

LGF Pensions Team
Ministry of Housing, Communities and Local Government
2nd Floor
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London
SW1P 4DF

By email: lgpensions@communities.gov.uk

19 December 2025

Dear LGF Pensions Team,

Re: Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation

With a membership of 600 firms, the BVCA represents UK-based private capital, as well as the wider ecosystem of professional advisers and investors. Private capital consists of private equity and venture capital which makes long-term investments to grow British businesses and build a better economy. Private credit and venture debt also provide active and engaged debt finance to businesses.

The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP. In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets. UK-based private capital specialists have raised £190bn of funds, known as dry powder, expected to be invested over the next three to five years.

We welcome the opportunity to provide feedback on this consultation on the Local Government Pension Scheme. Below we have answered some of the consultation questions. We recognise that many of the implementation questions are for LGPS pools and funds to address, so limited our comments to noting the key areas in which the regulations need to be explicit.

Overall, we would emphasise the following points:

- We recognise the benefits of removing the fragmentation across the LGPS in England and Wales. Evidence from other parts of the world demonstrates that scale enables the right expertise, contacts, and the ability to develop in-house capabilities. The most relevant overseas comparison for the LGPS are the Canadian 'Maple 8', which report significant benefits of scale at around £44bn AUM.
- The importance of ensuring that the need for the pools to fully engage on, and consider, regional investment opportunities is baked into regulation. We should stress that scale is not the only factor in whether pension providers can and will diversify into private capital and growing UK companies. Further pooling also needs to be accompanied by the right conditions, focused on resource, structure and the wider business financing ecosystem. There is a danger that seeking scale as a way of cutting costs, rather

than a means of boosting diversification and returns, may result in the LGPS making fewer, larger global (rather than UK) investments. This would be detrimental to local growth across the UK, given the role smaller, regional funds play in helping smaller regional businesses grow into national champions. We have added further detail, and highlighted some key areas of wording, below.

Consultation question responses

Q6: Do you have any other comments on Regulations 7-9?

As set out in the [BVCA's response](#) to the Pensions Investment Review, there is a strong case for requiring all pools to be FCA-authorised. This should help in ensuring that they have the right expertise and sufficient capacity to construct sophisticated and diversified investment portfolios including private capital fund investments.

We note that there is already significant work underway to progress this. However, we flag our support for the provisions within Regulation 8, which would enforce this through regulation.

Q7: Do you agree that the requirements in Regulation 11(2), for the financial objectives in the investment strategy statement to be consistent with the funding strategy statement and to have regard to the requirement to maintain consistent primary employer contribution rates, are helpful?

Yes, we strongly support this as a requirement set out within regulation.

For the reasons set out in our response to the [Fit for the Future consultation](#), though the BVCA supports the drive to remove fragmentation from the Local Government Pension Scheme, we recognise that this also presents a risk to regional investment, which has traditionally been an area of focus for the scheme. At the moment the scheme invests around 6% of its AUM in private equity, and the scheme has a long history of partnering with regional private equity funds. The ability of larger pools of capital to invest in smaller, more regionally focused funds can often be perceived as impractical. Though there is nothing in the regulations or bill that would restrict it, we believe that a focus on scale and efficiency alone may have a detrimental impact. It is not a given that further pooling will either protect or increase the ability of the LGPS to invest locally in the UK's nations and regions.

We note that there have been strong signals from the remaining pools that this will be a priority for them, and that it is not the place of regulation to direct investment strategies. Nevertheless, we do flag this in support of there being wording, as set out in Regulation 11 and elsewhere, that clearly sets a requirement for pools to implement the funds' investment strategy, and to engage with a range of stakeholders to, identify, develop and maximise local and regional investment opportunities.

It is also important to recognise that private capital funds typically do not have investment strategies matching pools' geographic areas precisely, and to make it clear that investments in UK focused funds that may invest some of their capital within a pool's local area can qualify as local investment.

Q16: Do you have any comments on Regulation 17?

For the reasons set out in response to Question 7, we strongly support the inclusion of this Regulation.

Please do not hesitate to get in touch if you have any questions on any of the areas covered above, or if you would like to discuss it in more detail (please contact Tom Taylor ttaylor@bvca.co.uk / Karen Hurst khurst@bvca.co.uk).



Yours sincerely



Isobel Clarke, Co-Director of Policy, BVCA