

**Report for:** Pensions Committee and Board – 2 December 2024

**Item number:**

**Title:** MHCLG Open Consultation: LGPS – Fit for the future

**Report**

**authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officer:** Tim Mpofu, Head of Pensions and Treasury  
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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): Fit for the Future* ("the Consultation") which was published by the Ministry of Housing, Communities and Local Government (MHCLG) on 14 November 2024.
- 1.2. The purpose of this report is to seek the views of the Pensions Committee and Board (PCB) on the matters raised in the Consultation. The Consultation will close for responses on 16 January 2025.

## **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, included in section 6 of this report, and to provide any initial comments and feedback to assist officers in drafting a response to the Consultation.
- 3.2. To delegate authority to the Director of Finance (Section 151 Officer) to draft and submit the Consultation response on behalf of the Haringey Pension Fund, in consultation with the Independent Advisor and the Chair of Pensions Committee and Board. A copy of the final response will be circulated to members before submission to MHCLG.

## **4. Reason for Decision**

- 4.1. The proposed policy changes included in the Consultation, if implemented, will have a significant impact on the existing investment and governance requirements for LGPS administering authorities.
- 4.2. The Council has delegated the responsibility for exercising all its functions as the Pension Fund's Administering Authority to the Pensions Committee and Board.

Therefore, the Pensions Committee and Board must consider the implications of the proposed policy changes.

## **5. Other options considered**

5.1. Not applicable.

## **6. Background information**

- 6.1. Following the July 2024 General Election, the new Labour Government introduced a Pension Schemes Bill as part of the King's Speech on 17 July 2024. Subsequently, on 20 July 2024, the Chancellor issued a Government Press Release, announcing a landmark review aimed at boosting investment, increasing pension pots, and tackling waste in the pensions system.
- 6.2. The first phase of the Pensions Review would focus on developing policy in the following four key areas:
1. Driving scale and consolidation of defined contribution workplace schemes
  2. Tackling fragmentation and inefficiency in the Local Government Pension Scheme through consolidation and improved governance
  3. The structure of the pension ecosystem and achieving a greater focus on value to deliver better outcomes for future pensioners, rather than cost
  4. Encouraging further pension investment into UK assets to boost growth across the country
- 6.3. As part of this initial phase, the government also issued a Call for Evidence with a three-week response period ending 25 September 2024. This call focused on two key areas: LGPS asset pooling and investment in UK assets
- 6.4. Following the Chancellor's Mansion House Speech on 14 November 2024, the Ministry of Housing, Communities & Local Government (MHCLG) published the highly anticipated consultation on the future of the LGPS. This consultation was published alongside the [Pensions Review Interim Report](#) and the [Pension fund investment and the UK economy paper](#).
- 6.5. Building on the previous government's proposals to accelerate asset pooling, increase local and unlisted equity investments, this consultation seeks views on proposals to strengthen the management of LGPS investments in the three key areas:
- Reforming the LGPS asset pools
  - Boosting LGPS investment in their localities and regions in the UK
  - Strengthening the governance of both LGPS administering authorities and LGPS pools

## **Considerations for the Pensions Committee and Board (PCB)**

- 6.6. The proposed policy changes, if implemented, will have an impact on the roles, responsibilities, and requirements of LGPS administering authorities (AAs) and their asset pools. The table provides a summary of the key proposals.

**Summary of key proposals**

<b>Reforming the LGPS asset pools</b>	<p>The government proposes reforming the LGPS asset pools by mandating certain minimum standards deemed necessary for an optimal and consistent model in line with international best practice.</p> <p>The government seeks views on requiring all pools to become Financial Conduct Authority (FCA) regulated investment management companies. Under these proposals, all assets would be invested through the pools, with investment strategy implementation fully delegated to them. While funds would retain decision-making authority over investment strategy, this would be limited to high-level investment objectives or asset allocation. AAs would also be required to take their principal investment advice from the pool.</p>
<b>Boosting LGPS investment in their localities and regions in the UK</b>	<p>UK economic growth has been identified as the number one mission of the government. The government believes that increased LGPS investment in the UK would help achieve this goal.</p> <p>Therefore, the government seeks views on requiring funds to set out their approach to local investment, including target ranges within their investment strategies. Under these proposals, AAs would be required to work with local combined authorities and mayors to achieve these investments. The investments and their impacts would be included in annual reports.</p> <p>The government believes that pools would offer the most effective way to implement local investments. Under these proposals, pools would be required to undertake due diligence on potential local investment opportunities as well as deciding on whether to invest.</p>
<b>Strengthening the governance of both LGPS AAs and LGPS pools</b>	<p>The government proposes strengthening the governance of both LGPS AAs and LGPS pools by building on the recommendations of the Scheme Advisory Board's (SAB) 2021 Good Governance Project.</p> <p>Under these proposals, committee members will be required to have appropriate knowledge and skills, and AAs will be required to publish strategies on governance, training, and administration (including conflicts of interest) to improve transparency. Each AA will be required to appoint a Senior LGPS Officer with overall delegated responsibility for managing and administering the Fund.</p> <p>In addition to this, the government has included two new proposals: requiring funds to undergo a biennial independent governance review to verify compliance with governance requirements and requiring the appointment of an independent</p>

	<p>advisor to provide oversight on investment strategy and support on governance improvements.</p> <p>Additionally, Pool boards may be required to expand their membership to include fund representatives while enhancing transparency through detailed reporting of investment performance and transaction costs.</p>
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### **Next steps**

- 6.7. The Consultation will last for 9 weeks from 14 November 2024 to 16 January 2025.
- 6.8. A list of all the consultation proposals has been included as Appendix 1 of this report.
- 6.9. A list of all the consultation questions has been included as Appendix 2 of this report.
- 6.10. Given the significance of these consultation proposals, a response will need to be prepared on behalf of the London Borough of Haringey. A workshop can be arranged, subject to availability, to gather PCB member views. Following this, officers will draft a response to the Consultation, in consultation with the Chair and the Pension Fund's Independent Advisor on behalf of the administering authority. A copy of the final response will be circulated to members before submitting it to MHCLG.

## **7. Contribution to Strategic Outcomes**

- 7.1. Not applicable

## **8. Carbon and Climate Change**

- 8.1. The Consultation does not have any direct implications on carbon and climate change risk management. However, the investment strategy statement requires LGPS fund to set out their approach to responsible investment.

## **9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities) Finance and Procurement**

- 9.1. There are no immediate financial implications arising from this report.

### Assistant Director for Legal and Governance [Patrick Uzice, Principal Lawyer]

- 9.2. The Assistant Director for Legal and Governance (Monitoring Officer) has been consulted on the contents of this report. As mentioned in this report the consultation seeks views on the government's proposals on the future of various aspects of the Local Government Pension Scheme. It is important that members of the PCB provide their views in a timely manner so responses can be provided within the required deadline.
- 9.3. Members should note that the administering authority will be required to comply with any new legislation and/or guidance that may be brought into force following the consultation and further legal advice will be required on its impact and implementation.

## Equalities

9.4. Not applicable.

## **10. Use of Appendices**

10.1. Confidential Appendix 1: Consultation Proposals for Discussion

10.2. Confidential Appendix 2: Consultation Questions for Discussion

## **11. Background Papers**

11.1. [Local Government Pension Scheme \(England and Wales\): Fit for the future - GOV.UK](#)