

**REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT &  
IMPROVEMENT****ASSET POOLING AND CONSULTATION ON REVISED INVESTMENT  
REGULATIONS****Purpose of the Report**

1. To inform members of the Fund's initial response to the government's request for proposals on asset pooling and consultation on changes to investment regulations.

**Information and Advice**

2. In the July Budget 2015, the Government announced its intention to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance. In November 2015, the Department for Communities and Local Government (DCLG) published *Local Government Pension Scheme: Investment Reform Criteria and Guidance* alongside a consultation on revised LGPS Investment regulations. The criteria cover the following:
  - A. Asset pool(s) that achieve the benefits of scale
  - B. Strong governance and decision making
  - C. Reduced costs and excellent value for money
  - D. An improved capacity to invest in infrastructure
3. Authorities were asked to submit their initial proposals on asset pooling to the Government by 19 February 2016. Refined and completed submissions are expected by 15 July 2016. The government will continue to engage with authorities as they develop their proposals for pooling assets, highlighting areas that may fall outside of the criteria or where additional evidence may be required.
4. The consultation on the investment regulations sought responses to eight specific questions. The government recognised that the existing regulations place restrictions on certain investments that may constrain authorities considering how best to pool their assets. It therefore proposed to move to a prudential approach to securing a diversified investment strategy that appropriately takes account of risk. In so doing, the government proposed to introduce a power to allow the Secretary of State to intervene to ensure that authorities take advantage of the benefits of scale offered by pooling and deliver investment strategies that adhere to regulation and guidance.
5. The current investment regulations have not proved to be a constraint to the Fund, mainly as a result of its long term, relatively traditional, investment strategy. The proposed changes

replace the Statement of Investment Principles (SIP) with an Investment Strategy Statement (ISS). The requirements for the new ISS are largely met by the existing SIP but this will be reviewed once the new regulations are approved and recommendations will be made to the Pensions Sub-Committee and Pension Fund Committee as appropriate.

6. The Nottinghamshire fund is committed to creating a Midlands based pool, known as “LGPS Central”, with 8 other participant funds. The total value of the pool is around £35 billion and so easily meets the government’s criteria on size. The pool developed a joint submission for use by participating funds in responding to the government’s February deadline. As the initial submission only required funds to show ‘a commitment to pooling and a description of their progress towards formalising their arrangements with other authorities’ the joint submission was used as the basis for the Nottinghamshire submission.
7. The proposed response to both government documents was discussed at the Pensions Sub-Committee meeting on 4 February 2016 and finalised in conjunction with the Chairman and Vice-Chairman. This was submitted on 15 February 2016 and is shown at Appendix A. The response from Marcus Jones MP, Minister for Local Government, welcomes the initial LGPS Central proposal and encourages us to continue work to develop a detailed submission. The government response will be reported to the Pensions Sub-Committee in May 2016.
8. Regular meetings continue to be held between officers of the participating funds and a detailed work programme is being developed to meet the required deadlines. An event was held at County Hall in January 2016 to enable the Chairs, Vice-Chairs and s151 Officers of the participating funds to meet and further joint meetings are planned. Progress towards the July submission and the subsequent implementation of the pool will be reported by the pool to the chief finance officers of each fund on a regular basis. Further reports will also be taken to the Pensions Sub-Committee and this Board to keep Members up to date with progress.

## **Statutory and Policy Implications**

9. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION/S**

- 1) That the report be noted.

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## **Senior Accountant – Pensions & Treasury Management**

**For any enquiries about this report please contact: Simon Cunnington**

### **Constitutional Comments**

10. Because this report is for noting only, no Constitutional Comments are required.

### **Financial Comments (SRC 31/03/16)**

11. There are no direct financial implications arising from this 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.

- DCLG: Local Government Pension Scheme: Investment Reform Criteria and Guidance
- DCLG Consultation: Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009