



HOUSE OF COMMONS
LONDON SW1A 0AA

Response to Ethical procurement in Local Government

Thank you for contacting me about the investment decisions of councils, and the debate held in Westminster Hall on 15 March, on the topic of ethical procurement in local government. Due to prior Ministerial commitments, I was not able to attend that debate, but this is an important matter and I have followed the debate with interest.

With £178 billion under management, the local government pension scheme is one of the largest funded pension schemes in Europe. As I am sure you can appreciate, the cost of using external fund managers is considerable and the Government believes that cost of investment could be made more efficient. By using collective investment vehicles and using passive management for bonds and equities, up to £660 million could be saved each year.

Allowing the Secretary of State to intervene will ensure that councils are following best practice and gaining maximum return from their investments. I do not believe that these regulations will prevent councils from practising ethical investments, but it must be clear that councils are not entitled to pursue their own foreign policies. Foreign policy is rightly reserved to national Government. Councils should prioritise securing long-term returns from their investment rather than dividing communities and making political statements.

Local boycotts can damage integration and community cohesion within the UK, hinder Britain's export trade, and harm foreign relations to the detriment of Britain's economic and international security.

The Cabinet Office has issued guidance to remind all public authorities of their international obligations when letting public contracts. This guidance makes clear that boycotts in public procurement are inappropriate, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government. This is not a new policy and has been in place for many years under successive governments.

The Government also has a longstanding policy of value for money in public procurement. EU and UK procurement legislation requires public authorities to treat suppliers fairly and equally. International market-access agreements such as the WTO Government Procurement Agreement extend those obligations to various other countries. Boycotts can also be unlawful and lead to severe

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penalties against the contracting authority and the Government. Guidance will remind public authorities of these important matters.

I am confident that these measures will bring about better returns for local government pension members and make investments more cost effective for councils.

Thank you again for taking the time to contact me.

Kind regards,

A handwritten signature in blue ink that reads "Edward Timpson". The signature is written in a cursive style with a large initial 'E'.

Edward Timpson MP