Executive Summary

The LGPS pooling landscape is undergoing significant change following the Pension Schemes Act 2026 and associated regulatory guidance. These changes are intended to strengthen the LGPS through greater scale, enhanced investment capability and more consistent governance arrangements. Importantly, while Pools will take on greater responsibility for implementing investment strategies, Partner Funds will continue to retain responsibility for setting investment strategy and beliefs, determining funding and investment objectives, and overseeing delivery. This evolution enables Pension Committees to focus on the key strategic decisions that drive long-term outcomes, with implementation undertaken by the Pool on their behalf.

Border to Coast has made substantial progress in preparing for this new environment. As at 31 March 2026, 91% of Partner Fund assets were either invested through pooled vehicles or forecast to fall under Pool management. Work is underway to integrate assets from seven new Partner Funds, transition remaining assets into Pool management where appropriate, and establish the operational capabilities required under the new regulatory framework.

To support these changes, the Partnership is evolving its investment implementation model, oversight arrangements, customer strategy and approach to local investment to ensure it remains fit for purpose in light of the new regulatory environment. This paper provides a high-level update on these developments and their implications for Partner Funds.

1. Progress Towards the New Pooling Model

The Pension Schemes Act 2026 introduces a strengthened pooling framework which requires LGPS assets to be fully managed through FCA-authorised pools (either through pool vehicles, or through external holdings that the pool can oversee and act on), while maintaining Partner Fund responsibility for setting investment objectives, funding strategies and risk appetite. The reforms are intended to improve value for money, increase investment capability and deliver greater benefits of scale across the LGPS, whilst ensuring Pension Committees remain responsible for the strategic decisions and oversight that underpin delivery of member outcomes.

Border to Coast has made significant progress towards these objectives. As at 31 March 2026, 91% of assets across the Partnership were either already pooled or expected to come under Pool management. Over the next 18-24 months, the Partnership will undertake a significant programme of transition activity, driven by the integration of seven new Partner Funds, the pooling of remaining assets, changes to the investment framework and the implementation of recent investment strategy reviews by Partner Funds.

This transition programme will be delivered progressively, beginning with selected asset classes such as credit and emerging market equities. The Pool forecasts that material long-term savings of £45-50m per annum can be delivered across the Partnership.

Alongside asset transitions, Border to Coast is introducing the advisory and investment management services required under the new legislation. An Investment Management Agreement has been agreed with Partner Funds and new capabilities will be implemented in phases through 2026 and early 2027. These services will support Partner Funds in delivering their investment objectives while preserving local accountability for strategic decision-making.

2. Evolution of the Investment Implementation Model

A key consequence of the new regulations is a shift in the role of pools from providers of investment building blocks to organisations responsible for implementing Partner Fund investment strategies and delivering investment outcomes.

To support this, Border to Coast has developed a Portfolio Implementation Framework which establishes four layers of decision-making. Partner Funds remain responsible for determining their long-term investment objectives, risk appetite and strategic asset allocation. Border to Coast then takes responsibility for portfolio construction within asset classes, dynamic allocation decisions and implementation of the underlying investment propositions, operating within a framework informed by Partner Fund objectives, investment beliefs and implementation preferences.

The framework is designed to combine Partner Fund objectives and investment beliefs with the Pool's investment expertise, providing a more integrated approach to portfolio management while retaining local ownership of investment strategy. The approach is intended to strengthen accountability, improve implementation efficiency and ensure that investment portfolios remain aligned with the long-term objectives and preferences established by Pension Committees.

In practice, the framework establishes a clear division of responsibilities. Pension Committees continue to determine the outcomes they wish to achieve, while Border to Coast takes responsibility for delivering those outcomes through portfolio construction, investment implementation and ongoing management. This allows Committees to focus on strategic decisions and oversight of outcomes, rather than the management of individual mandates or portfolio components.

3. Strengthening Governance, Oversight and Partnership

As the Partnership expands from 11 to 18 Partner Funds and takes on additional responsibilities, governance arrangements are also evolving to ensure that Partner Funds continue to exercise effective oversight and remain closely involved in shaping the future direction of the Pool.

During the last year, Border to Coast and Partner Funds have undertaken a programme of work to reaffirm the culture that has underpinned the success of the Partnership since inception. Workshops involving all 19 partners have resulted in the development of a Culture Charter, designed to promote consistent behaviours, collaboration and shared accountability while recognising the individuality of each Partner Fund. The objective is to reinforce a strong sense of collective ownership as the Partnership grows and evolves.

In parallel, Officers are developing an Oversight Framework Statement to provide greater clarity on the respective roles of the Joint Committee, Senior Officer Group and Officer Operations Group. The aim is to create a more consistent and outcome-focused approach to oversight, supported by clear reporting, relevant performance information and reduced duplication across governance forums.

The Partnership has also begun preparatory work for a wider governance review. This will consider how governance arrangements should evolve in response to the expanded Partnership, changing regulatory requirements and feedback from Partner Funds regarding the effectiveness of existing governance structures. The objective is to ensure governance arrangements remain proportionate, efficient and effective as pooling enters its next phase of development.

4. Delivering the 2030 Customer Strategy

The 2030 Customer Strategy provides the blueprint for how Border to Coast intends to support Partner Funds through a period of significant change and beyond. Its ambition is for Border to Coast to be regarded not simply as a service provider, but as a trusted and embedded partner to all participating funds.

The strategy focuses on successfully integrating new Partner Funds, delivering new investment management and advisory services, strengthening governance and oversight arrangements, and maintaining high-quality engagement throughout a period of substantial change. A particular emphasis is placed on collaboration, co-design and continuous improvement to ensure that services evolve in response to Partner Fund needs and expectations.

Central to the strategy is the principle that successful pooling depends on strong relationships, mutual trust and clear ownership of outcomes. The strategy therefore seeks to ensure that Partner Funds continue to feel informed, supported and engaged as the Partnership grows, while providing a clear mechanism through which Partner Fund feedback can continue to shape future developments.

5. Progress on UK and Local Investment

The Government has placed increased emphasis on investment in UK productive finance and local economies. In response, Border to Coast is working with Partner Funds to develop a practical and scalable approach to local investment that remains consistent with fiduciary responsibilities and long-term investment objectives.

Border to Coast already has significant exposure to UK assets through a range of public and private market investments. This includes the UK Opportunities proposition, which seeks to generate attractive long-term returns while supporting investment in areas such as infrastructure, housing, renewable energy and business growth. The proposition provides a means of accessing UK investment opportunities at scale while maintaining diversification and appropriate risk management.

Looking ahead, Border to Coast is developing a Local Investment Playbook to support a consistent approach across the expanded Partnership. The playbook draws on experience gained through pilot activity and is intended to help Partner Funds, Pools and Strategic Authorities work together to identify, develop and implement investable opportunities at scale. The objective is to combine local knowledge and priorities with the benefits of shared expertise, scale and investment capability, recognising that successful local investment requires close collaboration between all parties involved.

Conclusion

Pooling is entering a new phase of development. The Pension Schemes Act 2026 has accelerated the evolution of LGPS pools beyond collective investment vehicles towards organisations responsible for investment implementation, portfolio management and stewardship on behalf of Partner Funds.

For Pension Committees, this represents an evolution to existing arrangements. Committees will continue to determine investment objectives, funding requirements, risk appetite and strategic asset allocation, while benefiting from greater implementation support, investment capability and scale delivered through the Pool. The focus of governance will increasingly be on setting strategic direction and overseeing outcomes rather than monitoring individual investment mandates.

Border to Coast has made significant progress in preparing for this transition through the expansion of the Partnership, development of new investment management capabilities, evolution of governance arrangements and continued enhancement of its investment propositions. While considerable work remains over the next 18-24 months, the Partnership is well positioned to deliver the new statutory requirements while continuing to focus on its core objective of delivering long-term value for Partner Funds, employers and scheme members.