



How does place-based investing support levelling up?

This blog uncovers views on the government's levelling-up agenda raised at our recent [Place-Based Impact Forum all-stakeholder event](#), hosted by Martin Pattinson.

With **Joanne Donnelly** from the **Local Government Association**.

By **Cameron Turner**



At a recent Place-Based Impact Investing (PBII) Forum all-stakeholder event, Joanne Donnelly, Head of Pensions and Secretary at the Local Government Pensions Scheme Advisory Board (SAB), spoke followed by a roundtable discussion. The conversation centred around levelling up and place-based investment.

In August 2021, Rishi Sunak called upon institutional investors to boost Britain's long-term growth in what was billed an 'investment big bang'. Following that, in February 2022, the 'Levelling Up the United Kingdom' white paper was published, which stated the UK government's intentions to support local government pension scheme (LGPS) funds in publishing plans for local investment including setting their ambition to allocate 5% to it. As a result, £16bn of funding would be established for local investment. In the white paper, 12 missions were included:

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| 1 living standards, | 7 health, |
| 2 research & development, | 8 wellbeing, |
| 3 transport infrastructure, | 9 pride in place, |
| 4 digital connectivity, | 10 housing, |
| 5 education, | 11 crime, |
| 6 skills, | 12 local leadership. |

So, qualifying projects will make a measurable contribution to those focus areas. It is important to note local means the whole of the UK in the government's eyes. A follow-up consultation from the government is expected before Easter.

The SAB outlined some questions that LGPS funds may have in meeting the 5%:

- 1 What does an allocation to levelling up look like and which projects qualify? Examples include climate-friendly housing, district heating systems and local small and medium-sized enterprises (SME) financing.
- 2 What are the barriers to increasing investment in levelling up projects?
- 3 How can the pools help?
- 4 How to manage additional governance and due diligence requirements?
- 5 Are there enough investable opportunities for everyone? With the announcement from the DWP that the defined contribution (DC) charge cap will be removed, the resulting increased competition may have an impact on the projects available for investment that fit into the 5% local investment bracket.
- 6 There are concerns around potential conflicts of interest where investments are in an administering local authority's area. How do you manage that? Does it conflict with fiduciary duty?
- 7 How do you manage communications with scheme members, employers and elected members about local levelling up projects?

The ensuing discussion touched on these questions:

- 1 Whether funds will be required to increase allocation above 5% is subject to consultation from the UK government.
- 2 Many of the PBII projects involve illiquid assets making it difficult for funds to invest, possibly the UK infrastructure bank could facilitate this.
- 3 One of the challenges in PBII regards the small scale of many projects. Small projects require the same due diligence so is there a way to aggregate projects so funds can invest in several pooled projects.
- 4 This is an exciting time, as more interest, not only from the LGPS but also from the DC market – subject to the charge cap removal – will only lead to more investible projects being made available.
- 5 Matching funds to projects can be difficult as there



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can be a lack of awareness of the existence of suitable projects, so developing a public schedule of such projects could overcome this challenge.

- 6 Generally for governance reasons funds invest in place-based projects through asset managers, they require this intermediary so as not to be seen to be conflicted with local authorities. The PBIIF can help bring all parties together to showcase case studies.

How we define 'local'

Levelling up is about reducing geographical inequalities across the UK but if local investment means within the UK, how does this marry up? This is why we need clarification from government. You can guarantee an input, but you can't guarantee an output – it's about how we measure the impact.

Local also means different things to different people. LGPS funds are frequently asked by members to invest in their own backyard, but often investible projects aren't based there. LGPS funds may naturally have a local geography bias, although some take a UK-wide perspective, but other types of asset owners should also take note and be involved in PBII. After all we need more than £1tn to level up the country.

How to make PBII appealing

There is another aspect to PBII to be considered as not only can it benefit society, the environment and generate attractive returns but it can also benefit sponsors of funds too.



Click here to watch the video of the event.

- **Cameron Turner is an Intern at Pensions for Purpose and recent Durham University graduate.**



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