

PENSION FUND COMMITTEE – 7 JUNE 2024

RESPONSE TO THE MINISTER FOR LOCAL GOVERNMENT

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - a) **review the draft response contained at Annex 1,**
 - b) **provide any comments on the draft that they would wish to see incorporated into the final version, and**
 - c) **note that the final version will be agreed between the Chief Executive and the Executive Director for Resources & Section 151 Officer, and submitted to Government by the agreed deadline, subject to any further clarification following the announcement of the general election.**

Introduction

2. On 15 May 2024, the Minister for Local Government wrote to the Chief Executive Officer and Section 151 Officer of all administering authorities of the Local Government Pension Scheme. The letter, which followed up a similar letter on local government in general, asked each authority to set out its approach to achieving efficiencies in the management, governance and administration of their Fund and their asset pool.
3. The Minister acknowledged the strong financial position of most Funds and their commitment to scheme members but stated that he wished to see further improvements both in terms of reductions in costs and delivery of the Government's objectives as set out in the Autumn Statement.
4. The letter set out two key questions to which the Minister wanted to see a response, with each question including a number of sub-issues that the Minister wished to see addressed. The Minister requested responses, which he expected to be no more than two pages, be sent by 19 July 2024.

Draft Response

5. Since the Minister sent his letter, the Prime Minister has announced that there will be a general election on 4 July 2024. The deadline for the submission of responses therefore falls after the formation of the next Government. It is the view of Officers that the views set out in the draft response in Annex 1 will be of use to whoever takes on the role of the Minister for Local Government post the

general election, as both of the main parties have suggested similar ambitions for the Local Government Pension Scheme going forward. A request for clarification on this point has been sent to the Department for Housing, Levelling Up and Communities.

6. The draft response contained at Annex 1 has therefore sought to address the key questions and sub-issues as identified in the letter from the current Minister for Local Government.
7. The draft response highlights the considerable work undertaken by this Committee in recent years in respect of its own governance arrangements and working with the Brunel pool and warns against a rush to develop larger pension funds through merger or creation of new pension authorities. It does though acknowledge the governance challenges associated with pooling where decisions rely on consensus/comprise amongst the 10 partner funds and encourages the Government to issue the long overdue response to the Good Governance Review completed by Hymans Robertson in February 2021. This is seen as a better short-term solution allowing time to undertake the full business case necessary to assess the cost/benefits of reducing the current numbers of pension funds and pools.

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