

POLICY BRIEFING NOTE:

# English Devolution: What this might mean for the LGPS



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During December 2024, the Government formally launched a [White Paper](#) ahead of the English Devolution Bill, which is expected in 2025. Since then, some Local Authority elections which were due in May 2025 have been postponed, where authorities are within the prioritised tranche of councils going through the reorganisation process.

## How could this affect LGPS funds?

Currently, England is divided into areas with either one or more tiers of Local Government. The Government's intention is for all areas to have a single tier. Simultaneously, there is an ambition for all parts of England to be covered by Combined Authorities.

There is a lot more information we can expect to see from the Government about how this will work in practice, with a consultation and legislation expected later in 2025. In the meantime, it would be appropriate for Fund Officers and Committees to consider the implications of devolution. As part of this, funds should factor in wider changes that are underway. These include the new investment expectations that were set out in the 'Fit for the future' [consultation](#) in November 2024.

We have set out some thoughts below on the possible impact of these reforms on LGPS funds.

### 1. Employer funding strategies

The reforms have implications for both administering authorities (who manage funds) and affected local authorities as scheme employers. These include:

- Mergers – of current local government employers into the new model, and determining the required changes to contribution rates.
- Bulk transfers of members - resolving any that are required.
- Existing admitted body contracts - early termination clauses may be triggered due to new contracts being let by new Combined Authorities.
- Funding Strategy Statement (FSS) - the funding approach e.g. to contribution rates, new academies, admissions, for any new Combined Authorities should be documented in the FSS.
- Accounting requirements – agreement about how combining current local government employers into the new Combined Authorities should be treated in IAS19 disclosures and the requirements around any prior year comparator.

## 2. Investment implications

Much is made of developing local investment opportunities; with administering authorities, investment pools, and the new Strategic Authorities being expected to work together to develop investment opportunities which are suitable for pension schemes. This goes hand-in-hand with the content of the 'Fit for the future' consultation launched earlier this year. Areas of focus for the newly formed Strategic Authorities will include transport, housing and economic development.

On transport infrastructure, Mayors are expected to play a role not just in the integration of local services but also on the decision making around national projects. The Government, as part of the White Paper, lauds the efforts made in areas such as London and Greater Manchester in relation to developing transport systems. Transportation receives numerous mentions in the White Paper and is connected to the Government's wider mission of "Kickstarting Economic Growth". Give this, we wouldn't be surprised to see increased attention on investment opportunities in this area. Whilst such projects may well benefit both the local and national economic picture, Committees must ensure they act in the best interests of the membership, in line with their fiduciary duty.

The Government also proposes to introduce a "Community Right to Buy" which would cover empty shops, pubs and community spaces. This aligns to the Government's desire to support high streets. Such a move may encourage interest in connected asset classes and be an interesting discussion point for Committees and their investment advisors/investment pools.

So, it seems likely local investments would be focussed on these areas. The various bodies will need to ensure they maintain a high standard of investment governance to ensure that decisions are made in the best interests of the wider membership.

## 3. Governance and administration implications

The proposals in the White Paper are likely to create several tasks for officers in the governance and administration space. The main issues are likely to be:

- Changes to the membership of Pension Boards and Committees – some people may cease to be eligible, meaning appropriate replacements will need to be found and provided with the necessary training.
- Dissolution of old employers – the cessation of tier 2 local authorities is a significant change to the employer base of a typical fund. In addition to recording the impact and resulting changes to contribution rates, it is expected that outsourced services will be affected, meaning an increase in member movements with possible early retirements and some redundancies to be processed.
- Admission agreements – these may need amending where admitted bodies are no longer doing work for a tier 2 local authority. Additionally, where a tier 1 authority takes on responsibility for a service, and that service has already been outsourced, additional members may need to be added to an existing agreement.
- Members' concerns – Officers will need to consider carefully how to communicate with members as the local position becomes clearer. Clear communications will help members to understand how they will be affected and to provide reassurance, where appropriate.

On top of the above, the possibility of changes to administering authorities exists, with the White Paper referring to potential boundary changes. This could lead to a change in the structure of an administering authority. It could also mean employers moving into the catchment area of a different fund, triggering a need for information to be provided in a different way and employer training.

Finally, for those funds in areas where local elections have been postponed, this does allow for short term continuity to members of the Pension Committee. However, it is possible that those councillors elected in the (delayed) elections will have a reduced term as new structures are put in place. Funds will therefore need to plan for the certainty of an extended period of continuity to be replaced by the risk of short-term disruption.

### Delivery of the reforms

The White Paper says that the devolution programme aims to deliver institutions and have Mayors elected in the May 2026 elections. It is likely that the impact on employer funding strategies will need to be discussed and agreed as part of the 2025 valuations for those funds affected.

If you have any questions or would like to discuss any of the topics raised, please [get in touch](#).

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