



LOCAL PENSION COMMITTEE – 5 DECEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

LOCAL GOVERNMENT REORGANISATION

Purpose of the Report

1. The purpose of this report is to inform the Committee of the possible administrative implications of Local Government Reorganisation (LGR), on the Leicestershire Local Government Pension Fund.

Background

2. In February 2025, Minister of State for Local Government and English Devolution wrote to all councils in two-tier areas and small neighbouring unitary authorities to formally invite proposals for local government reorganisation. The first step in this process was to submit interim plans in March of this year with the deadline for submission of proposals of 28 November. The government will then consult on the proposals early in 2026.
3. Leicestershire is a two-tier area with the County Council, District and Borough Councils. Leicester City Council and Rutland are unitary authorities. All Councils across Leicester, Leicestershire and Rutland (LLR) submitted interim plans and have submitted final proposals in November, although there is no agreement on the preferred option.
4. This report is intended only to present the possible administrative implications of the preferred options included in the submitted Business Cases, which are:
 - Single County Unitary for Leicestershire and Rutland (County Council preferred option)
 - An expanded City boundary with a single County Unitary for the residual County area and Rutland (Leicester City Council preferred option)
 - Three Unitary option – North, City, South – Rutland and district councils preferred option
5. Following submissions on 28 November, the government will undertake a public consultation in 2026 and is expected to announce a decision in the summer, so there is unlikely to be a clear steer on the way forward for some time.

6. At the interim plan stage, Rutland had also submitted a proposal alongside Lincolnshire, which included Rutland forming a new authority with North Kesteven, South Kesteven and South Holland. However, Rutland have not been included in the final submission and so all final proposals submitted to government retain Rutland within the LLR area.
7. Leicestershire County Council is currently the Administering Authority (AA) for the Leicestershire Pension Fund. The Fund has over 180 active employers and approximately 109,000 scheme members made up of active, deferred and pensioners. Employers in the scheme include the City, County, Rutland, Borough and District Councils and it is anticipated these employers will be impacted by LGR in some way. The rest of the report sets out the potential implications from each of the preferred options.

Single County Unitary for Leicestershire and Rutland

8. With this option, there would be no change to overall scheme membership within the Leicestershire Fund as all the employers potentially impacted (for example, the district councils and Rutland) are already in the Fund and would remain so. As Leicestershire County Council currently acts as the Administering Authority, if the County Council is replaced by a new single unitary authority, a new AA would need to be designated to take over the function of managing and administering the LGPS and maintenance of the Fund. It is expected that this would be the new unitary, but it would require a legislative transfer.
9. There would also be no significant change to scheme members' pension entitlement under this option. However, within the LGPS Regulations employers have certain discretions. Therefore, employers do have slightly different approaches in some areas; for example, the approach for flexible retirement or providing salary sacrifice shared cost Additional Voluntary Contributions (AVCs). With this option some scheme members will move employer, so they may fall under different employer discretions.
10. Employer contribution rates are assessed and calculated by the Fund Actuary every three years as part of the Fund valuation. Under this option, the district councils and Rutland would close as employers and termination valuations would be required. Revised modelling of employer contribution rates by the Fund Actuary would be necessary for the new authority and assets and liabilities would need to be realigned to reflect scheme members changing employers.
11. There is likely to be system changes to deal with scheme members' pension records being moved to their new employer. Pensioners benefits will need to be recoded to their new employer, to ensure pensions accounting remains accurate.

12. There will be changes required to the make-up of both Leicestershire Pension Committee and Board to account for employer changes from this option.
13. Communication with all impacted scheme members will be crucial so they understand how they are impacted by LGR changes. It should be stressed, their pension in payment will not be impacted. Actives and deferred members pensions should not be impacted, other than the small risk of the differences in employer discretions as previously mentioned.

Expanded City boundaries with a single County Unitary for the rest of Leicestershire and Rutland

14. In this option, the implications of LGR would be the same as in the single county unitary above and existing scheme members would remain in the scheme.
15. The AA would need to transfer to a new authority, and it is expected that this would be the County unitary rather than the expanded city, as it would make transition of contractual arrangements simpler. However, it would be a decision for the Secretary of State under the regulations.

Three Unitary option – North, City, South

16. This option would split the existing county area into two unitary authorities, incorporating Rutland into the north. The City Council would be unchanged and remain on existing boundaries.
17. As Leicestershire County Council acts as the Administering Authority, if the County Council is replaced by one or more unitary councils, a new Administering Authority will need to be designated to take over the function of managing and administering the LGPS and maintenance of the Fund.
18. The designation of a new AA is a decision for the Secretary of State following advice from officials at the Ministry of Housing, Communities and Local Government, which is then vested in the relevant regulations.
19. The preferred approach as part of previous reorganisations (such as Northamptonshire and Somerset) is either to vest the role in the newly formed Unitary, or where there are multiple councils that could potentially host the administering authority, give consideration to who may be best placed to host the Fund. This would need to be supported by clear governance processes, including a clear separation of budget approval by the Local Pension Committee to retain sufficient management of any conflict of interest between a role as employer and administering authority.
20. There are alternative options, however, these are unlikely to be preferable given complexities, additional costs and timing.

- If more than one Unitary is created in Leicestershire, the Fund could be split to align with the new authorities.
- To be managed by a strategic authority if one is created in Leicestershire
- Development of a Single Purpose Pension Authority, independent of all councils

21. This latter option has been included in the Surrey LGR Business Case based on legal advice that suggests this is an appropriate mechanism. However, this has not yet been tested and would need Secretary of State approval, and a view has not been given by MHCLG to date.

22. Regardless of the model adopted, the same implications as set out in paras 8-13 above would also apply, in terms of impact on member benefits and actuarial valuation work.

Other Administrative Implications

23. There is likely to be an increase in workload for officers of the fund during the transition and implementation period due to reductions in headcount that LGR is likely to bring - officers expect an increase in estimate requests from employers and scheme members prior to LGR.

24. Employers occasionally outsource staff to private companies who request access to the Leicestershire LGPS via a legal admission agreement. The outsourcing employer acts as the Fund guarantor. If the outsourcing employer no longer exists or merges with another employer through LGR, legal admission agreements and guarantors will need to change to reflect the new employer make-up. Currently there are 38 admission agreements in the Leicestershire Fund that could be impacted by LGR.

25. Administration of ongoing pensions for active members will increase in complexity for 12 months following the implementation of any new authority. The Pension Section require 12 months accurate pay and pension information from the member's employer when a member leaves or retires. It is expected information will be required from two employers until the full 12 months has concluded. Year-end will also be impacted for all members that change employer.

26. There may be staff changes at employers impacted by LGR (HR and Payroll). Pension colleagues will train new staff on elements of pension work to enable them to provide the Pension Team with the accurate information needed to calculate members retirement benefits.

27. The Pension Section will provide communications to employers and scheme members impacted, but it is expected LGR will create an increase in phone calls and enquiries from scheme members who may have concerns about LGR and the impact on them personally.

Resource

28. Regardless of the final LGR decision there will be resource implications for the Pension Section from increased workload. There will also be increased actuarial and system charges which the Pension Manager will consider as part of the budget setting exercise as LGR developments.
29. Significant resource will be required for:
- Potential legislative transfer of the LGPS management and administration to a new AA
 - Transfer of all assets and liabilities from closed employers
 - Revaluation of assets and liabilities relating to the existing and newly created authorities and calculation of revised contribution rates
 - Calculating benefits for employees exiting under LGR
 - Reviewing governance arrangements and onboarding new Board and Committee members

Recommendation

30. It is recommended that the Committee notes the report and the potential administrative implications of LGR on the Leicestershire Pension Fund.

Equality Implications

31. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance (“ESG”) factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund’s fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund’s approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

32. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance (“ESG”) factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund’s fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund’s approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Appendix

None

Background Papers

None

Officers to Contact

Ian Howe – Pensions Manager

Tel: 0116 305 6945

Email: Ian.Howe@leics.gov.uk

Simone Hines – Assistant Director Finance, Strategic Property and
Commissioning

Tel: 0116 305 7066

Email: Simone.Hines@leics.gov.uk

Declan Keegan - Director of Corporate Resources

Tel: 0116 305 7668

Email: Declan.Keegan@leics.gov.uk