

HYMANS  ROBERTSON

Local investment in the LGPS: fund perspectives

Insights from our 2025 survey

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Introduction

The UK government's broader pensions reforms and recent 'Fit for the Future' consultation outcome have set a new direction for the Local Government Pension Scheme (LGPS). There's a clear expectation that funds will increase their commitment to local investment.

Hymans Robertson invited LGPS heads of fund and fund officers from funds across England and Wales to complete an online survey. It was designed to encourage a better understanding of attitudes, ambitions, concerns and practical plans for local investment. This report distils key insights from respondents of the survey, contextualised by the market and government's policy direction.

Our survey results are representative of our sample and therefore will not be fully representative of the LGPS fund market as a whole. More information on our survey can be found in the Appendix.

Key findings

-  Average expected asset allocation of **4.6%**, equating to around **£18bn.**
-  Most funds are supportive of local investment in principle, but practical concerns – especially around opportunity, risk and implementation – dominate.
-  Definitions of 'local' vary, with a trend towards broader, pool-based or UK-wide interpretations.
-  Appetite for local investment is tempered by fiduciary duty, resource constraints and the need for robust governance and due diligence.
-  Collaboration, both within pools and with local authorities, is seen as essential but challenging.
-  35% of funds responding have a documented local investment strategy in place.

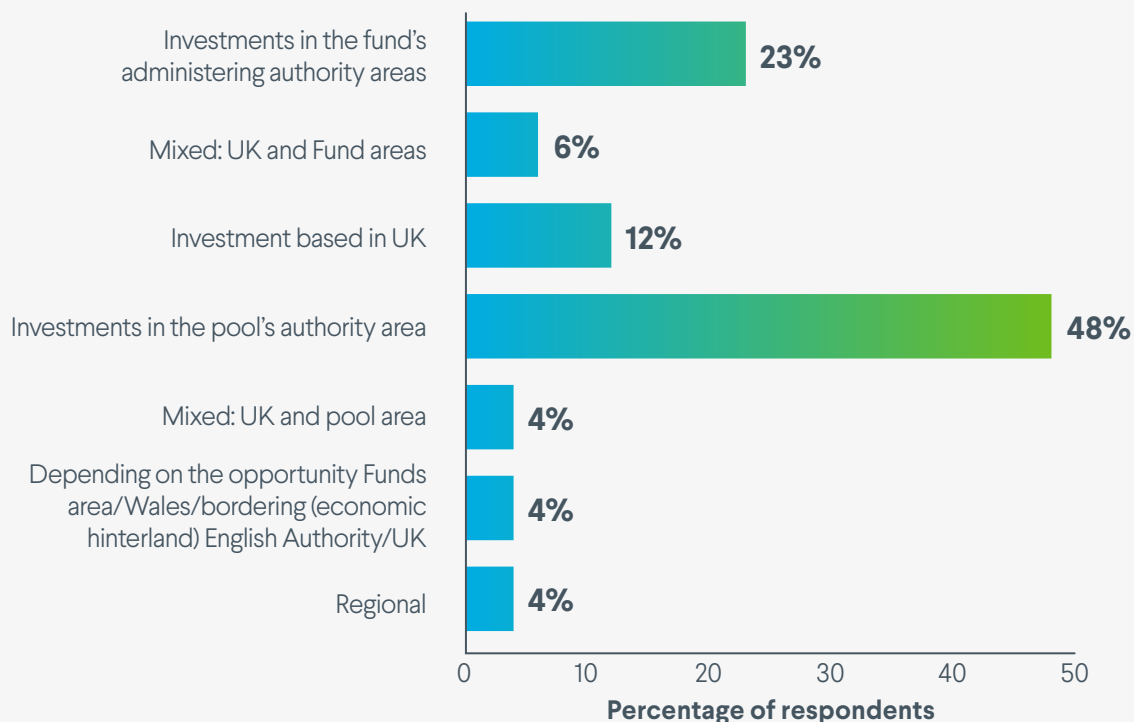
Definitions of local investment vary

The understanding of 'local investment' is far from uniform across the LGPS. Survey responses reveal a spectrum of interpretations; many respondents are working through their own definitions and seeking greater clarity. Around half of respondents expect to define local as 'anywhere in the pool's authority area', while roughly a quarter want to focus on their own fund area. Of the rest, a significant proportion remain interested in defining local as UK-wide, despite the government no longer referencing this definition.

- **Administering authority area:** Some funds define 'local' strictly as investments within their own authority boundaries, often citing a desire for direct community impact and alignment with local priorities.
- **Pool area:** A significant number of funds now view 'local' as encompassing the broader pool area, reflecting the government's push for pooling and the practicalities of sourcing sufficient opportunities.
- **UK-wide or regional:** Some funds advocate for a UK-wide definition, arguing that this approach maximises opportunity and diversification while still supporting national growth objectives.
- **Hybrid approaches:** Several funds prefer a mixed model, targeting both their own area and the wider pool or the UK, depending on opportunity and the risk/return profile.

Implication: The lack of a standard definition complicates strategy, implementation and reporting. This risks inconsistent approaches across the LGPS and warrants the need for clearer guidance from the government.

Question: How do you expect to define local, from a geographic perspective?



Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

Perspectives on the journey ahead

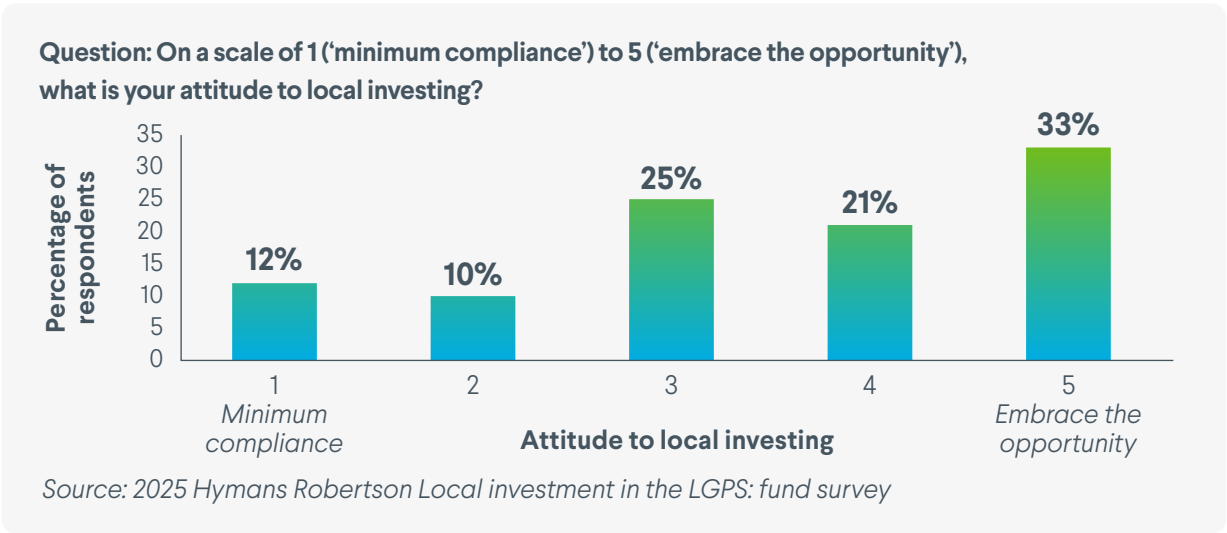
Overall attitude

Supportive but cautious: On a scale of 1 ('minimum compliance') to 5 ('embrace the opportunity'), responses were distributed across the scale. 12% of respondents expect to do the bare minimum, while over 50% indicated the potential for local investing to be a real opportunity for their fund by responding with a 4 or 5 on the scale.

Fiduciary duty first: Many respondents stress that local investment must not compromise their primary responsibility to scheme members: delivering secure pensions through prudent investment. Of those surveyed, 87% expect objectives around local investment to be aligned with the fund's overall requirements, with only 13% prepared to set a lower bar to enable greater local impact.

Allocations in line with expectations: Of the funds surveyed, 58% expect to allocate 0–5% of assets to local investment within 2–3 years, with a smaller group targeting 5–10%. The average proportion of the LGPS allocated to local investing is 4.6%. Based on total LGPS assets in England & Wales as at May 2025 (£390bn), £18bn may be expected to be invested locally. No respondents expected to allocate zero to local investing, even though this is theoretically permitted by government. Examining the data further reveals that larger LGPS funds have greater appetite for local investment.

Recognition of the journey ahead: Respondents were clear: local investment presents both challenges and opportunities. One fund responded that many opportunities have been presented to them in the past 10 years, without many viable options. Another stated that they're at the "start of a long journey."



Ambitions

Impact: Across the board, funds see local investment as a way to deliver social and economic benefits to local communities, especially in underserved areas.

Long-term evolution: Several funds with established local investment programmes plan to evolve and expand them. However, most respondents are at an early stage, focusing on building capacity and understanding.

Implication: With many funds in the early stages of local investment, significant effort and guidance is required to ensure funds and pools are supported on this journey.



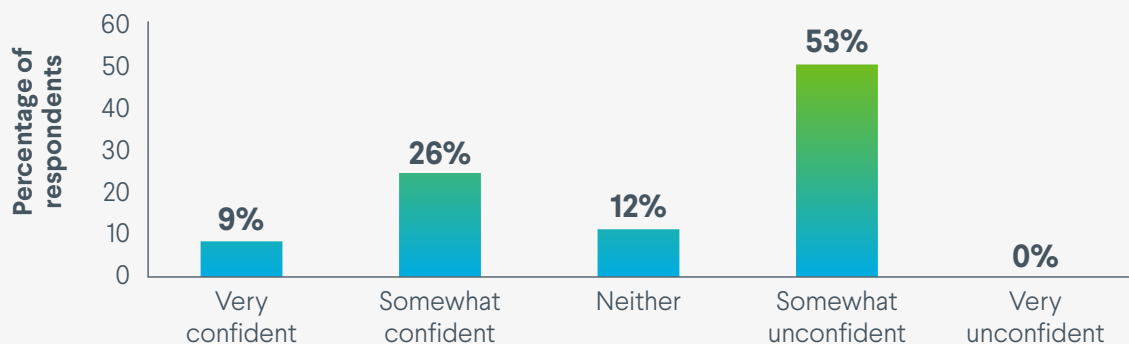
Concerns around local investment

The survey reveals a consistent set of concerns. It was unusual for respondents to express no concerns at all.

- 1 Lack of opportunities:** The most frequently cited barrier, many funds (particularly those in smaller, rural or less economically active areas) shared their struggle to identify investible projects at the required scale and risk/return profile.
- 2 Risk and return:** There is widespread concern that local investments may present increased risk or lead to reduced returns, potentially conflicting with fiduciary duty.
- 3 Fiduciary duty and local goals:** Funds are wary of political or stakeholder pressure to invest in projects that may not meet investment criteria, yet present opportunity to make progress around local authority priority areas.
- 4 Implementation challenges:** Local investment is seen as resource-intensive, costly and labour-intensive, with concerns about internal capacity and expertise.
- 5 Governance and due diligence:** Many funds lack confidence in their own or their pool's ability to scrutinise and manage local investments effectively.
- 6 Government clarity:** Respondents call for clearer guidance on definitions, expectations and reporting requirements.
- 7 Reputational risk:** A significant number shared that the proximity of local investments increases the risk of public or political scrutiny if projects underperform or fail.

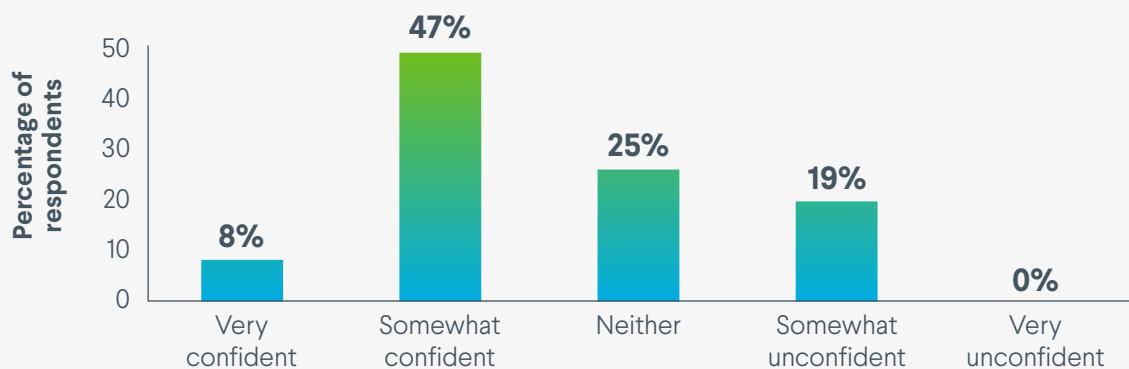
Implication: Many of the selected concerns highlight challenges to implementation in the short term. This being the case, effective communication and collaboration among all stakeholders is required to build capabilities and readiness for local investment. Work is needed to identify and create confidence around investment opportunities.

Question: How confident are you that there are sufficient opportunities in your administering authority area?



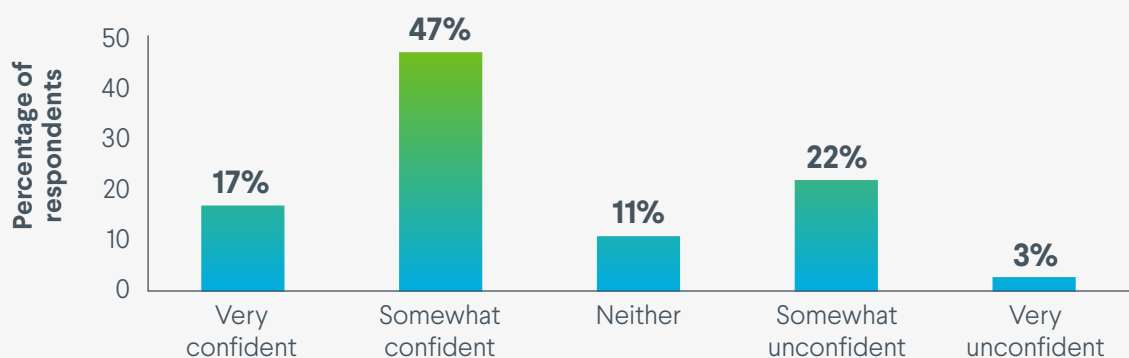
Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

Question: How confident are you that there are sufficient opportunities in your pool area?



Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

Question: How confident are you that there are sufficient opportunities in the UK?



Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

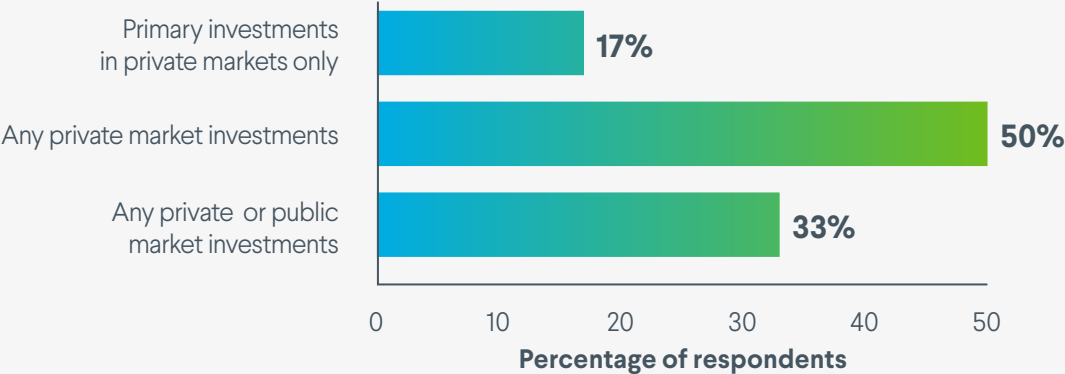
Private markets dominate among funds

We asked respondents about the asset classes they expected local investments to fall into. Over half have not yet decided how to structure their local investment assets, while the remainder was split between having a standalone allocation or embedding local within existing asset class allocations. Regarding asset classes, private markets dominate the responses. Given the government’s clear expectation that this will be the case, it rings true that private markets are expected to form the lion’s share of local investments.

Asset classes

- **Private markets dominate:** Most funds expect local investment to be in private market assets: property, infrastructure, private debt and specialist housing.
- **Public markets and other assets:** Some funds are open to public market investments or hybrid models, but these are less common.
- **Scale and suitability:** Respondents raised specific challenges relating to the investible nature of asset classes at the local level, and that some areas lack the scale to support meaningful allocations.

Question: What asset classes do you expect your local investments will fall into?



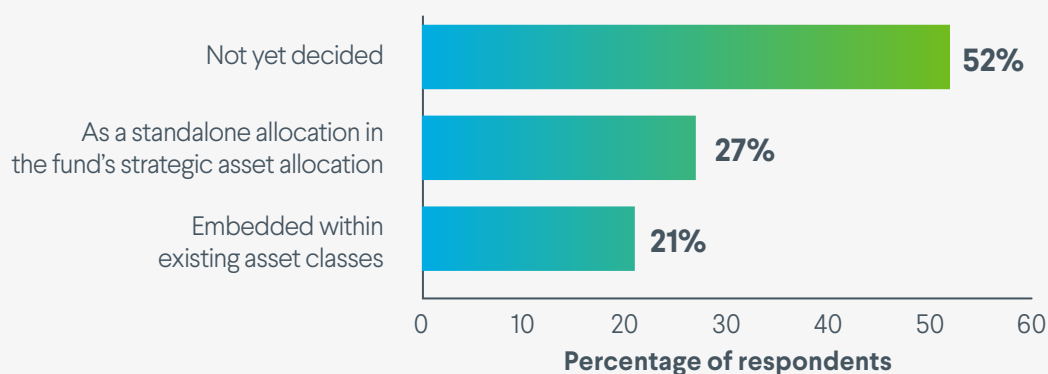
Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

Structuring

Of the survey respondents, 52% have not yet decided how to structure their local investments. Those who have structures in place were split between the two areas of opportunity: standalone asset allocation or embedding local investment into existing asset classes. Responses were varied when questioned about how to access local investments, with pooled funds and direct investments being the most popular (37% and 25%, respectively). Acknowledging the resource and expertise required for effective direct investment, a discussion about the roles and responsibilities would be valuable.

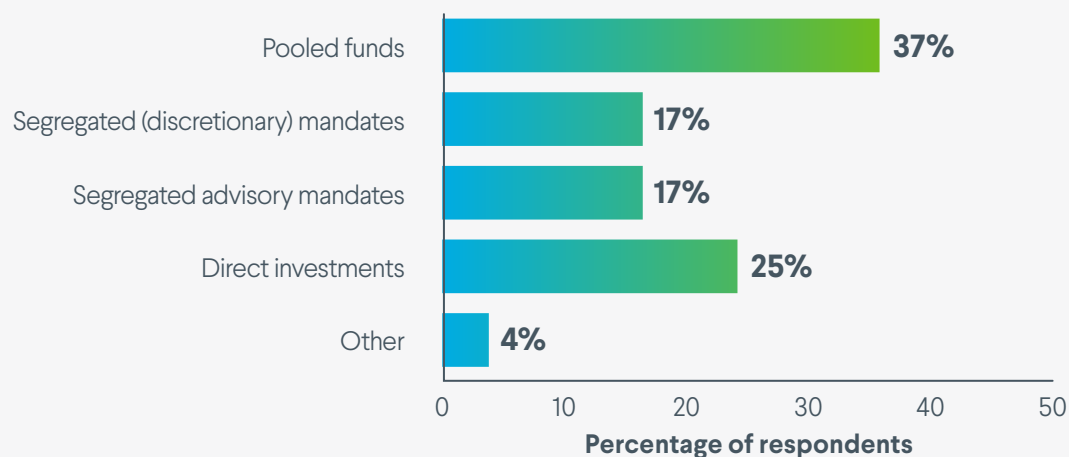
- **Standalone allocations vs embedded:** Funds are split between embedding local investments within existing asset classes and creating standalone allocations in their strategic asset allocation.
- **Access routes:** Most funds expect to access local investments via pooled funds, segregated mandates or direct investments.

Question: How do you expect to structure your local investments?



Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

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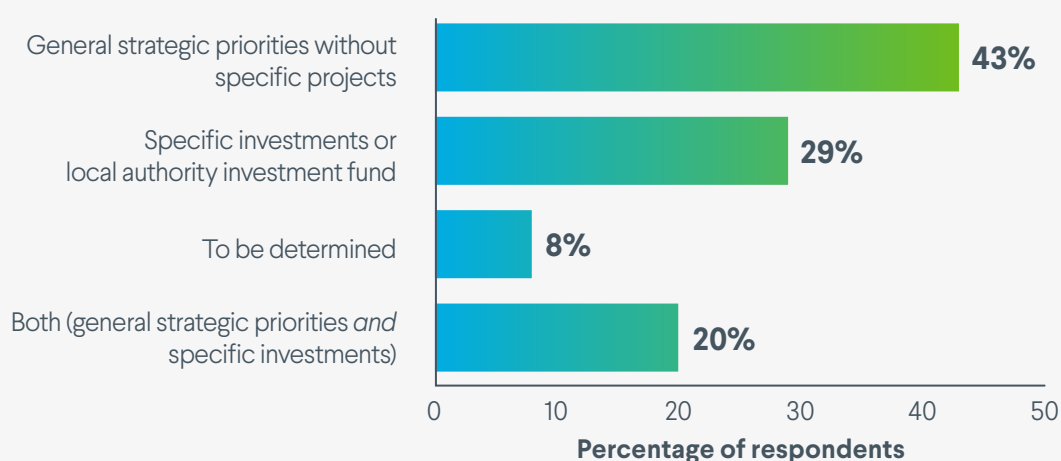
Collaboration across the stakeholder map is key

The government has indicated that UK growth needs to come from effective collaboration and joined-up communication. Updates this summer around [Local Growth Plans](#) and the [Fit for the Future](#) consultation outcome outline the need for many stakeholders to come together and work effectively. A complex ecosystem, successful outcomes will depend on Mayoral Strategic Authorities, several government departments and public organisations such as the Local Government Pension Scheme asset pools and funds collaborating well over the long term to fuel the government's mission for economic growth.

We wanted to explore how funds prefer to collaborate with local or strategic authorities on local investments. The results show a desire to align fully, with varying degrees of specificity. Of those surveyed, 43% prefer to collaborate at a broad level – incorporating local authority views on general strategic priorities while excluding their views on specific projects or proposals. Meanwhile, 49% indicated the desire to collaborate on specific investments in some way.

- **With pools:** There is broad support for pooling as a way to access expertise, scale and diversification. However, concerns remain about pool capacity, alignment of interests and the risk of 'one-size-fits-all' solutions. Examining qualitative responses may point towards funds feeling more confident about local investment in the context of pool implementation.
- **With local authorities and combined authorities:** Funds are open to collaboration on strategic priorities, but they're wary of being seen as a substitute for public funding or being pressured into suboptimal investments.
- **Beyond local authorities:** Some respondents advocate for wider collaboration (eg with universities, the private sector and other pools) to build a pipeline of investible projects.

Question: How would you prefer to collaborate with local or combined authorities on local investments (select all that apply)?



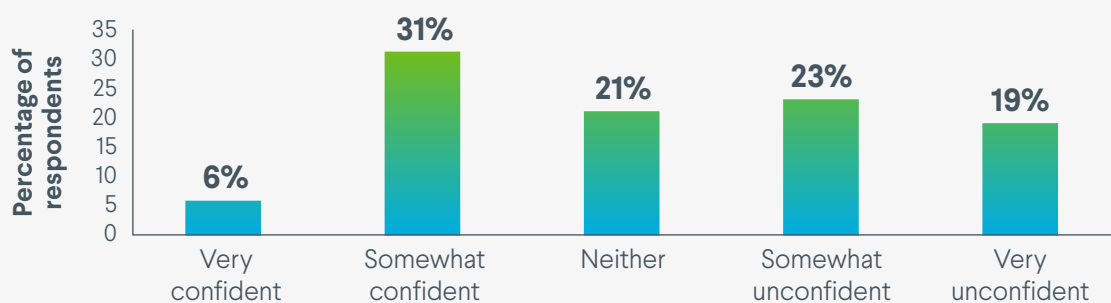
Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

Governance and due diligence

Central to the success of local investment strategies are governance and due diligence. Our survey uncovered a spectrum of confidence in their pool's capacity and expertise to scrutinise local investment opportunities and in their own capacity to ensure positive outcomes. Qualitative responses suggest this spectrum may reflect the existing individual fund-pool relationship. Clearly, local investment opportunities need to be given comprehensive evaluation and current structures may need to evolve to enable this level of governance.

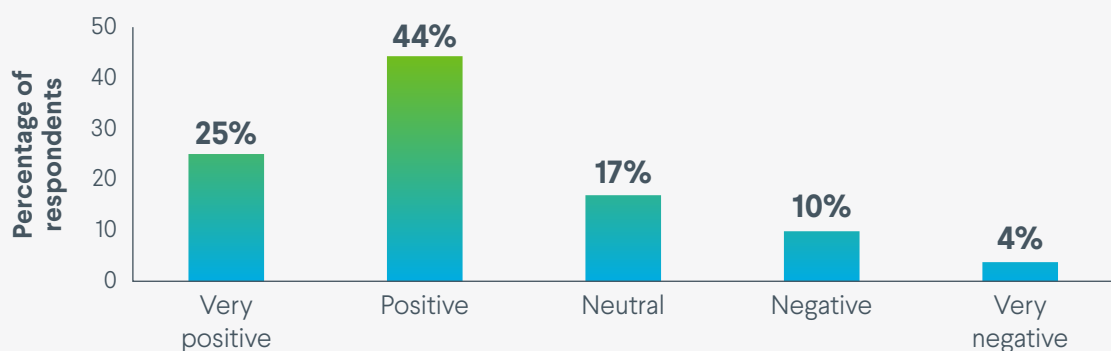
- **Pool capacity:** Confidence in pools' abilities to scrutinise local investments is mixed. Of the respondents, 6% are 'very confident'; most are 'somewhat confident' or neutral; and a significant number are unconfident.
- **Resource constraints:** Many funds lack confidence in their internal capacity or specialist skills to undertake detailed due diligence, especially for small or complex projects.
- **Due diligence options:** 62% feel it's important to retain the option to conduct their own due diligence, even as pools take on a greater role.

Question: How confident are you that pools have the capacity and expertise to scrutinise local investment opportunities?



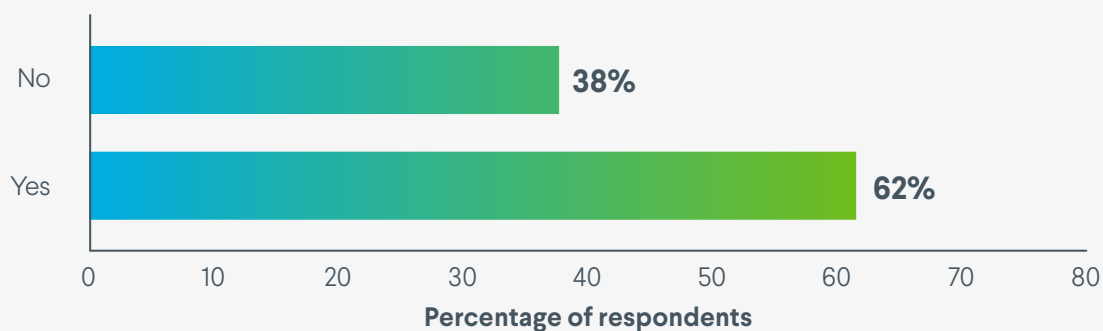
Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

Question: How do you feel about the governments suggestion that pools perform due diligence and manage local investments?



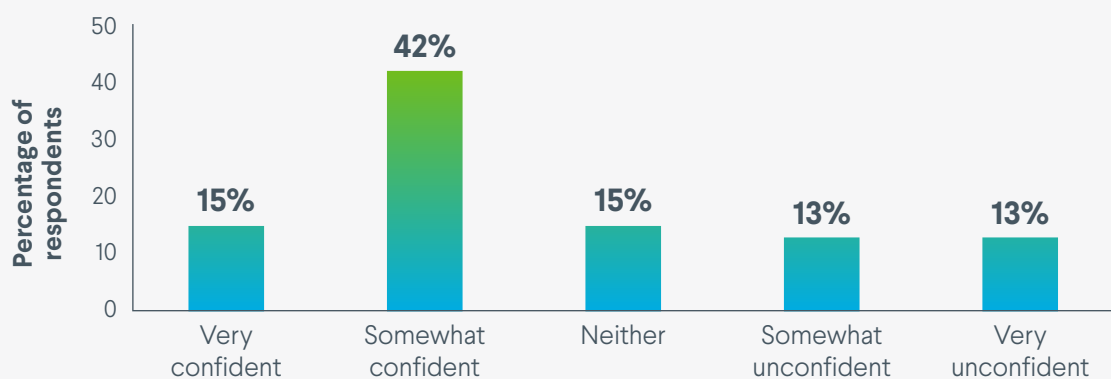
Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

Question: Do you think it's important that funds have the option to do their own due diligence on local investments?



Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

Question: How confident are you in your fund's time/capacity to implement local investment?



Source: 2025 Hymans Robertson Local investment in the LGPS: fund survey

Key takeaways



Local investment is a policy priority, but practical delivery is complex. Funds are supportive in principle but face significant barriers in terms of opportunity, risk and implementation.



Definitions matter. The lack of a standard definition of 'local' complicates strategy, reporting and collaboration.



Fiduciary duty remains paramount. Funds will not compromise on risk/return in pursuit of local investment targets.



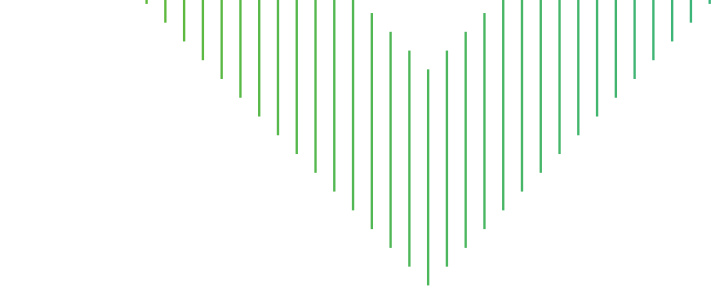
Collaboration is essential but challenging. The ecosystem of stakeholders is complex. Positive local investment outcomes will require clear communication across the board. Pools are seen as key enablers, but their capacity and alignment with fund needs must be strengthened.



Governance and due diligence are critical. There is a clear need for enhanced support, training and resources in these areas.



The opportunity to create positive impact through local investment fuels many. The recognition of the need for local investment came across strongly throughout the survey responses. Being able to create positive change within a local area is something fuelling LGPS fund respondents.



Conclusions

The government's 'Fit for the Future' reforms have set clear expectations for increased local investment by LGPS funds. While there is broad support for the principle, the path to delivery is less than smooth. This survey of 24 funds across England and Wales highlights that LGPS funds are at very different stages in maturity around local investment: some are evolving their existing local investment, some are poised to act and others still need significant support.

The stakeholder map and ecosystem of expertise, capabilities and resource required to realise local investment opportunities in line with expectations and fund objectives, is delicate. Easing the concerns that respondents outlined within the survey and identifying those opportunities will depend on effective planning and implementation. The former will involve clarifying definitions, setting clear expectations, articulating ambitions and agreeing objectives, which will set the necessary foundations. The latter will include: gaining clarity around roles, establishing robust governance and transparency, encouraging effective collaboration and fostering a collective, relentless focus on fiduciary duty. This will build confidence in local investment plans, both within pools and across the LGPS.

Support for funds and pools in navigating this new landscape, building capacity and delivering positive outcomes for members and communities is critical. **Together, we're in a position to build a better future for the UK and for the LGPS - and that's something to feel confident about.**

Appendix

This report is based on a survey of England and Wales LGPS fund officers and Heads of Fund in July 2025 by Hymans Robertson. Twenty-six respondents across twenty-four funds completed the online survey. You may notice that some results don't add up to 100: all numbers are rounded up to the nearest percent.

If you would like to discuss this report further, please contact:



Iain Campbell
Head of LGPS Investment
iain.campbell@hymans.co.uk



Sanjay Joshi
Responsible Investment
Consultant
sanjay.joshi@hymans.co.uk

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