

# Scheme Advisory Board

## HYBRID MEETING – 24 MARCH 2025

### ITEM 6 – PAPER C

#### LOCAL GOVERNMENT REORGANISATION AND LGPS

1. The [Devolution White Paper](#) was published on 16 December 2024. Although it did not specifically mention LGPS administering authorities, it is likely to have some significant consequences for administering authorities and the scheme. The purpose of this paper is to take a steer from the Board about possible opportunities and issues it presents.
2. A summary of the key aspects of the White Paper relevant for the LGPS is below:
  - The White Paper proposes the introduction of a new and consistent (across England) layer of sub-regional local government (known as strategic authorities)
  - Strategic authorities will have a key objective of delivering local growth and are recommended to be mayor-lead and a greater devolution of powers will follow where this is the case
  - Beneath this new layer, any existing two-tier areas should be unitarised
  - The government has invited bids from areas rather than applying a “top-down” solution at this stage
  - The government’s preference is for unitarisation to happen within existing county boundaries and using a guide population size of 500k
  - Unitarisation is also intended to save money, but not at the expense of service standards (e.g. bin collection frequency)
  - Transitional costs need to be met from existing resources (presumably reserves) although LGA is campaigning for some up-front funding to support change.
3. Areas in scope received initial feedback on their bids on 6 February 2025 and have until the end of March 2025 to submit their detailed transitional proposals. The necessary legislative changes will be included in a Devolution Bill that is expected in early summer 2025.
4. Elections in relevant affected areas scheduled for May 2025 have been postponed and it is expected that elections to new shadow authorities and mayoral elections will be held next year. There are also some previously agreed reorganisations outside of this process (e.g. Lancashire) that have their own timetable.
5. There is no proposal for the new layer of “strategic authorities” to take over the administering authority function and it would not sit well with their other responsibilities.
6. With the triennial valuation coming up, the proposed reorganisations will give actuaries the added complexity of setting employer contribution rates

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for some councils that may not exist in a few years' time. New rates will need to be calculated for the shadow and replacement councils at some point in the cycle.

7. In terms of the functioning of pension committees, the postponement of some May 2025 elections will help with continuity in the short term but we are likely to see significant changes in membership over the longer term. The Local Government Boundary Commission will be responsible for reviewing the numbers of councillors for the new unitary councils, but the Government cites approvingly the example of Cumbria where the number of councillors in that county was reduced by two-thirds by unitarisation.
8. The reorganisation of functions does, however, provide an opportunity to review governance arrangements and service delivery arrangements for LGPS administering authorities, and give them opportunities to build in best practice, such as creating the role of a single senior LGPS officer and some greater separation and clarity of the service functions provided to the pension fund.
9. In terms of local growth, the [Fit for the Future](#) consultation also included the proposal that administering authorities and pools should have an obligation both to work with the new strategic authorities to identify local growth opportunities and also have regard to the authority's strategy in setting out its own approach to local investing.
10. In its [response](#) to the consultation, the Board has recognised that there may be a role for LGPS in the financing of projects, but that expectations need to be managed as the LGPS, like all other institutional investors, needs to achieve a commercial rate of return. Also, it will not be easy to replicate long-standing and mature networks of collaboration (such as Greater Manchester and the West Midlands) across England without investment in capacity building in those new authorities.

**Recommendation: That the Board considers whether it needs to give any additional steer to the Secretariat on the contents of the White Paper or its understanding of LGPS' role in local growth, as set out in the consultation response.**

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