22 September 2023**

**Department for Levelling-Up, Housing and Communities consultation: Local Government Pension Scheme (England and Wales): Next Steps on Investment
Report of the Head of Pensions**

Introduction

A consultation on the future of investment pooling in the LGPS has been expected for some time. The consultation document attached at Appendix 1 was published on 11th July, following a speech by the Chancellor of the Exchequer at Mansion House the evening before at which he outlined some of the proposals contained in the consultation.

A proposed response to the consultation is set out at Appendix 2 to this report.

Background

Since the Government announced proposals for investment pooling in 2015 eight investment pools have been created across England and Wales, including the Brunel Pension Partnership, set up by 10 LGPS administering authorities, which included Gloucestershire.

Whilst around 90% of Brunel clients' investment assets have now transitioned to the pool, (97% for Gloucestershire) progress in some of the other pools has been much slower. In London, two of the boroughs have yet to transition any assets across to the London Collective Investment Vehicle. Different pools have set up different structures to support the pooling initiative, and some have worked less well than others.

Pooling Scale

The current consultation aims to address the issues with those pools where progress has been slow, or where the structure is seen as not being in line with the Government's objectives for investment pooling. Whilst this may not be an issue for Brunel, the Government is also looking for pools to be a larger size, each with assets under management of at least £50 billion. The combined assets under management of the 10 Brunel funds is currently around £36 billion, so Brunel is below the Government's recommended £50 billion figure. This would suggest some form of realignment of the current pools is required, which may include mergers or expansion of some pools and the termination of others.

From the Gloucestershire perspective, the biggest concern would be that a realignment of pools might result in further transition costs at the expense of the Fund. We continue to

Agenda Item 12

deliver against the original business case on the savings achieved from pooling and we are now nearing the position of benefiting from significant savings each year over and above the level of management fees being paid pre-pooling. As a Fund we would not want to see those net savings being put at risk by a new round of transition costs. Larger pools may also result in more governance issues and a reduction in their accountability and accessibility to local funds. The proposed response to the consultation highlights these issues.

Levelling Up and Private Equity

The consultation also highlights the Government's desire to see more funds invested in the levelling up agenda and in support of UK businesses via private equity.

The Fund already has significant investments in UK infrastructure. In addition, the Pensions Committee has recently agreed to allocate 5% of the Fund to Social and Affordable Housing. We believe that these investments will contribute to the Government's levelling up agenda.

The proposed response asks for more clarity around the Government's definition of private equity and whether it also includes unlisted infrastructure. It also draws out the benefits of the current Brunel area being broadly aligned with the South West region, which supports the agenda of investing in the local area.

Other Issues

The consultation also set out proposals with regard to ensuring that pensions committee members are appropriately trained. The Fund has put significant emphasis on training, with the adoption of a training strategy and training plan; therefore we welcome these proposals. We expect the proposals to be built on further when the Government issues another expected consultation around governance.

The consultation also has questions on tidying up rules around investment consultancy and the definition of investments. These are non-controversial and welcomed.

Next steps

The Committee are asked to approve the proposed response to the consultation. If members have any further points they would like to add, or amendments they would like to make, then a revised version can be circulated and signed off by the Head of Pensions in consultation with the Chair. The consultation period ends on 2nd October 2023.

Recommendation

That the Committee be asked to approve the response to the consultation on next steps on investments attached at Appendix 2 to the report.

Agenda Item 12

Contact Officer

Matthew Trebilcock – Head of Pensions (01452 328920)