



## Local Pensions Board

### 26 September 2023

<b>Title</b>	<b>LGPS Investment Consultation</b>
<b>Date of meeting</b>	26 September 2023
<b>Report of</b>	Executive Director of Strategy & Resources (S151 Officer)
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	Appendix A – LGPS Investment Consultation – Summary and Questions Appendix B – Barnet’s six recommendations
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### Summary

On 11 July 2023 the Government released an important consultation about Local Government Pension Scheme (LGPS) investment. This consultation is likely to steer how both the (centralised) pooling and local agendas evolve for the LGPS over the next decade or so. The consultation covers:

- Pooling
- Local Investment
- Investment towards Private Equity

The full consultation can be viewed here:

[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-england-and-wales-next-steps-on-investments)

The consultation is open for 12-weeks and closed on 2 October 2023.

Barnet Council plan to make a response to this consultation and this paper sets out the key themes that will underpin our response.

### Recommendations

**1. That Local Pension Board members consider this paper and whether they would like to feed in any specific points for Barnet Council to consider within its response**

**2. The Local Pension Board may also consider whether it wishes to make its own specific response to the Consultation.**

## **1. Reasons for the Recommendations**

1.1 David Spreckley, Head of Pensions and Treasury and Councillor Simon Radford (Pension Fund Committee Chair) have considered the key points that Barnet should cover in our consultation response. This thinking has been summarised as six specific recommendations that we believe would improve outcomes for Barnet Residents and local tax payers.

1.2 The recommendations are founded from the following key principles:

- We believe sustainable outperformance (relative to market) can be achieved through scale and also through looking at emerging smaller opportunities
- The constituent we owe our primary Fiduciary Duty to is the people of Barnet
- There is a “levelling up” dividend which may flow through in the immediate area where levelling up investment is made

1.3 Our six recommendations are:

1. Regulations modified to encourage greater collaborations between the Pools and Funds so the big opportunities and best assets can be accessed – we think this will increase the overall level of pooled assets
2. The ability to allow for a ‘Levelling Up’ dividend in decision making where Local Taxpayers and / or employers benefit from the investment collaterally – we think this will increase and accelerate investment towards Levelling Up initiatives
3. Encourage investment in smaller Private opportunities as well as large – Funds are adept in discovering high value Private Assets locally. Encouraging and utilising this network of expertise, in collaboration with pools where possible, will help drive value for our taxpayers and increase investments towards Private Assets overall
4. Made explicit that Funds can rely on the Pools’ due diligence – this will reduce our overall governance expense and help us build a closer relationship with our Pool. We would further recommend that Pool’s obtain their own independent due diligence
5. Government commission a review on the potential for concentration risk from greater consolidation to fewer Fund managers - with greater concentration comes potential risk, we think this needs to be properly explored and understood as it may inform the extent of ultimate pooling

6. That the governance burden is supported by investment in centralised reporting tools (which could be co-ordinated by a Pool) – this will transform governance within Funds and allow clearer comparison between funds

1.4 Officers and the Pension Fund Committee Chair are seeking to engage with broader stakeholders on these points and we look forward to hearing the Board's views (note that Consultation response needs to be submitted on 2 October and so if Board members have specific points to raise then we recommend feeding these to Officers as soon as possible).

1.5 A summary of the consultation and the relevant questions and a short slide deck covering our six recommendations are included as Appendix 1 and 2.

## **2. Alternative Options Considered and Not Recommended**

2.1 Not applicable in the context of this report.

## **3. Post Decision Implementation**

3.1 Pending the views expressed by the Board, the collated response to the Consultation will be submitted on 2 October.

## **4. Corporate Priorities, Performance and Other Considerations**

### **Corporate Plan**

4.1 The Local Pension Board supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund. Awareness of changes to LGPS investment legislation and regulations is therefore essential for the Board.

### **Corporate Performance / Outcome Measures**

4.2 Not applicable in the context of this report.

### **Sustainability**

4.3 Not applicable in the context of this report.

### **Corporate Parenting**

4.4 Not applicable in the context of this report.

### **Risk Management**

4.5 Risk management is central to the LGPS; which are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

4.6 The regulatory framework around LGPS investment is key to overall risk management.

### **Insight**

4.7 Not applicable in the context of this report.

### **Social Value**

4.8 Not applicable in the context of this report.

<p><b>5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)</b></p>
<p>5.1 Effective investment management is key to the sustainability of the Pension Fund.</p>
<p><b>6. Legal Implications and Constitution References</b></p>
<p>6.1 Under the Council’s Constitution, the terms of reference of the Local Pension Board includes the following responsibilities:</p> <ul style="list-style-type: none"> <li>• to ensure compliance with LGPS Government regulations.</li> <li>• to ensure compliance with the requirements imposed by the Pensions Regulator.</li> <li>• such other matters as the LGPS regulations may specify to ensure the effective and efficient governance and administration.</li> <li>• to ensure the Pension Fund’s strategy and policy documents are maintained in accordance with the LGPS Regulations.</li> <li>• to ensure the Pension Fund’s internal Risk Register is reviewed at least annually.</li> <li>• To review the Pension Fund’s performance in complying with the requirements of the LGPS Regulations.</li> </ul>
<p><b>7. Consultation</b></p>
<p>7.1 Not applicable in the context of this report.</p>
<p><b>8. Equalities and Diversity</b></p>
<p>8.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant ‘protected characteristic’ and those who do not share it; and fostering good relations between persons who share a relevant ‘protected characteristic’ and persons who do not share it. The ‘protected characteristics’ are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to the public-sector equality duty.</p> <p>8.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The <a href="#">Public Sector Equality Duty</a> requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.</p>
<p><b>9. Background Papers</b></p>

9.1 None