

## **Pension Committee 27 March 2019**

**Report Title:** Lambeth Pension Fund Response to Ministry of Housing Communities and Local Government (MHCLG) Pooling Guidance

**Wards:** All

**Portfolio:** Cabinet Member for Finance: Councillor Andrew Wilson

**Report Authorised by:** Acting Strategic Director, Finance and Investment: Christina Thompson

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### **Report summary**

The MHCLG are inviting views on the draft guidance. This is an informal consultation with interested parties only such as the Scheme Advisory Board, Pension Committees, the Cross Pool Collaboration Group, CIPFA etc.

The MHCLG have advised that this is not a formal consultation so is not in the public domain. There are no specific consultation questions but interested parties are asked to separate out their comments in to general points and points on specific sections. The consultation period closes on 28 March 2019. Once the guidance is finalised, it will gain statutory status and all Funds will be required to act in accordance with it.

### **Finance summary**

There are no direct financial implications in agreeing the recommendations in this report.

### **Recommendations**

(1) That Pension Committee notes the Lambeth Pension Fund's response to the informal Consultation

## **1. CONTEXT**

- 1.1 In 2015, the UK Government initiated a major reform of the Local Government Pension Scheme (LGPS) when it invited administering authorities in England and Wales to develop asset pools for investment. Eight regional Pools have been established over the last few years and although they are at varying stages of development, all eight Pools are now operational.
- 1.2 The Government set out its original ambitions through the publication of criteria and guidance on pooling, specifying that the pools should achieve economies of scale, reduce costs and improve the LGPS' capacity to invest in infrastructure. This guidance was issued in the context of asset pool formation. Now that the Pools are established, the Ministry of Housing Communities and Local Government (MHCLG) have prepared new statutory guidance on LGPS asset pooling. This guidance will set out the requirements on administering authorities and builds on previous Ministerial communications and guidance on investment strategies and will replace previous guidance. It aims to address some of the issues that have emerged and to support further progress towards pooling in the years ahead.
- 1.3 The MHCLG are now inviting views on the draft guidance. This is an informal consultation with interested parties only such as the Scheme Advisory Board, Pension Committees, the Cross Pool Collaboration Group, CIPFA etc.
- 1.4 The MHCLG have advised that this is not a formal consultation so is not in the public domain. There are no specific consultation questions but interested parties are asked to separate out their comments in to general points and points on specific sections. The consultation period closes on 28 March 2019. Once the guidance is finalised, it will gain statutory status and all Funds will be required to act in accordance with it.

## **2. PROPOSALS AND REASONS**

- 2.1 To date just under 50% of our assets are either fully pooled or managed under advisory/execution mandates by our regulated company LCIV.
- 2.2 We are fully supportive of the pooling agenda and the advantages in terms of reduction in costs, increases in the availability of skilled investment staff and the ways in which pooling will reduce future burdens on Council tax payers.
- 2.3 The Consultation from MHCLG is included within Appendix One.
- 2.4 The Lambeth Pension Fund's response to this informal consultation is included within Appendix Two. It explains critical issues and highlights where the draft guidance is deficient in these respects and how it should be changed to meet our common objectives.

## **3. FINANCE**

- 3.1 There are no direct financial implications in agreeing the recommendations in this report.

## **4. LEGAL AND DEMOCRACY**

- 4.1 The Accounts and Audit (England) Regulations 2011 require the Council to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practice.

4.2 Regulation 4 requires the Council to conduct a review, at least once a year, of the effectiveness of internal control which includes risk management arrangements. The Council is also under a duty to conduct, at least once a year, a review of its system of internal audit. The findings of both reviews must be considered together by the Pension Committee.

4.3 There were no further comments from Democratic Services.

## **5. CONSULTATION AND CO-PRODUCTION**

5.1 Although the Pension fund's Statement of Accounts and Annual Report are a statutory document whose format is dictated by statute and regulation, it is prepared by officers with input from the Funds investment managers and the Fund custodian.

## **6. RISK MANAGEMENT**

6.1 None for the purposes of this report.

## **7. EQUALITIES IMPACT ASSESSMENT**

7.1 None for the purposes of this report.

## **8. COMMUNITY SAFETY**

8.1 Not considered for the purposes of this report.

## **9. ORGANISATIONAL IMPLICATIONS**

9.1 None for the purposes of this report.

## **10. TIMETABLE FOR IMPLEMENTATION**

10.1 Appendix Two is the Funds response to the consultation which is due on 28 March 2019.

<b>Audit trail</b>				
<b>Consultation</b>				
<b>Name/Position</b>	<b>Lambeth directorate/ division or partner</b>	<b>Date Sent</b>	<b>Date Received</b>	<b>Comments in para:</b>
<b>Councillor Andrew Wilson</b>	Cabinet Member for Finance	11.03.19	19.03.19	
<b>Christina Thompson, Acting Strategic Director, Finance and Investment</b>	Finance and Investment	11.03.19	19.03.19	Throughout
<b>Andrew Pavlou Legal Services</b>	Legal and Governance	11.03.19	14.03.19	Section 4
<b>David Rose, Democratic Services</b>	Legal and Governance	11.03.19	14.03.19	Throughout

<b>Report history</b>	
<b>Original discussion with Cabinet Member</b>	N/A
<b>Report deadline</b>	14.03.2019
<b>Date final report sent</b>	14.03.2019
<b>Part II Exempt from Disclosure/confidential accompanying report?</b>	Yes
<b>Key decision report</b>	No
<b>Date first appeared on forward plan</b>	N/A
<b>Key decision reasons</b>	N/A
<b>Background information</b>	N/A
<b>Appendices</b>	<ul style="list-style-type: none"> <li>• Appendix One – MHCLG Pooling Consultation</li> <li>• Appendix Two – Lambeth Pension Fund's response to MHCLG Pooling Consultation</li> </ul>