

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT**DEPARTMENT OF LEVELLING UP, HOUSING AND COMMUNITIES (DLUHC) CONSULTATION****Purpose of the Report**

1. To highlight the government response to the DLUHC consultation on proposals relating to the investments of the Local Government Pension Scheme (LGPS).

Information and Advice

2. The Fund's response to this consultation was presented to Committee in October 2023 following discussion at the September meeting. The government published its response to the consultation alongside the Chancellor's Autumn statement. This can be found online at <https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/outcome/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response> .
3. The detailed guidance relating to these proposals is yet to be published, but the key points are as follows:
 - Pooling: a comply or explain framework setting a deadline of 31 March 2025 for funds to transition all listed assets to their pool or explain why this has not occurred.
 - Levelling up: funds will be required to consider an allocation of 5% to Levelling Up assets in the UK but are not mandated to invest if it does not fit within their investment strategy.
 - Private equity: Funds will be required to consider an allocation of 10% to private equity but are not mandated to invest if it does not fit within their investment strategy.
 - The Government will revise pooling guidance to set out its preferred model (including delegation of manager selection and strategy implementation), which could be different to the current model of some pools
 - All funds to publish formal training policies for their committees and report on the training undertaken.
4. The consultation response has addressed few of the concerns raised by LGPS Schemes, though the primacy of the Fund's fiduciary responsibility is recognised and it is noted that the asset allocations are not mandatory. The Fund is well placed to explain why certain asset classes have yet to be transferred and are likely to remain outside the pool as at 31st March 2025.

5. As at the end of September 19% of the Fund's investments were already pooled through LGPS Central. A further 3% is committed to Central Funds but not yet drawn. 21% of the Fund's investments were pooled through a joint procurement 3rd party pooling process with partner funds in passive funds managed by LGIM. These numbers are likely to increase as more investment products become available.
6. The Fund will await the detailed guidance arising from the consultation. It is believed that the LGPS Central model meets the Governments criteria in that the pool are responsible both for manager selection within funds and the strategy adopted by those managers to achieving both the required investment returns and the appropriate ESG (Environmental, Social and Governance) outcomes.
7. The direction of travel towards fewer, larger pools is clear, which the Chancellor mentioning an aspiration that all should have assets in excess of £200 billion by 2040 to maximise benefits of scale.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) The government response to the consultation is noted.

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For any enquiries about this report please contact:

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Constitutional Comments (KK 01/12/2023)

The proposals in this report are within the remit of the Pension Fund Committee.

Financial Comments (TMR 30/11/23)

There are no direct financial implications arising from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.