

Report for: Pensions Committee and Board – 12 September 2022

Title: Government Consultation on Governance and Reporting of Climate Change Risks

Report authorised by: Toyin Bamidele, Assistant Director of Finance (Deputy Section 151 Officer)

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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Not applicable

1. Describe the issue under consideration

- 1.1. This report provides the Pensions Committee and Board (PCB) with an overview of the government's consultation on *Local Government Pension Scheme (LGPS): Governance and reporting of climate change risks* (the Consultation) which was published by the Department for Levelling Up, Housing and Communities (DLUHC) on 1 September 2022.

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note the summary of the policy proposals included in the Consultation, appended as Appendix 1 to the report, and provide any initial comments and feedback to assist officers in drafting a response to the Consultation.

4. Reason for Decision

- 4.1. Not applicable.

5. Other options considered

- 5.1. Not applicable.

6. Background information

- 6.1. The Department for Levelling Up, Housing and Communities (DLUHC) published its highly anticipated consultation on governance and reporting of climate change risks on 1 September 2022.
- 6.2. The Consultation seeks views on the government's policy proposals that will require administering authorities of the Local Government Pension Scheme (LGPS) to have effective governance, strategy, risk management and accompanying metrics and targets for the assessment and management of climate risks and opportunities.
- 6.3. The proposals have been developed in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).
- 6.4. At a high level, DLUHC are proposing that LGPS administering authorities calculate the carbon footprint of their assets and assess the impact of different climate scenarios on fund assets or liabilities, including the ambition to limit the global average temperature rise to below 2 degrees which was set out in the Paris Agreement.
- 6.5. Under these proposals, administering authorities will be required to publish a Climate Risk Report annually by 1 December, following the end of the financial year.
- 6.6. A summary of the proposals included in the Consultation has been attached as Appendix 1 to this paper. The full consultation document is available on DLUHC's website.

Considerations for the Pensions Committee and Board (PCB)

- 6.7. The proposed policy changes, if implemented, will have an impact on the existing governance requirements for LGPS administering authorities. The Council as administering authority of the Haringey Local Government Pension Scheme will be required to establish and maintain a framework for the oversight of climate related risks and opportunities.
- 6.8. In addition to the framework referenced in 6.7, the PCB (on behalf of the Council as the administering authority) will be expected to assess the impact of climate related risk and opportunities on both the investment and funding strategies.
- 6.9. The Consultation outlines the requirement to report on four metrics including setting a target on one metric of the administering authority's choosing. The PCB will need to give this careful consideration.
- 6.10. In the implementation of the proposed policy changes, the PCB will be required to take proper advice and training can be provided to members to assist in the decision-making process.

Next steps

6.11. The Consultation will last for 12 weeks from 1 September 2022 to 24 November 2022.

6.12. Officers, in consultation with the Chair of the PCB and the Pension Fund's Independent Advisor, intend to respond to the Consultation on behalf of the London Borough of Haringey.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1. There are no immediate financial implications arising from this report.

Comments of the Head of Legal and Governance (Monitoring Officer)

8.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the contents of this report. As mentioned in this report the consultation seeks views on policy proposals to require administering authorities of the Local Government Pension Scheme to have effective governance, strategy, risk management and accompanying metrics and targets for the assessment and management of climate risks and opportunities in line with the recommendations of the Taskforce on Climate-related Financial Disclosures.

8.3. Members should note that the administering authority will be required to comply with any policy requirements as a result of the consultation.

Equalities

8.4. Not applicable.

9. Use of Appendices

9.1. Appendix 1: Summary of Proposal – Consultation on Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.