



Report of: Corporate Director of Resources

Meeting of: Pensions sub-Committee

Date: 28th June 2022

Ward(s): n/a

Appendix 1 is exempt and not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Subject: Briefing Paper on Impact Investing -UK Social and Affordable Housing

1. Synopsis

1.1 A briefing paper has been prepared by Mercer (our investment consultants) and is attached as Exempt Appendix 1 to discuss Impact Investing-UK Social and Affordable Housing and the recent white paper on levelling up issued by the Department of Levelling Up Housing and Communities (DLUHC). The paper is a training document for consideration to start the process of formulating a mandate specification and risk and return parameters.

2. Recommendation

- 2.1 To receive the briefing prepared by Mercer attached as Exempt Appendix 1.
- 2.2 To consider the range, themes, risk and return and objectives as well as governments recent Levelling Up white paper.
- 2.3 Consider the next steps of how to progress this commitment.

3. Background

3.1 As part of the March 2020 Investment strategy review, Members agreed an asset allocation that included a 5% to social and affordable housing. The strategy was to be implemented over the short to medium term but no commitment has been made to date.

3.2 The briefing paper attached provides a high-level summary of introduction to the asset class to enable Members to begin to formulate a mandate specification and agree how to progress with the allocation.

3.3 Members are asked to receive the briefing and consider the next steps of progressing this commitment.

4. Implications

4.1 Financial implications

4.1.1 None in the context of this report. The cost of providing independent investment advice is part of fund management and administration fees charged to the pension fund.

4.2 Legal Implications

The LGPS (Management and Investment of Funds) Regulation 2016, Regulation 7 (1) requires an administering authority to formulate an investment strategy which must be in accordance with the guidance issued by the Secretary of State. The ISS must include:

The authority's policy on how social environmental or corporate governance considerations are taken into account in the selection, non- selection, retention and realisation of investments

The Sub-Committee holds a key fiduciary responsibility to manage the Fund's investments in the best interests of the beneficiary members and the council taxpayers, where the primary focus must be on generating an optimum risk adjusted return. It is vital that any investment decisions or strategies developed, such as a carbon strategy, must not negatively influence this primary responsibility.

The precise choice of investments can be influenced by ethical and environmental, social and governance (ESG) considerations, so long as that does not risk material financial detriment to the fund. Whilst deliberating on such issues, Queen's Counsel (Nigel Giffin) advice, commissioned by the LGPS Scheme Advisory Board and published in 2014, states that the administering authority may not prefer its own specific interests to those of other scheme employers, and should not seek to impose its particular views where those views would not be widely shared by scheme employers and members (nor may other scheme employers impose their views upon the administering authority).

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

4.4 Equalities Impact Assessment

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding

An equalities impact assessment has not been conducted because this report is seeking opinions on updating an existing document and therefore no specific equality implications arising from this report

5. Conclusion and reasons for recommendation

- 5.1 Members are asked to receive the briefing paper prepared by Mercer attached as Exempt Appdx1 and consider how to progress with this commitment and asset allocation in the short to medium term.

Appendix 1- Exempt Appendix 1 – Briefing on UK social and affordable housing prepared by Mercer

Background papers:

None

Final report clearance:

Signed by:

Corporate Director of Resources

Date

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Financial implications Author: joana marfoh

Legal implications – n/a