Ariane Burgess, MSP
Convenor of Local Government Housing and Planning Committee

By email: localgov.committee@parliament.scot

Our Ref: LGF-GD/ST/056

20 November 2025

Dear Ariane,

Legislative consent memorandum on the Pension Schemes Bill

Thank you for considering this issue. The proposed Bill aims to deliver better value for savers and boost long-term investment in the UK economy. It also includes measures to enable the creation of large-scale pension "megafunds."

If these powers were given to Scottish Ministers and adopted, this could mean changes to the Local Government Pension Scheme (LGPS) could follow. In that case, the Minister would seek advice from the Scottish LGPS Advisory Board.

Scotland has not yet adopted similar UK developments, such as asset pooling or using pension funds to drive local growth. However, the Scottish Government's 2025 Programme for Government highlighted opportunities for co-investment in Scottish projects. Earlier this year, the Housing Investment Taskforce report, concluded that LGPS could support housing development, if those investments were undertaken on commercial terms with strong risk controls.

Investing in local infrastructure in this manner could help communities and the economy, but it also brings the potential for higher risks for pension funds, including lower returns and reduced security. Any changes related to pension fund investment or pooling must also consider, safeguarding current strengths, the impact on fund performance and the impact on contributions from public sector employees and employers, as well as other participating organisations who are part of the LGPS.

There are other differences in Scotland which would mean that the approach taken cannot be directly replicated such as the availability of for-profit affordable housing in England, which is not a preferred approach in Scotland.

As such, any proposals to change the structure or direct the investment of LGPS would require careful examination and again we would expect the Minister to seek advice from the Scottish LGPS Advisory Board. We would also anticipate that Leaders and Pension Funds would take a view on any proposals.

These proposals come during a time of financial pressure. Local authorities in Scotland are making tough decisions about cuts to services and staffing. Infrastructure investment also needs revenue funding to work effectively. Councils must have the flexibility to raise revenue locally so they can meet user demand and deliver better services for communities now.

Yours sincerely,

Councillor Shona Morrison COSLA President