

 Brent	Brent Pension Fund Sub-Committee 24 June 2025
	Report from the Corporate Director, Finance and Resources
	Lead Member – Deputy Leader & Cabinet Member for Finance & Resources (Councillor Mili Patel)
LGPS ‘Fit for the future’ Consultation Outcome	

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt:	Open
List of Appendices:	One Appendix 1: Hymans Robertson Briefing Note on LGPS ‘Fit for the Future’ Consultation
Background Papers:	N/A
Contact Officer(s):	Minesh Patel, Corporate Director, Finance and Resources 020 8937 4043 (minesh.patel@brent.gov.uk) Amanda Healy, Deputy Director Investment & Infrastructure 020 8937 5912 (amanda.healy@brent.gov.uk) Sawan Shah, Head of Finance 020 8937 1955 (sawan.shah@brent.gov.uk) George Patsalides, Finance Analyst (george.patsalides@brent.gov.uk)

1.0 Executive Summary

- 1.1 The purpose of this report is to update the committee on the outcome of the Government’s Fit for the Future consultation.

2.0 Recommendation(s)

2.1 The Committee is asked to note the report.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

4.0 Background

4.1 In July 2024, the Chancellor launched the UK Pensions Investment Review, which included proposals to improve the scale and efficiency of the UK's defined contribution (DC) pension schemes and the LGPS. In November 2024, the Government published its Fit for the Future consultation which included proposals in three key areas of the LGPS, namely to reform asset pooling, boosting investment in local areas of the UK, and strengthening the governance of administering authorities and LGPS pools.

4.2 The Government has now published its Final Report on the UK Pensions Investment Review and its response to the Fit for the Future consultation¹. It confirms that it will move ahead with its core proposals, setting out its final policy measures on pooling, local investment and fund governance. The key takeaways from this are summarised thus:

Pooling

4.3 There are 86 LGPS funds in the UK, which have aggregated a portion of their assets with 8 regional investment pools. The London CIV was set up as the designated pooling entity for the 32 London boroughs.

4.4 The government required all 8 pools to submit transition plans to demonstrate how the proposed minimum standards could be met. Of the 8 pools, only 6 pool plans were accepted. The government concluded that ACCESS and Brunel's proposals did not align with its vision for the future of the LGPS and partner funds are required to find a new pool by September 2025. This will not affect London CIV.

4.5 In relation to concerns that it might not always be possible to accommodate Fund specific requirements on responsible investment, the Government has stated that, to achieve scale, pools would not be expected to create a range of bespoke solutions to fit each fund's ESG and RI requirements. Instead, funds

¹ <https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future/outcome/local-government-pension-scheme-england-and-wales-fit-for-the-future-government-response>

should work together to reach a common approach. However, they acknowledge this will not always be possible, in which case more than one option can be offered.

- 4.6 Funds will continue setting their individual investment strategy, with the implementation of their strategy being delegated to their respective pools. To facilitate this, pools will be required to develop in-house investment management and advisory capabilities, with a view to establishing themselves as investment managers (and therefore be authorised and regulated by the FCA).
- 4.7 As such, pools will be mandated to provide partner funds with principal advice on their investment strategies, this is despite 54% of responses being opposed to the recommendation. Fund's will be able to procure advice from other sources, however the Government is of the view that this should only be under exceptional circumstances rather than routine.
- 4.8 The Government originally proposed for all listed assets to be transferred to pooled vehicles by March 2026, with remaining legacy illiquid assets to pooled management. These proposals have been loosened and the Government has stated that not all assets will need to be invested through a pool's own funds. Instead it will require that all LGPS investments, listed and unlisted, are transferred to the management of the pool reflecting concern that it would not always make financial sense to transfer passive assets into the pool. The Government does note that they expect the default position to be investing through a pool's own funds.

Investment in the UK

- 4.9 The Government has reiterated its encouragement for the LGPS to increase its investment exposure in the UK, with particular focus on exploring local investment opportunities. In this instance, 'local' investment will cover areas which are broadly regional to the pool and its partner funds. Therefore, for the Brent Pension Fund, this will cover investments in the Greater London area.
- 4.10 Under these proposals, funds will be required to set a target allocation for local investment, which will be outlined in its investment strategy. No statutory minimum has been prescribed for capital allocation; however, funds will be required to work with local authorities and regional stakeholders to ensure collaboration with local growth plans and prioritise opportunities which have the greatest impact.
- 4.11 As originally proposed, administering authorities will be required to disclose information relating to their local investments, including their target range and their impact, in their annual report. However, to simplify the reporting required and to avoid duplication, a key change in reporting requirements is that pools will now be required to report annually on total local investments made on behalf of their administering authorities, as well as their impact. The metrics by which local impact is assessed will not be prescribed by the Government.

Governance

- 4.12 The main governance proposals brought forward are based on recommendations following the Good Governance project, undertaken by the Scheme Advisory Board (SAB). The proposals include the requirement for partner funds to publish a governance and training strategy (replacing the governance compliance statement), outlining how knowledge requirements of members and officers will be met, and also include a conflict of interest policy.
- 4.13 A Senior LGPS Officer will also be appointed and hold overall responsibility for the management and administration of the fund, which includes providing advice to the Pension Committee and Pension Board and ensuring compliance with all statutory and regulatory obligations. There is also a new proposal for pension committees to appoint an independent adviser, as a key driver of strengthening improvements in governance.
- 4.14 The proposal for pension committee members, the senior LGPS officer, and officers to have the appropriate level of knowledge and understanding for their roles, with requirements for pension committee members and local pension board members aligned will be taken forward and guidance for non-compliance will be issued.
- 4.15 An independent review of governance arrangements will take place every three years, with the aim of providing assurance that governance recommendations are being met. This is a welcome change from the original proposal of a biennial review, which would not have aligned with the triennial valuation cycle.
- 4.16 The Fund's investment advisors, Hymans Robertson, have published a briefing note on the consultation outcome, which is enclosed as Appendix 1.

5.0 Stakeholder and ward member consultation and engagement

- 5.1 Not applicable.

6.0 Financial Considerations

- 6.1 Not applicable.

7.0 Legal Considerations

- 7.1 Not applicable.

8.0 Equity, Diversity & Inclusion (EDI) Considerations

- 8.1 Not applicable.

9.0 Climate Change and Environmental Considerations

- 9.1 Not applicable.

10.0 Human Resources/Property Considerations (if appropriate)

10.1 Not applicable.

11.0 Communication Considerations

11.1 Not applicable.

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources