

Report of: Corporate Director of Resources

Meeting of: Pensions Committee

Date 26th September 2023

Ward(s): n/a

SUBJECT: DRAFT RESPONSE TO CONSULTATION ON POOLING

1. Synopsis

- 1.1 The Appendix to this report is the draft response to the government's consultation on pooling due on 2nd October. Members are being consulted on for their comments to form part of the response.
- 1.2 This consultation seeks views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

2. Recommendations

- 2.1 The note the consultation document [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-next-steps-on-investments)
- 2.2 To consider the five main areas focused for consultation as list in para 3.3 and give their comments on the draft response attached as Appendix 1
- 2.3 To agree to authorise officers to send the final version by 2nd October.

3. Background

- 3.1 After the Chancellor's Mansion House speech on 10 July 2023, Department for Levelling Up, Housing and Communities (DLUHC) published its long awaited consultation on pooling in the

LGPS on 11 July 2023. The consultation closes on 2 October 2023, and focusses on five areas.

- 3.2 This consultation seeks views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.
- 3.3 The five areas covered are listed below:
- First, the government sets out proposals to accelerate and expand pooling, with administering authorities confirming how they are investing their funds and why. While pooling has delivered substantial benefits so far, we believe that the pace of transition should accelerate to deliver further benefits which include improved net returns, more effective governance, increased savings and access to more asset classes. We propose a deadline for asset transition by March 2025, noting we will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, we want to see a transition towards fewer pools to maximise benefits of scale.
 - Second, the government proposes to require funds to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the [Levelling Up White Paper \(LUWP\)](#). This consultation sets out in more detail how the Government proposes to implement this requirement and seeks views on its plans.
 - Third, the government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. The government believes there are real opportunities in this area for institutional investors with a long-term outlook, such as the LGPS.
 - Fourth, the government is seeking views about proposed amendments to the LGPS's regulations to implement requirements on pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
 - Finally, the government is proposing to make a technical change to the definition of investments within LGPS regulations.
- 3.4 The link to the full consultation document is [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](#)
- 3.5 Officers have drafted a response for discussion and comments and will be circulated to the pension board as well for comments before finalised and sent by 2nd October 2023.

4. Implications

4.1 Financial implications

4.1.1 None in the context of this report.

4.2 Legal Implications

None applicable to this report

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 consider the consultation document and comment on the draft response prepared by officers so it can be finalised for despatch by 2nd October.

Appendix 1- Draft response on pooling consultation

Background papers:

None

Final report clearance:

Signed by:

Corporate Director of Resources

Date

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Financial implications Author: n/a

Legal implications – n/a