

To: Kent Pension Board – 4 June 2026

From: Chairman Kent Pension Board
Corporate Director - Finance

Subject: Fund Governance

Classification: Unrestricted

Executive Summary:

This report brings together a number of issues that fall under the broad category of Governance for the whole Fund and some of the key issues for consideration this time are noted below:

- The Fund's budget outturn for 2025/2026 is predicting a net overspend of £10m due to higher investment management costs (£12.8m), with underspend in other areas.
- Policy updates are being made to reflect KPF branding. Material changes to policies may be required when regulatory and statutory guidance is released by the government.
- Resourcing challenges continue to be felt in the Pensions Administration section, where a balanced approach to the impact of buddying and support to new starters has been taken. External Audit is in progress.
- Draft Internal Audit opinion on Debt Recovery Management was 'Substantial', with 'Very Good' prospects for improvement identified. No 'high' or 'medium' risk issues were identified in the Internal Audit.

Recommendation:

The Board is recommended to note the report.

FOR INFORMATION

1 Draft Budget Outturn 2025/26

- 1.1 The Fund's outturn has been compared against the budget for 2025/26 in **Appendix One** of this report, these figures are draft and subject to audit and pending any final adjustments identified. The outturn is projecting an increase in costs against budget of £10m due to higher investment management costs (£12.8m), which are both unpredictable but also positively correlated to investment activity and growth and reflect better fund performance. The Fund is however managing operational costs and projecting underspend in other operational areas. The main variances can be explained as follows:
- 1.2 **Administration Staffing** - costs have an underspend due to the budget being set anticipating vacancies being filled, however, where recruitment campaigns have been completed and vacancies filled, some have come from internal candidates which leave backfill vacancies outstanding.
- 1.3 **The Data Rectification project** - this is a multi-year exercise and is progressing, but the invoicing is dependent on progress made. Progress has been impacted by issues relating to system access and ensuring accurate data has been received from employers. It is expected that, to fulfil the contract, activity will increase in 2026/27 and therefore we anticipate an increase in costs next year.
- 1.4 **Actuarial Fees** – these are dependent on activity undertaken throughout the year, this year being a valuation year has added a level of complexity when setting the budget. The estimated cost of the valuation was £55,000 less than the actual spent.
- 1.5 **Investment Consultancy** – the budget was set in line with previous activity; however, this year fund activity has been more focused on pooling. This has impacted the ability to commission budgeted work on Investment Strategy, Responsible Investment & Risk Management which has seen a reduction in costs.
- 1.6 **Pooling (selection and joining) advice** – Due to the Government consultation and need to move swiftly an estimate of the support needed was made in the budget. However, actual costs associated with pooling advice incurred are significantly lower than anticipated as the Fund has worked collaboratively with other funds when seeking advice, which helped us manage the costs.
- 1.7 **Governance Staffing** - costs appear to be higher than the estimate, however this includes a reorganisation of staff and includes some costs that were originally accounted for in Administration section.
- 1.8 **KCC Overheads Recharges** – costs are higher as cost for treasury services for the pension fund were higher than budgeted as the cost is dependent on the cash balances of the Pension Fund account which was higher than anticipated.
- 1.9 **Pooling Costs** – ACCESS pool costs incurred were considerably lower than budgeted as the focus of the pool shifted from building a pool company to facilitating an orderly wind down. Some initial costs of Border to Coast pool have been included in this item.

1.10 **Fund Manager Fees** - have increased significantly when compared to the budget due to fund values growing at a quicker pace than forecast, especially in the equities asset class. As fees are paid on the value of asset under management, this has led to an increase in fees.

1.11 **Transaction costs** - are always impossible to accurately estimate as they relate to individual transactions and transitions undertaken by investment managers in response to evolving market conditions, and these cannot be known when setting the budget, hence an average is estimated. The higher level of costs in 2025-26 relate to two property purchases that took place in December to increase property allocation to strategic target. In addition, due to the transition to Border to Coast it is likely there will be higher than average transaction costs over the next year or two, however officers are working with Border to Coast to ensure these are managed.

2 Legislation and Fund Policies

2.1 The Pensions Bill is now the Pensions Act. Other legal developments are expected over the next few months. Now that the Pensions Act has become law, it paves the way for the Government to make regulations for the LGPS, specifically those that fall under the Fit for the Future review. Two new sets of regulation will be made and laid in the coming weeks for:

- LGPS (Pooling, management and investment of funds) Regulations
- Local Government Pension Scheme (Amendment) (Governance) Regulations 2026.

The Government has issued their response to both consultations, and they can be found here : <https://www.gov.uk/government/consultations/local-government-pension-scheme-in-england-and-wales-fit-for-the-future-technical-consultation/outcome/technical-consultation-summary-of-responses-and-government-response#local-government-pension-scheme-amendment-governance-regulations-2026>

Government officials have indicated that they expect the final regulations and accompanying statutory guidance to be issued in the coming weeks.

2.2 Work on the Fund's policies has been undertaken as follows:

Policy	Developments since March 2026	Next steps
Funding Strategy Statement	Approved by Committee in March 2026 and published on Fund website on 1 April replacing the older version.	Next due for review in March 2029
Investment Strategy Statement	Guidance and regs delayed.	To be reviewed and updated. To be brought to PB and PFC in September 2026.
Governance Policy & Compliance Statement	Guidance and regs delayed.	To be reviewed and updated. To be brought to PB and PFC in September 2026.
Responsible Investment Policy		Next due for

		review June 2027 but may review before then due to move to BCPP
Communication Policy	Approved by Committee in March 2026. Has replaced older version on KPF website.	Next due for review in March 2029
Administration Strategy	Work in progress: application of KPF branding. Guidance and regs delayed.	Full review required when new regs and guidance released.
Conflict of Interest Policy	Work in progress: application of KPF branding. Guidance and regs delayed.	Full review required when new regs and guidance released.
Breaches of of the Law Policy	Work in progress: application of KPF branding. Minor updates re. contact details of KCC's new S.151 Officer and Monitoring Officer. Guidance and regs delayed.	Full review required when new regs and guidance released.
Abatements Policy	Work in progress: application of KPF branding. Reviewed, no material content changes.	Latest version to be added to KPF website.
Training Strategy	Work in progress: application of KPF branding. Guidance and regs delayed.	Full review required when new regs and guidance released.
Data Quality Policy	Approved by Committee in March 2026. Has replaced older version on KPF website.	Next due for review in March 2029
Data Matching and Criteria Policy	Approved by Committee in March 2026. Not put on KPF website due to security concerns.	Next due for review in March 2029
Cyber Security Policy & Incident Response Plan (Not on KPF website due to security concerns)		Regularly reviewed and updated to ensure contact details are correct.

3 Governance Review Checklist (Checklist provided by Barnett Waddingham in March 2026)

- 3.1 Please see **Appendix Two**. Progress has been delayed as Officers are awaiting the finalised regulation and guidance to be released by the government – this is expected within the next few weeks. Initial conversations have commenced with various KCC teams including HR, Legal and Democratic Services.

4 Resourcing

- 4.1 Resourcing updates since March 2026, across the Fund:

	Total	Details
Leavers	4	1 x end of secondment (Governance & Projects) 1 x resignation (Pensions Admin)

		1 x retirement (Pensions Admin) 1 x sabbatical (Investments)
New starters (external)	0	
Recruitment campaigns in progress	2	Training & Development Manager Pension Fund & Investments Officer (secondment)
New roles currently being considered to help meet business needs	2	Business Support Assistant LGR Programme Manager

4.2 Recruitment Update for Fund:

Position	Team	Start Date	Number	External/Internal
Pensions Assistant	Operations	05/01/2026	1	External (6-month fixed term contract)
Deputy Team Manager	Engagement & Systems	01/01/2026	1	Secondment made permanent
Pensions Assistant Training Officer	Technical & Training	01/02/2026	1	Acting up secondment
Deputy Team Manager	Operations	01/03/2026 01/04/2026	1 1	Secondment made permanent
Pensions Administrator	Operations	01/03/2026 01/06/2026	1 2	Acting up secondment
Senior Pensions Administrator	Operations	01/04/2026	5	Internal promotion
Lead Manager	Technical & Training	01/07/2026	1	Acting up made permanent
Technical & Training Consultant	Technical & Training	06/07/2026	1	Return of ex KPF colleague
Pension Fund Accounts and Investment Officer	Treasury & Investments	01/04/2026	1	Acting up secondment

4.3 Current Vacancies across the Fund, not currently being advertised:

Position	Team	Quantity
Team Manager	Operations	1
Pensions Administrator	Operations	7
Pensions Officer	Operations	3
Pensions Assistant	Engagement & Systems	3
Engagement & Systems Officer	Engagement & Systems	1
Pensions Assistants	Operations	3

4.4 A number of appointments and role changes have taken place across pensions admin so far in 2026. Overall, the changes reported demonstrate a strong focus on internal development and career progression, supported by selective external recruitment and the retention or return of experienced staff.

4.5 The service is currently operating with a vacancy rate of 19.78%, indicating a notable level of unfilled positions which may impact service deliver and capacity.

4.6 Please see latest structure charts (last updated April 2026) on the Member portal, including where vacancies held.

5 Audits

5.1 **External Audit** - Work has progressed on the 2025/26 External Audit of Accounts. Officers have been providing the auditors with requested information/evidence. The 2025/26 Annual Report and Accounts along with the audit findings will be shared in September.

5.2 **Internal Audit** - An Internal Audit on debt recovery has been completed and a draft report has been provided. Copies have been sent to the Chairs and Vice Chairs of the Pension Board and Pension Fund Committee. Internal Audit reviewed KPF's processes for identifying, monitoring and recovering pension overpayments, including compliance with policy and effectiveness of controls. The internal audit included testing of overpayments, write offs, reporting, and governance arrangements, alongside benchmarking with other LGPS funds. A 'Substantial' audit opinion was given, with 'Very Good' prospects for improvement identified. No 'high' or 'medium' risk issues were identified. Two 'low risk' improvement areas were recommended which are being considered by Officers:

- Introduce formal review schedule and ownership for procedures (target September 2026)
- Enhance reporting to include recoveries and write offs (target December 2026)

6 Conclusion

6.1 Further updates to be provided to the Board and Committee in due course.

Appendices:

Appendix One: Draft Budget Outturn 2025/26

Appendix Two: Governance Review Checklist updates

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