UK PRIVATE CAPITAL
Invested in a better future

The LGPS & Private Capital

An Evolving Landscape

September 2026

Contents

Chair's foreword

There is a strong consensus amongst government, the pensions industry and the world of private capital that greater levels of domestic pensions investment into the asset class can help deliver healthy diversification and attractive returns, while also supporting innovative and ambitious businesses across the UK.

The Local Government Pension Scheme (LGPS) starts from a strong base. Though there is variation in investment exposure to private markets as a whole, an average of 6% of scheme investments are being made into private equity[1]. To facilitate more domestic pension fund investment, the Pensions Schemes Act, which became law this year, prompted significant structural changes to the LGPS model in England and Wales.

Given the size of ambition, and the level of change, UK Private Capital set up a new Expert Panel to consider the impact of the changes on private capital investment levels with a view to identifying how momentum can continue to build while retaining the strong ethos for regional investment.

I was pleased to be invited to chair this group, and over the past year we have brought together LGPS partner funds, pools, private capital firms, and those in the wider ecosystem that support them. We have used these meetings to better understand the current market activity, and to debate emerging and evolving policy issues, through what has been a period of intense activity and transition for the LGPS funds and pools.

We have been pleased to have a high level of engagement from representatives from across England, Wales and Scotland, including relevant government representatives. The conversations have been open and honest, and it is clear that, on all sides, there is serious consideration of the best ways to ensure LGPS can continue to invest in a way that supports UK growth whilst at the same time delivering returns for their pension funds. I am grateful to everyone for their participation.

[1] Asset Allocation | LGPS Board

Chair's foreword

While it has been a time of change and uncertainty, it has also been clear to me that there is a huge and crucial period of opportunity.

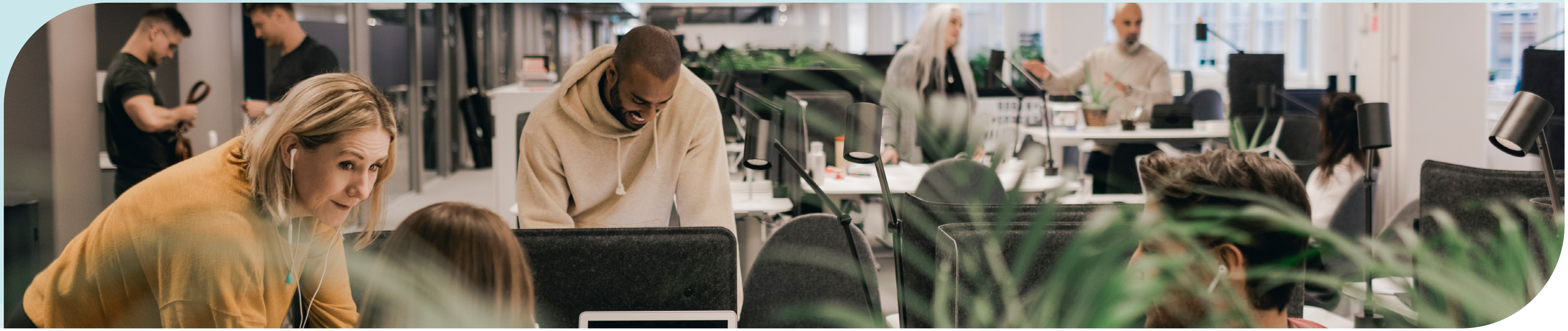
There is a shared ambition that the emphasis on regional investment can and should be retained. But there are some concerns that, without care and some degree of flexibility over how this is achieved, some valuable cross-UK opportunities may be missed.

In our discussions there have been a number of debates, for example, on how LGPS funds and their pools consider the definition of local or regional investment as they finalise their investment strategies. Careful consideration also needs to be given to how this affects the flow of smaller investments, to smaller and lower mid-market funds, which have a particular focus on scaling successful SMEs. Both points are clearly topics that funds and their pools are still discussing seriously, and it has been positive to see how determined they are to make this work for a wide range of stakeholders.

Over the summer of 2026, UK Private Capital has spoken with a selection of pools, funds and gathered feedback from private capital funds that work with the LGPS. In a fast-changing environment, for many, it has been difficult to gauge progress and the mood of the LGPS community as the changes take place. This report is intended to provide some insight into the progress that has been made, as well as help bring to the fore some of the areas that require more work and more consideration. There have been positive discussions and consensus across a number of these areas, which is reflected in the text, and I am grateful to the panel for their input and guidance, though note that the report does not necessarily reflect the views of every individual panel member.

UK Private Capital will continue to work with the panel over the year ahead to continue an open dialogue on these topics and will look to support the ecosystem in the best possible way.

Rob Barr
Chair of the LGPS Pensions and Private Capital Expert Panel, and Retired Partner, Pantheon



UK Private Capital Chief Executive's foreword

Across the UK, there is now a clear and welcome recognition that pension schemes and private capital firms should be working more closely together. That view is shared by Government, the pensions industry, and by private capital investors themselves. It reflects a simple but powerful proposition: that better access to private capital funds can help pension savers benefit from diversified long-term returns to improve their retirement prospects, while also supporting the growth of innovative and ambitious businesses that benefit wider society across the country.

The two reports that we are publishing today sit within that broader national challenge. This report considers the evolving relationship between defined contribution schemes and private capital. The other, parallel report we are publishing today looks at the Local Government Pension Scheme and the implications of recent reforms for investment in private capital funds, particularly those focused on generating strong returns by spurring nationwide economic growth. Both reports have been produced with the assistance and input of Expert Panels that UK Private Capital convenes regularly to bring together senior leaders from across the UK's pensions and private capital industries. I am very grateful to Rob Barr for chairing the panel that produced this report, and Ben Wilkinson for chairing the DC panel, for their vision and dedication in chairing ongoing meetings of each group. Together, these Expert Panels focus on the practical issues that now need to be addressed if the intention is to translate into sustained investment in the future of the UK.

The LGPS Expert Panel's work in this area is deliberately practical. We bring together LGPS pools, partner funds, advisers, private capital firms, policymakers and other stakeholders to identify the barriers that still stand in the way of progress and to develop workable recommendations for industry and policymakers. Some of those barriers are technical, but that does not make them minor.

UK Private Capital Chief Executive's foreword

Questions of structure, scale, governance and investment capability are central to whether capital can move responsibly and at pace. They require detailed consideration and sustained cooperation, across the LGPS and the private capital industry.

At the same time, it is important to be clear that this technical work is essential but not sufficient on its own. Seizing the opportunity that the UK's world-leading private capital industry offers, both to LGPS members and the country's most promising businesses, will also depend on wider conditions. The UK must maintain its strong pipeline of science and technology businesses, and ensure that insight and intellectual property can be translated successfully from the laboratory into commercial companies capable of scaling. The market must continue to develop models that work for long-term pension investors as well as for private capital firms, including more accessible vehicles, appropriate fee and return structures, and the skills needed to allocate confidently to the asset class.

The economic prize is significant. The UK has exceptional strengths in venture capital, growth equity, private equity and private credit. It also has world-class universities, research capability, entrepreneurial talent and a sophisticated pensions sector. If we can bring those strengths together more effectively, more domestic capital can support the businesses that will shape the next generation of economic growth, from deep technology and life sciences to financial services, clean growth and the scaling of successful SMEs. That would mean more high-potential UK companies able to secure the patient capital they need to grow here, rather than being driven to look overseas at critical stages of their development. It would mean more of the value created by UK innovation being captured in the UK economy, through jobs, supply chains, tax revenues, regional investment and stronger productivity. It would also cement and expand the LGPS opportunity set, with the potential for diversified long-term returns linked to the growth of the real economy. In short, this is not simply an investment allocation question; it is about whether the UK can connect its domestic investor base more effectively to its growth ambitions.

Progress will not be automatic. It will require trust, patience and a willingness to resolve detailed issues rather than simply restate shared ambition. But the alignment is stronger than it has been for many years, and the opportunity is too important to miss. This LGPS Expert Panel report, and the parallel DC report, should be read as contributions to that work: focused on the next set of practical steps, but rooted in a bigger ambition to ensure that UK pension capital can play a fuller role in supporting UK businesses, society and long-term returns for savers.

Michael Moore
Chief Executive, UK Private Capital

In drafting this report, it was clear that different parts of the eco-system use language differently. Throughout this report we have used the phrase 'Partner Funds' to refer to individual LGPS funds, and 'Pools' to refer to the six LGPS asset pool companies that now manage all LGPS assets in England and Wales. We recognise that there are different schemes in England and Wales, and Scotland – the situation in Scotland is covered in its own section. In general, we have used the phrase 'the Scheme' to refer to that in England and Wales. However, we recognise that a lot of the discussion points are equally relevant in Scotland.

We have referred to Private Capital Firms throughout, meaning firms that typically set up private capital funds. This covers the categories that UK Private Capital represents - venture capital, growth equity, private equity, and private credit (including venture debt). Though many of our members invest in infrastructure and real estate, this report is focused on only Private Capital investment.

Timeline of LGPS reform

- **2018** – 8 LGPS pools officially launch and begin operations
- **Nov 2024** – **Fit for the Future consultation launched:** proposes target date of March 2026 for all assets under pool management
- **Nov 2025** – **Consultation on draft regulations opens:** sets out the details of implementation
- **Mar 2026** – **Pooling deadline:** target date for all LGPS assets to be under pool management
- **Apr 2026** – **Pension Schemes Act 2026:** receives Royal Assent, making pooling a requirement by law
- **Jun 2026** – **New statutory guidance:** more guidance around local investment provided
- **Mar 2027** – **First Investment Strategy Statements due:** funds must publish these, including local targets, by end of March
- **Sep 2027** – **Deadline for LGPS pools to have full FCA authorisation**

A year of reform

The past year has certainly been an eventful one for the Local Government Pension Scheme (the "Scheme") in England and Wales.

Although the Scheme is currently administered through 86 individual local authority funds ("Partner Funds"), the pooling initiative started around 2015, when the then Government set out new criteria to help achieve economies of scale and access to a wider range of asset classes. Eight pools (the "Pools") emerged from that, although there was some variation in how much individual fund assets were pooled. Following the 'Fit for the Future' consultation in 2025, which set out the new Government's vision for the future of the LGPS, the government reduced the number of pools to six, meaning that Brunel and ACCESS pools effectively ceased to exist. The Pension Schemes Act has also now introduced a new requirement for fund assets to be transferred to the control of a Pool.

However, though the Pension Schemes Act only became law in late April 2026, the consolidation of assets was already significantly underway, with all Partner Funds having selected a Pool and begun that journey in advance of the Government's 1 April deadline.

Moving forward, the Pools operating in England and Wales will be LGPS Central, Border to Coast Pensions Partnership, London CIV, Northern LGPS, LPPI, and Wales Pension Partnership ("WPP").

Earlier this year, the Government pushed back the originally proposed deadline for the publication of Investment Strategy Statements ("ISS"), and FCA authorisation to be in place for all Pools (where not already), to next year. However, much of the work putting these in place is already well underway. The Government has also published statutory guidance, setting out how the ISS should be formulated, published, and maintained.

As indicated, all Partner Funds have now selected a Pool and are working with them on the arrangements moving forward, including the development of ISS and the approach to key investment themes, such as local and impact investment. However, this is clearly a period of significant change, and a lot of work on establishing long-term working arrangements continues.

In the summer of 2026, to build a clearer picture of how this work is coming together and attempt to map the activity across the landscape, UK Private Capital carried out individual interviews with the three pools that are members of the Expert Panel: LGPS Central; Border to Coast; and WPP.

We also gathered views of private capital firms active in venture capital, private equity, and private credit. The firms we spoke to are all dedicating time to forming partnerships with the LGPS, and so are seeing the journey from a different perspective. We spoke to a selection based in England and Scotland, all with varying levels of existing LGPS investment relationships. This Report shares some of the key themes from those discussions, as well as wider reflections on the discussions of the panel over the last year.

It should be noted that whilst the Pension Schemes Act included provisions that enabled the Scottish Government to establish Pools, the situation north of the border remains quite different. We have therefore also included a short summary of how things are evolving in Scotland.

Larger pools and developing capabilities

LGPS consolidation in England and Wales has naturally resulted in some very sizeable pools. Both LGPS Central and Border to Coast have grown significantly. LGPS Central now works with 14 partner funds and is anticipating to manage over £100 billion on behalf of 14 Partner Funds[2]. Border to Coast is now a partnership of 18 Partner Funds, with collective assets of £120 billion[3]. WPP will take on all assets from Wales' eight funds, totaling over £25 billion[4]. Unlike many other Pools, it was already the established pooling partner for all of the Welsh funds.

The updated government regulations require that benefits of scale are actively considered as part of the new ISS, as well as opportunities for alignment.

> *Asset pool companies are expected to have regard to achieving the benefits of scale when determining how to implement the strategies of their partner funds. It is expected that administering authorities will support that endeavour through discussion with their asset pool and other participating funds in the pool to identify where they can increase alignment without compromising fiduciary duty"*[5].

For some private capital funds, this has raised questions about the size of investments that the Pools will consider, and the process by which working partnerships are developed and how decisions are made. All three of the pools we spoke to are established private capital investors and noted an intention to continue to be.

[2] About LGPS Central Limited | Local Government Pension Scheme Central
[3] Border To Coast Formally Expands Partnership To 18 Partner Funds - Border To Coast
[4] Wales Pension Fund | Sub-Funds
[5] Local Government Pension Scheme: fund governance - GOV.UK

This is a complex transition, but new investment strategies are emerging

At the moment every Partner Fund and Pool is clearly in a period of transition. Each Pool now knows how many Funds it is partnered with. Discussions are taking place across each with regards to arrangements for legacy assets, with most having concluded that it is preferable to put agreements in place regarding the management of these assets, rather than requiring the absolute transfer of ownership. These agreements are in the process of being put in place across all Pools, with those we spoke to flagging this was currently consuming significant amounts of their capacity at the moment (albeit with pools responding by growing their teams to meet this demand).

Pools now have an obligation to provide partnership funds with investment advice, and this is currently being put in place. This means that the majority investment advice Partner Funds receive on strategic asset allocation can only come from their Pool.

In terms of the impact on operations, all the Pools we spoke to note the number of additional new assets and investment mandates that had been brought under their management so far, with more to come. Most have taken a phased approach to this. For all, this has meant a significant increase in investment teams, with a number of new staff joining, often from Partner Funds. One Pool flagged that it has also recruited specialists in local investment. For Private Capital Firms, this should overall be a positive (and deliberate) consequence of pooling, as Pools develop a deeper talent base, more potential internal touchpoints with the market, and generally greater capacity to execute more diversified investment strategies.

Only one of the Pools we spoke to did not previously have FCA regulation prior to the new Act, which requires it. However, this approval process is progressing well and is expected to be in place in advance of next year's deadline.

Larger pools and developing capabilities

Private Capital perspectives

Private Capital Firms we spoke to were well aware of the significant transitions taking place and often commented on the fact that Pools are building capacity, embedding necessary regulatory structures and systems, incorporating the investment advice process and building out new potential investment programmes. There was some concern that this might limit engagement opportunities. However, during our interviews and in Expert Panel discussions, the Pools have been clear that they remain very open to discussions throughout.

Many of the Private Capital Firms that we spoke to had seen no changes in their existing relationships with either Partner Funds or Pools. This is consistent with data gathered by UK Private Capital in early 2026, when we asked a sample of our venture capital and growth equity managers whether they had noticed any changes to their relationship with the LGPS, as a result of the transition to pooling. 58% said they had not, and 24% had. From the comments, it was clear there was a range of experiences and views as to how the relationship might be impacted in the future. The main exception was for firms with relationships with the two Pools that are now disbanded.

However, those fundraising or looking ahead to marketing their next fund noted that the transition had brought a period of uncertainty for them. This has been particularly true of firms with an established relationship with one or more Partner Funds. One firm in this position noted that it had not managed to establish a relationship with the relevant Pool yet. Another had decided not to focus on the LGPS in relation to its next fundraise, despite having long-established relationships. This was because the cost/benefit analysis of investing in the relationship simply remained too unclear.

Overall, given the continued period of transition, it's too early to say whether the new arrangements will result in more investment into private capital. Feedback from Private Capital Firms suggests a mixed bag for them. Many Private Capital Firms have therefore had to adapt, particularly if they have been fundraising during this period of transition for the Scheme. Nevertheless, some Pools have continued to make private capital fund commitments during the upheaval, and as new teams, systems and Pool/Partner Fund relationships become embedded into 2027, there should be greater opportunity for Private Capital Firms to begin establishing fundraising relationships.

The developing relationship between Partner Funds and Pools is key

The new requirements mean that Partner Funds can determine their own ISS, including asset allocation, whilst Pools will be responsible for executing it. There are restrictions on what Partner Funds can direct. For example, Partner Funds will not be able to require that investments are made with a certain private capital firm, even where a relationship between the Partner Fund and the firm has been in place for some time. Partner Funds will now be required to receive their main investment advice from their Pool. This element of the new rules has been one of the most discussed as Pools and Partner Funds look to understand how best to embed new governance that works effectively for the new arrangements. There is particular interest in how far Partner Funds will have an ability to direct the investment decision-making of their Pools, given the strength of existing relationships with regional private capital funds, and the Government's clear intention to ensure more regional investment. As the landscape settles, this should hopefully become clearer.

Targeting regional and local investment

Prior to the Fit for the Future consultation, the previous Government had set a non-binding target of 5% for each Partner Fund to invest locally. That policy defined 'local' as being within the UK. However, the Pension Schemes Act changed that definition to: *"investments in, or for the benefit of persons living or working in the scheme manager's area, or the areas of the other scheme managers participating in the same asset pool company as the scheme manager"*. The Act also includes a requirement for Partner Funds to set their own target range for local or regional investment, based on this definition.

Earlier this year, the Government published two new sets of regulations, one regarding pooling and one regarding governance. Within the pooling regulations, the Government pushed back the deadline for administering authorities to publish their first ISS under the new requirements. The deadline is now March 2027 for asset allocation and the approach to certain investment themes to be set out. We spoke to each Pool about what this means for them.

Firstly, it was notable that, despite this intense period of transition, and the delay to the confirmation of the ISS, there is already a great deal of discussion taking place between Partner Funds and Pools and emerging positions on how the Pools will approach local and regional investment. WPP noted, for example, that seven of their eight Partner Funds had concluded their considerations. Another Pool explained that there has been significant agreement over a shared approach to local investment, which will align with the Act's definition. We also note that, for those who have already set targets for local investment, they appear to be largely within the previous 5% target range set by national Government.

All of those we spoke to acknowledged the challenge of identifying investment opportunities in specific Partner Fund areas, particularly in rural areas. However, each Pool also flagged that this is a clear priority for them, and that they were looking to work with private capital firms that can provide solutions.

More generally, there was a view that "SME finance" would likely feature in their local growth targets, though how this will be achieved is not yet established. Some Pools noted that there was already a precedent of them making locally focused investments in private capital.

"Border to Coast has demonstrated the potential for scale to unlock significant private market investment for our partner funds, while also delivering efficiencies, greater access to opportunities and UK investment through our UK Opportunities Fund. The Expert Panel is helping the LGPS pools and private capital firms better understand the opportunities and constraints from both sides as we seek a deeper and more scalable pipeline of UK investment."

Simon Cunnington
Border to Coast

Targeting regional and local investment

Where does private capital sit in terms of local targets?

The debate about how 'local' should be defined by the LGPS is one that the private capital industry has taken a keen interest in. UK Private Capital has always held the view that the definition should be in line with the pre-Pension Schemes Act (which defined local broadly as within the UK). This recognised the important contribution of UK private capital funds to regional growth, but also reflected the reality that funds with too narrow a geographic focus might not always be able to bring the diversification that is typically an important driver of fund returns (and that in some local areas, particularly rural ones, there are few companies suitable for private capital investment). This UK-wide approach also recognises the fact that almost all private capital funds will be dependent on a wide range of investors, and so typically be serving the needs of many.

We asked Pools whether they anticipated private capital funds forming part of the local or regional targets and, if so, how they would calculate and report on those.

It was clear that this is an area that Pools and Partner Funds are still discussing, and none of those we spoke to had a clear policy on this yet. However, they have been considering what they would be looking for in terms of local impact. WPP told us that they have a strong preference for any regional targets to reflect investments made in Wales as a minimum. Border to Coast noted that they already have around 30% of their investments made to the UK, and are now considering the interaction between this and the local target ranges set, what additionality this can bring, and how this would be reported.

LGPS Central is also still developing its policy on this. Its private markets team are mindful of the risk that too narrow a definition risks reducing the opportunity set. They did note, however, that regardless of whether an investment was made as part of a regional allocation, or not, they would be looking for detailed reporting from Private Capital Firms to support their case for delivering "local" investments. This should ensure that local investments are not only reported and classified correctly, but also give them the opportunity to consider co-investments or other ways of supporting their local investment aims.

"Private markets play an important role in helping LGPS Central build resilient, diversified portfolios that can deliver long-term value for our Partner Funds and their scheme members. The increasing scale of pooling is creating new opportunities to broaden investment access, improve efficiency and engage more effectively with market participants. The Expert Panel has supported an open and constructive dialogue across the industry, helping pools and private capital firms better understand each other's priorities and work together to deliver better outcomes for long-term investors."

Jas Sidhu
LGPS Central

Targeting regional and local investment

Private Capital perspectives

However, it is clear that the evolving situation continues to cause concern amongst Private Capital Firms. Many felt that an overly narrow approach to considering regional or local investments could mean that existing relationships may be damaged and ultimately that investment opportunities could be lost. Private Capital Firms will typically not guarantee that a fund will make a certain amount of future investments in one specific geography because of the need for wider geographic diversification and to attract a wider range of investors. Inevitably this could make it more difficult for a private capital fund to be categorised as 'local' investment where those criteria are narrower than the fund's target geography. Though several Private Capital Firms have done a lot of work to map and assess their regional impact, work that has been well-received by LGPS investors, they felt concern that the difficulty in guaranteeing a specific level of investment in a particular region at the outset would obscure their potential for helping to deliver local investment targets.

However, Private Capital Firms should also be mindful that an allocation to private capital would not need to form part of a local or regional bucket. The new rules require that Partner Funds also set out their strategic asset allocation within their ISS, alongside a target range of local investment, and this is something that Pools will seek to meet, irrespective of whether it forms part of their local target. Given the history that both Partner Funds and Pools have in investing in private capital, we would not anticipate a move away from investing in the asset class as a result of these changes.

However, moving forward, it will be important that Partner Funds, Pools and Private Capital Firms have a shared understanding of what is considered local and regional impact, and of each other's needs and constraints, and a commitment to a sensible approach to determining what portfolio company investments fall within those definitions. It is in everyone's interests that all parties work together on investment strategies that can have local and UK-wide investments, across a variety of fund types.

"There is clear alignment that increasing LGPS investment in UK private capital funds can deliver both strong returns and meaningful economic impact across the country. The focus now must be on turning that ambition into tangible commitments. For firms like NorthEdge, a lower-mid market investor that backs businesses in the UK regions at a critical point in their growth journey, it is important that evolving pooling structures and investment processes enable capital to flow efficiently into funds supporting the UK's scale-up agenda. The Expert Panel has played a valuable role in bringing these practical considerations into the discussion, and we hope its work helps ensure that pooling ultimately results in more investment reaching high-quality UK businesses of all sizes, across every region of the country."

Lucie Mills
NorthEdge

It's not necessarily clear cut on ticket sizes

The discussion around local and regional investments is inherently linked to the size of investments.

Investors in private capital funds often do not want their capital to form more than a certain percentage of a fund's total capital. This can effectively constrain larger investors from making investments into smaller funds, as it is not considered an efficient use of resources.

This is important as these types of smaller funds are generally seen as important to the development and scaling of successful UK SME businesses in the venture capital space, via scale up funds, or lower mid-market private equity. In the context of the wider focus on UK economic growth, these types of fund are essential to the private capital growth ecosystem. Many of the Private Capital Firms that help drive the growth of UK-wide SMEs are based outside London and the South East, giving them a key role in national and regional growth. It is therefore unsurprising that many of these firms have had long-standing relationships with Partner Funds, and it is vital that this is sustained and enhanced throughout this current period of change and beyond.

This has been a topic discussed a great deal among Private Capital Firms. Many are concerned that the growth of Pools may make it difficult for them to continue to make investments into smaller, growing companies. The impact of this would be that smaller but pivotal opportunities for growth, productivity and investment are overlooked as Pool capital is deployed.

All the Pools we spoke to were very conscious of this topic. It is clear that ticket size is being considered carefully. In general, Pools noted the challenge and the potential for lost opportunities if they moved to only making very large investments. In practice, some of the Pools are actively taking steps to reduce the risk of missing these opportunities.

Border to Coast flagged the fact that it has always allowed a lower minimum ticket size for its UK Opportunities Fund, in recognition of the challenge. Moving forward, it will continue to consider smaller investment sizes where there are clear benefits associated with them, such as better risk-adjusted returns and greater diversification.

LGPS Central also noted that it would not like to miss out on opportunities because of investment size restrictions. Overall, there is a desire to have as wide a range of opportunities available as possible, and they noted that they would be reluctant to effectively cut off access to a lot of the market. However, there is also acknowledgement of the additional resources that will be needed to operate teams dedicated to making investments in smaller funds.

WPP also had a strong message to Private Capital Firms. They were clear that if they can provide investment opportunities in Wales then investment sizes are not a barrier.

Overall, this points to the fact that it is ultimately within the Pools' power to design approaches to the ticket size question and suggests that some will take a practical approach where a Private Capital Firm offers a compelling proposition that meets the Pool and its Partner Funds' investment objectives.

In our discussions with Private Capital Firms on this point, several positive examples were highlighted, such as Border to Coast's UK Opportunities Fund, and Strathclyde Pension Fund's Direct Impact Portfolio, which had resulted in Partner Funds and Pools making more targeted investments that were often smaller. As the landscape evolves, we hope to see more of these structures established.

Ticket size is clearly an important consideration, and Pools will have to balance resource and capability factors as well as a desire not to miss important and valuable investment opportunities.

The importance of new relationships?

The pooling reforms introduce a new requirement for Pools and Partner Funds to work with strategic authorities to identify regional investment opportunities. This is an area where local democratic structures are established unevenly across the country, and it is likely that this will impact the types of regional opportunities available for Partner Funds and Pools.

For example, in some areas there are well-established strategic authorities and Mayors in place, for example the West Midlands and Manchester. This has already resulted in there being strong relationships with the LGPS funds in some areas. But this is not the case throughout England and Wales. One Partner Fund we interviewed for this report noted that their local authority is part of a restructuring process into combined unitary authorities, which is likely to take some time, during which their local stakeholder map will remain less well-defined. Though they have the same ambition, the change is likely to mean they do not benefit from the structures already in place elsewhere.

In terms of working with pension committees, which are made up of local councillors and form part of the governance structure for Partner Funds, the Pools we spoke to noted the diverse range of political stakeholders they are now engaging with. The important role the Partner Funds will play in these relationships was highlighted, given their ties to individual local authorities. However, the Pension Schemes Act does mean that there will be a much wider range of stakeholders for the Scheme to engage.

The Government's increased and important focus on regional growth and devolution will mean that a wide range of stakeholders, including political representatives, will form part of the agenda on LGPS investment. A dialogue that also includes regionally based private capital funds investing across the UK will be essential in maximising opportunities.

How best to navigate investment opportunities

A key aim of the Expert Panels has been to improve dialogue across the pensions and private capital industries, particularly at a time of transition, and to share and to identify best practice. As part of the discussions that we held with individual pools, we asked how private capital could help LGPS pools achieve their ambitions; and also spoke to private capital firms about what they feel has worked well. Some clear themes emerged.

Reporting and evidence

Given the focus on regional investment by the LGPS, and the necessary push for UK economic growth, the LGPS pools we spoke to had a clear ask for Private Capital Firms: "help us measure the impact with your reporting".

One pool flagged, for example, that they anticipated including portfolio companies in their regions with their targets, irrespective of the wider make-up of the fund that had invested in it, so they wanted a good understanding of where investments were being made. Pools will therefore no longer be looking just for performance data but also metrics such as Gross Value Add, job creation, and the wider contribution to the economy. Another noted that this sort of reporting is likely to become as important as ESG data.

Some Private Capital Firms have gone through detailed reporting exercises to help both with understanding regional investment impacts and opportunities but also the wider contributions to the economy.

"I think the work we do on regional, economic, and social value has really resonated with this audience as it links to their wider purpose and objectives. We are able to demonstrate this impact at a local level/member fund level in lots of instances that they can use to communicate with their stakeholders"

A Manchester-based Private Capital Firm

How best to navigate investment opportunities

Innovative routes to investment

All the Pools we spoke to were interested in exploring the potential for co-investments to help them achieve their goals. For example, Pools would welcome Private Capital Firms bringing them further opportunities to increase their support for local businesses through co-investments. It was also flagged that this could assist the Pools in addressing investment size limitations in relation to that firm's fund. The Pools also encouraged Private Capital Firms to think creatively about customised solutions that could provide, for example, regional investment opportunities within an appropriate risk structure and ticket size. They are seeking relationships that could present them with solutions and recognise that this may need alternative approaches.

Pools are keen to explore agreements that could be put in place that would give them priority for further investment opportunities. They flagged a desire for genuine partnerships that could enable the Pool to look at how it might deploy capital at later stages of businesses' growth, when portfolio companies have become more established and demonstrated their potential with results.

However, it is clear that this would not fit all types of investment, particularly for those Private Capital Firms investing in smaller companies, and so there may be some limitations on how far this could resolve all challenges.

It is worth noting here that the Government recently announced a proposal for a Scale Up Fund, including a number of commitments from the Pools to explore the proposal. Subject to further detail, this seems like a positive step with the potential to support the scaling up of successful businesses in the science and technology sectors, commercialise new technologies and create skilled jobs. UK Private Capital has also welcomed other initiatives by the British Business Bank to help crowd in more investment into scaling up businesses in the nations and regions, such as its new growth equity strategy[6]. We would welcome further consideration of these sorts of initiatives, to ensure important parts of the investment landscape are not missed.

Engagement

Finally, a shared message from all the Pools we spoke to: they are very much ready to invest, and keen to discuss opportunities with private capital firms.

"Whilst scale in the LGPS is welcome in some asset classes it must not undermine access to small and medium sized businesses in the UK which are the bedrock of our economy. From Palatine's perspective, the priority is ensuring that the evolution of the pools does not inadvertently narrow the opportunity set for smaller and mid-market firms, and would like to see more explicit focus from the pools on funds investing in businesses across the UK. The Expert Panel gives us a valuable opportunity to explore these issues directly with investors and to work together on practical ways of maintaining a diverse and competitive private capital ecosystem as the LGPS reforms progress."

Gary Tipper
Palatine

[6] Press release - 19 February, 2026 | British Business Bank

The Partner Funds' perspective

We spoke directly to a few Partner Funds to understand where in the process they are, and how they feel about the future, and have also heard from a number of the Partner Funds in England and Wales throughout our Expert Panel discussions over the past year.

Not unlike the Pools, the Partner Funds are starting this journey from a range of different points – there are varying levels of pooling already taken place, for example, and some Partner Funds have been engaged in a wider drive for regional investment for some time, whereas others are awaiting planned changes to local government before they fully understand their local stakeholder landscape.

The majority of Partner Funds have not changed their Pool, and so have an established relationship there. However, the Pension Schemes Act will require a fundamental change in how the two work together, and for Partner Funds this is also an area in which they are still adjusting.

In terms of how regional investment policies and targets are working out, this work is underway, though some of the details are still being discussed. Of the Partner Funds we spoke to, a 5% local investment target appears to be fairly typical, though investment strategies will not need to be confirmed until 2027. Those we spoke to were continuing engagement with their Pools on how local opportunities would be sourced and executed, once the targets are in place. There is general acknowledgement that it might not always be possible to identify opportunities within each Partner Fund area, and that the wider Pool area may become the effective regional target. However, there is a strong desire held by Partner Funds to ensure they are making a local impact, and being able to evidence that.

In terms of how Private Capital Firms can best work for them, the message was similar to that from the Pools: reporting is really important, particularly in terms of a wider range of metrics such as job creation and economic impact.

"The LGPS has a distinctive opportunity to combine its role as a major institutional investor with its ability to support businesses and economic development in the UK's regions. At Maven, our experience has shown the importance of having a regional investment strategy and capability that can work at the local level while still delivering the returns, diversification, governance and scale expected by institutional investors. The challenge now is to make sure that the pooling reforms strengthen rather than weaken those connections, and the Expert Panel provides an important forum for investors and private capital firms to be candid about what is needed to make that happen."

Lorna Kelly
Maven

Overview: Scotland

The situation in Scotland has a very different starting point, and policy for the Scottish Local Government Pension Scheme (the "SLGPS") is devolved to the Scottish Government.

The Scottish LGPS operates 11 funds. Though there is some collaboration across the whole scheme – some Partner Funds share due diligence with others, for example – there are no pools set up.

Within the Pension Schemes Act passed by the UK Government this year, a power was put in place that would enable the Scottish Government to initiate pooling if it wished. We understand this was at the request of the Scottish Government to maintain flexibility for the future should pooling become desirable for the SLGPS, though there are no plans to initiate it currently.

However, there remains a strong interest in many of the topics discussed throughout the rest of this report, including how the SLGPS can best support regional and national growth in Scotland.

In 2025 UK Private Capital brought together leaders from the SLGPS and Scottish private capital firms for a roundtable to discuss this, and there was a clear appetite to increase the impact of both in the Scottish growth story. Earlier in 2026, the Partner Funds met for a discussion on what collaboration could look like, and a Memorandum of Understanding was drawn up. At the time of writing, this still needs to be approved by the pension committees of each administering authority. However, it is certainly a useful blueprint as to how things might evolve in the SLGPS.

The document sets out an aspiration to invest 5% of SLGPS assets in Scotland, across housing, infrastructure, climate transition and private markets (including private equity and debt).

Strathclyde Pension Fund is the largest LGPS fund in Scotland and has worked with a number of Scottish private capital funds. As members of the Expert Panel, UK Private Capital spoke to them in preparing this report, and it is clear that encouraging more investment into Scotland, and in particular the wider Strathclyde region, though always a factor, is an increasing priority. Indeed, it was noted as an area where the fund is continuously challenging private capital fund managers: in the past even encouraging funds to open an office in Scotland to ensure there are sufficient 'boots on the ground' with regards to identifying investment opportunities close to home.

As is the case throughout the UK, defining what is meant by a Scottish investment has been a challenge. Strathclyde notes that, though it initially sought local investments related exclusively to Scotland, the opportunity set and the geographical diversification sought by most funds made that approach challenging to execute. Over time, the focus therefore changed to sourcing fund opportunities with a UK focus. However, Strathclyde noted the importance to their pension board of exploring investment opportunities within their own region, and so would not rule out introducing a new target in the future. It should be noted that the Memorandum of Understanding commits the Scottish funds to agreeing a definition of Scottish investment, which could then be monitored. The Scottish Government defines a Scottish investment as an investment in a portfolio company that is located in Scotland.

In terms of working with private capital firms on regional growth, though there is recognition of the need for diversification, Strathclyde noted the importance of understanding what local investment pipelines are in place, and what investments a particular fund is exploring in their region. It was also noted that, though a minimum ticket size is in place, they would apply some flexibility for the right opportunity. Co-investment opportunities are also welcomed.

A key message from Strathclyde: they have recently grown their team, and are keen for Private Capital Firms to bring opportunities to them.

Recommendations and next steps

Evidently, this has been a period of significant change for everyone within the LGPS ecosystem. Though the landscape is beginning to become clearer, there remains a great deal of uncertainty for many. Below we have set out some recommendations to ensure the established relationship between the LGPS and Private Capital Firms can both continue and grow:

- **Pools should implement regional investment target ranges in a way that ensures the strong regional focus of many private capital funds is recognised and counted**, even where Private Capital Firms cannot guarantee a specific level of investment in one region or locale.

- **Pools must consider how they can continue to make investments small enough to include lower- and mid-market private capital funds.** The issue of size of investment remains a concern for Private Capital Firms that have long, successful relationships with the LGPS, but are unlikely to be able to continue if minimum investment sizes grow significantly larger.

- **Private Capital Firms should work with LGPS partners to ensure they can provide a wider range of impact metrics, beyond financial performance.** As Partner Funds and Pools work with a wider range of stakeholders, demonstrating this impact will be even more important.

- **All parties should consider the role innovation can play in accessing private capital opportunities.** Innovative structures and routes to investment can assist the growing Pools to meet their investment ambitions. Examples of new approaches include initiatives like the Border to Coast UK Opportunities Fund, which has a specialist team that aims to ensure access to smaller private capital funds. Other innovative approaches may include greater focus on a framework for providing co-investment opportunities, and wider, customised partnerships between Private Capital Firms and Pools.

The Expert Panel and UK Private Capital will continue to work with Pools, Partner Funds, Private Capital Firms and the wider landscape over the coming year to encourage and monitor progress, with a view to sharing a further Expert Panel update in 2027.

UK PRIVATE CAPITAL

Invested in a better future

UK Private Capital
(Formerly the British Private Equity and Venture Capital Association - BVCA)

4th Floor, 48 Chancery Lane, London WC2A 1JF
+44 (0)20 7492 0400 | info@ukprivatecapital.co.uk
www.ukprivatecapital.co.uk

Find us on