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Date: 25/3/2026

Dear Member

PENSION FUND COMMITTEE - THURSDAY, 26 MARCH 2026

I am now able to enclose, for consideration at next Thursday, 26 March 2026 meeting of the Pension Fund Committee, the following public report.

Agenda Item No

15 **Local Government Reorganisation and Kent Pension Fund (Pages 1 - 6)**

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ben Watts', is written over a faint, illegible printed name.

Benjamin Watts
Deputy Chief Executive

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From: Chair Pension Fund Committee
Interim Corporate Director of Finance

To: Pension Fund Committee – 26 March 2026

Subject: Local Government Re-organisation and Kent Pension Fund

Classification: Unrestricted

Summary:

Following Local Government Reorganisation in 2028, Kent County Council will no longer exist, and a new host authority will need to be designated by the Secretary of State at the Ministry for Housing, Communities and Local Government (SoS). This report sets out a proposed workplan and timetable to assess the options available for a new host authority leading up to an agreement at the December 2026 meeting of the option to be recommended to full council and onward to the SoS.

Recommendation:

The Committee is recommended to:

- NOTE the information provided in this report on the impact of Local Government Reorganisation on the Kent Pension Fund
- APPROVE the proposed workplan and timetable to analyse the options available for a new host authority for the Kent Pension Fund
- DELEGATE authority the Head of Pensions & Treasury to action the workplan and retain the support deemed necessary for that purpose from Barnett Waddingham

FOR DECISION

1. Local Government Reorganisation and the Kent Pension Fund

- 1.1 At the Committee strategy away day in February the matter of Local Government Reorganisation (LGR) in Kent, and the future for Kent Pension Fund was discussed, and a presentation from Jeff Houston of Barnett Waddingham was received. The presentation set out the position and considered the necessary work. This paper builds on that initial discussion and sets out the work plan. It also updates members on the consultation and discussions that officers have had to ensure all key stakeholders are aware of this work.
- 1.2 Kent County Council (the county council), the current host authority of the Kent Pension Fund (the Fund) is part of an ongoing Local Government Reorganisation (LGR) the proposals for which are presently out to consultation (finishing on 26 March). Five proposals have been put forward to replace the

fourteen current authorities (the county council, Medway council and 12 district and borough councils) with between one and five unitary councils. There is also the possibility of a Mayoral Strategic Authority (MSA) in the Kent and Medway area however this is yet to be confirmed and even if accepted would be at least a year after LGR completes.

- 1.3 Regardless of the outcome of the LGR consultation the county council will cease to exist and therefore a new host authority will need to be designated as the appropriate Administering Authority (AA) for the Fund. The functions of an AA are set out in the Local Government Pension Scheme Regulations 2013 as follows:
 - 53(1) The bodies listed in Part 1 of Schedule 3, referred to in these Regulations as "administering authorities", must maintain a pension fund for the Scheme.
 - 53(2) An administering authority is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations.
- 1.4 There are currently eighty-six bodies in England and Wales with the LGPS AA function assigned to them by Part 1 of Schedule 3. The vast majority of these bodies are upper or single tier local authorities with a wide variety of other council functions, objectives and priorities.
- 1.5 The designation of a new AA post LGR will be a decision for the Secretary of State (SoS) following advice from officials at the Ministry of Housing Communities and Local Government (MHCLG). This advice will be informed by the views of the County Council as the existing AA and other interested parties. It is important to note that any recommendation from the County Council will form part of the SoS's considerations, but the designation of a new AA will be at the sole discretion of the SoS.

2. Options for a new Administering Authority

- 2.1 To ensure that a comprehensive assessment is undertaken there are a number of options that need to be considered. It is proposed that the following options for a new host authority post LGR be assessed under the workplan:
 - One of the new unitary authorities to be the AA for the Fund
 - The Fund to be split across two or more of the new unitary authorities
 - The Fund to merge with another LGPS Fund outside of the Kent area
 - The Fund to be temporarily hosted by one of the new unitary authorities before being handed over to the new MSA
 - A new Kent Single Purpose Pension Authority (SPPA) be created and designated as the AA for the Fund.

- 2.2 Each of these options is relatively straightforward to consider and understand, with perhaps the exception of the SPPA, which is considered in the following paragraphs.

A Single Purpose Pension Authority

- 2.3 An SPPA is a local authority with the sole purpose of providing the LGPS AA function.
- 2.4 Currently two AAs are single purpose in nature these being the South Yorkshire Pensions Authority (SYPA) and the London Pension Fund Authority (LPFA) However of these only the SYPA is a local authority (LPFA is a non-departmental public body) and therefore is the only current LGPS SPPA. Outside of the LGPS there are other examples of single purpose authorities which provide a sole or limited number of functions for example Fire and Rescue authorities, Integrated Transport authorities and Joint Waste Disposal authorities.
- 2.5 The SYPA took on the pension duties and fund from the South Yorkshire Metropolitan County Council which was abolished in 1986. The authority is made up of twelve councillors drawn from the four metropolitan districts in the old county council area and exists solely to administer the LGPS in that area. As it has no other functions its governance arrangements, objectives and priorities are focused solely on its scheme members and employers and its costs are met entirely from the pension fund apart from a small number of unfunded pension payments which are recharged back to the district councils.

3. Workplan and timetable

- 3.1 The proposed workplan and timetable follows on from the committee's initial discussions on this matter at the February away day. Working back from December 2026 committee the workplan and timetable would be as follows:

This committee – 26 March 2026

Approval of the proposed workplan and timetable together with the delegation to the Head of Pensions and Treasury the authority to action the workplan and appoint Barnett Waddingham (BW) to provide such support as he deems necessary for that purpose.

23 June 2026 committee

The presentation of a report setting a high-level analysis of the 5 options listed earlier in this report. Such analysis to consider against each option for the potential benefits and drawbacks relating to the following factors:

- Accountability to council taxpayers
- Delivery to scheme members and employer
- Government Policy
- Investment and fiduciary duty
- Governance and compliance

- Availability of legislation

The report to provide a recommendation as to which of the options should be taken forward for more detailed analysis. In that respect the committee will also be asked if they would require further information and time in the form of a workshop session to assess the options before agreeing to reduce the number going forward and/or to consider any of the options in more detail.

July/Aug 2026

Should the June committee deem it beneficial a half day workshop for committee (and board) members facilitated by officers and BW will be arranged. This will enable members to consider any aspect of the options in greater detail and/or raise concerns for discussion of potential solutions and mitigations.

29 September 2026 committee

The presentation of a report with a detailed assessment of the remaining options for committee to consider. This report would analyse each option based on both transitional and ongoing considerations to include but not be limited to the following matters:

- Transparency and mitigating potential conflict of interest.
- Operational efficiency
- Equitable local investment
- Governance and accountability
- Service delivery and customer confidence.
- Potential for further economies of scale (including the possibility of future voluntary fund mergers)
- Cost of transition and ongoing budgets
- Staffing including recruitment and retention issues
- Nomination to and terms of reference for the Pension Committee and Board
- Transfer of contracts
- IT systems, data, and resilience
- Office location

The report to also include a recommendation in principle for one option to be taken to the December committee meeting. Committee members will be encouraged to continue to raise any individual concerns with the Head of Treasury and Pensions in the period leading up to the December meeting.

December 2026 committee

Presentation of a final analysis addressing any further issues raised in or since the September committee together with a recommendation that full council be asked to put forward the agreed option to the SoS.

4. Stakeholder engagement

- 4.1 In addition to the workplan detailed above, the Fund needs to engage with all key stakeholders, both local, and national throughout the process, to ensure that the outcomes are not a surprise to anyone. As noted, the future administering authority for the Kent Pension Fund it is not a decision for the Pension Fund Committee, nor the County Council, but will be for the Secretary of State to decide. However, it is likely that the SoS will consider representations made and therefore it is important to ensure that any conclusions reached in the process are supported by key stakeholders.
- 4.2 With this in mind the Head of Treasury and Pensions (HoPT) has been engaging with the wider Local Government Reorganisation programme across Kent. He has attended a meeting of the Kent Finance Officers (KFOs); the Section 151 officers of KCC, Medway and the districts and boroughs in Kent, and presented the plan of work needed to understand the best outcome for the Fund. The group were content with the proposals and asked the HoPT to represent them on the wider LGR discussions being led by the Chief Executives group.
- 4.3 The HoPT is attending the first meeting of the Pensions workstream on the morning of the Committee meeting (26th March), and will present this proposed workplan to them, noting that it is subject to approval by this Committee. Any updates from this session will be given to the Committee on the day.
- 4.4 In addition to these groups, it will be important to inform the Fund's other employers and members of these plans once they are more developed and this will be factored into the workplan.
- 4.5 Finally, it will be important to engage with the Government and the Local Government Association and other Funds across the country to ensure that we learn from each other. Existing relationships allow access to all parties, and officers will build on these over coming months to ensure that all factors are considered and relationships are developed.

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March 2026

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