

Investment Committee

Hybrid Meeting – 10 November 2025

Item 8 – Paper E

Pension Schemes Bill – local investment

Background:

1. The [Government response to the Fit for the Future consultation](#) confirmed that all LGPS administering authorities (AAs) need to set a strategy and investment target in relation to local investment.
2. The Government is also in the process of establishing strategic authorities across England under the Devolution agenda. Clause 2 of the [Pension Schemes Bill](#) (PSB) would in addition require LGPS administering authorities to “co-operate with the strategic authorities to identify and develop appropriate investment opportunities”.
3. The Government’s response to the consultation used an alternative formulation for local investment obligations, saying that LGPS AAs should “have regard to” the strategic authority’s growth plan in setting out their policy on local growth in their investment strategies.
4. The PSB defines local investments as “investments in, or for the benefit of persons living or working in the scheme manager’s area, or the areas of the other scheme managers participating in the same asset pool company as the scheme manager”. However, the Minister [said at Committee stage](#) that this definition is not to be interpreted too narrowly and should not “prevent investments that straddle boundaries—for example, investments in transport and infrastructure that would benefit people living in both Wales and neighbouring English counties”.
5. In the Fit for the Future consultation response, a link was drawn between local and impact investing, with the definition being “broadly local or regional to the AA or pool. It should have some quantifiable external benefits to the area in question, including economic growth, environmental benefits or positive social impacts”.
6. AAs will also need to report on levels of investment and the associated impact, although we understand from the consultation response that the Ministry of Housing, Communities and Local Government (MHCLG) will not be too prescriptive as to how impact should be reported. However, changes are planned to the Board’s annual report guidance to help AAs with this. Because of this, the Committee is asked to consider whether any best practice guidance from the Board would be helpful.
7. The Good Economy have recently published a report entitled “[Scaling-Up Local Investing for Place-Based Impact: A Strategic Framework and Guidance for LGPS](#)”. In that report, which had input from all of the pools (except Access) and several funds, they recommend the establishment of a common impact reporting standard for local

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investments. This would be intended “to ensure consistency, comparability and transparency of impact reporting – and stakeholder accountability for the local economic, social and environmental impact of local investing”.

Issues for the Committee

8. The views of the Committee are invited on the most appropriate ask of AAs in relation to the new strategic authorities - specifically whether we need to seek clarification of what “co-operation” with strategic authorities means in this context.
9. The Secretariat are cautious about a statutory requirement for AAs to “develop” local growth proposals with strategic authorities. This might be clearer once we see draft guidance, but potentially it creates a risk of a conflict of interest when decisions need to be taken on whether it to invest in those proposals. This is only partially mitigated by the pool company doing the due diligence in respect of the proposal, given the close connection between them.
10. There is also a question of how AAs or pools will in practice engage with the new strategic bodies or mayors. This could be particularly challenging when partner funds in a pool straddle a large number of different strategic authorities, possibly with different levels of sophistication or capacity in developing projects, and there is competition for the AA/pool’s attention and engagement with proposals.
11. Guidance will also be key around the degree to which pools have discretion to apply less or more strenuous financial criteria in some areas than in others. It could be because different AAs may legitimately take different approaches on investment criteria which are more subjective, like member support or risk appetite. The Board has also been clear that there needs to be some recognition that AAs will have to apply their political antennae in relation to proposals which evince strong local opinions (positive or negative).
12. The Secretariat believes that there is merit in adopting a common reporting standard for local investments (or at least in having a stated aspiration to do so over time). If the Committee agrees, we can advance this position with MHCLG and also start work on how we could devise and agree such a standard.
13. We invite any other comments or observations that Committee members have on the local investment proposals or would like the Board to include in its briefings on the Pension Schemes Bill on this point.

Recommendation

That the Committee discusses the points raised above.
