EXPLANATORY MEMORANDUM TO

THE SURREY (STRUCTURAL CHANGES) (PENSIONS ETC.) ORDER 2026

2026 No. 1011

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Ministry for Housing, Communities and Local Government and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Jim McMahon MP, Parliamentary Under Secretary of State at the Ministry for Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

2.2 Max Soule, Deputy Director for Local Tax and Pensions at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Olivia Lavery at the Ministry for Housing, Communities and Local Government can be contacted by email at the following address with any queries regarding the instrument: lgpensions@communities.gov.uk. Alternatively, the department can be contacted by telephone: 0303 444 0000.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 Currently the Surrey Pension Fund (the local government pension scheme for local authority employees in Surrey) is administered by Surrey County Council. However, Surrey Country Council will be abolished under local government reorganisation from 1 April 2027 to be replaced by two new unitary authorities (East Surrey Council and West Surrey Council). Therefore, the legislation will establish the new Surrey Pensions Authority which will be responsible for the administration of the Local Government Pension Scheme for the Surrey Pension Fund from 1 April 2027. The legislation also makes provision to support the smooth transition of functions from Surrey County Council to the Surrey Pensions Authority.

4.2 The legislation also ensures that there is no exit payment or credit due when the local authorities are dissolved, as all staff are moving to one of the two new unitary authorities.

4.3 The Surrey Pensions Authority will have the power to recover net expenditure for any financial year beginning on or after 1st April 2027 from East Surrey Council and West Surrey Council.

Where does the legislation extend to, and apply?

4.4 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales.

4.5 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England.

5. Policy Context

What is being done and why?

5.1 There are 87 Local Government Pension Scheme Funds in England and Wales. Each Fund has an Administering Authority, which has responsibility for the collection of contributions, payment of benefits and setting of the investment strategy.

5.2 Under local government reorganisation, effected by the Surrey (Structural Changes) Order 2026 (S.I. 2026/264), Surrey County Council (the Administering Authority for the Surrey Pension Fund) will be dissolved and two new unitary authorities – East Surrey Council and West Surrey Council – will be created. As such, the responsibility for the administration of the Local Government Pension Scheme needs to move to a new body.

5.3 Surrey County Council requested a Single Purpose Pension Authority be established. This formed part of their proposal for reorganisation, where two unitary authorities would be established to replace Surrey County Council. The Secretary of State considered the case put forward by Surrey County Council and agreed that it would be appropriate to set up a new body to act as the Administering Authority.

5.4 This legislation establishes a 'Single Purpose Pension Authority' which will become the new Administering Authority for the Surrey Pension Fund. This means that rather a local authority taking responsibility for the administration of the Local Government Pension Scheme alongside its other responsibilities, the new authority will have a single purpose focussed on pensions. This will provide an enhanced service to members, bring long term efficiencies and provide the opportunity for more representative governance. The governance structure would be explicitly designed to represent all employers within the Surrey Pension Fund equally, rather than having a Pensions Committee weighted towards the single unitary authority which acts as the Administering Authority.

5.5 Single Purpose Pension Authorities can also provide a route for future pension fund consolidation, where Funds can join together into a new body, rather than one Fund 'taking over' another. This may help to reduce fragmentation and inefficiency in the Local Government Pension Scheme through supporting asset consolidation and greater scale.

5.6 There are two existing Single Purpose Pension Authorities, which were created following the abolition of the metropolitan county councils and the Greater London Council in the 1980s using powers in the Local Government Act 1986. The South Yorkshire Pension Authority was established under the Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987 (S.I. 1987/2110), and the London Pension Fund Authority was established under the London Government Reorganisation (Pensions etc.) Order 1989 (S.I. 1989/1815). Both are well-established and effective administering authorities.

What was the previous policy, how is this different?

5.7 Surrey County Council is currently the Administering Authority. On 1st April 2027, Surrey County Council will be dissolved and so will no longer be able to the Administering Authority.

5.8 In most cases, one of the new unitary authorities created under local government reorganisation has been designated as the new Administering Authority. The government's position is that the designation of the new Administering Authority should be a local decision, though it requires agreement from the Secretary of State to make the necessary changes to regulations. This will be the right approach for some Pension Funds which are going through local government reorganisation.

5.9 In the case of the Surrey Pension Fund, the government is establishing a new public body to take on the responsibility of administering the pension fund, rather than designating East Surrey or West Surrey as the Administering Authority.

6. Legislative and Legal Context

How has the law changed?

6.1 As noted above, the main change to the law arising from this instrument is the establishment of a new Single Purpose Pension Authority to take on the role of Administering Authority for the Surrey Pension Fund. This is a new public body which will be responsible for the administration of the Local Government Pension Scheme for the Surrey Pension Fund: collecting contributions, paying benefits and setting the high level investment strategy.

6.2 The Surrey Pensions Authority is a "residuary body" under the Local Government and Public Involvement and Health Act 2007.

6.3 The Surrey Pensions Authority will be established on 5th October 2026 to allow for contracts to be transferred or new contracts signed by the new body, and for members to be appointed to the Authority. The assets and liabilities of the local authorities that are being dissolved as a consequence of Local Government Reorganisation in Surrey will be shared between East Surrey Council and West Surrey Council in accordance with The Local Government (Structural Changes) (Transfer of Functions, Property, Rights and Liabilities) Regulations 2008). The assets and liabilities of Surrey County Council which relate to its role as an LGPS administering authority will transfer to the new body.

6.4 The pension functions of Surrey County Council will transfer to the Surrey Pensions Authority from 1st April 2027.

6.5 In setting out the constitution and powers of this new authority, the instrument modifies a number of other enactments in order to apply them to the Surrey Pensions Authority. This will ensure that the Surrey Pensions Authority has the same powers, and is subject to the same wider duties and responsibilities that apply to other authorities of a similar nature.

6.6 This instrument also makes minor consequential amendments, in particular to the Local Government Pension Scheme Regulations 2013 (S.I. 2013/2356) to establish the Surrey Pensions Authority as the Administering Authority for the Surrey Pension Fund and ensure that no exit valuation is triggered as a result of the local government reorganisation.

Why was this approach taken to change the law?

6.7 The details of which body will be the Administering Authority for a particular pension fund are set out in the Local Government Pension Scheme Regulations 2013, and so any change to this must be done through a Statutory Instrument. In addition, Single Purpose Pensions Authorities have previously been established by Statutory Instrument.

6.8 This instrument uses powers conferred by sections 15(2) and (3), 17 and 240(10) of the Local Government and Public Involvement in Health Act 2007. These are the only powers that allow for the creation of a Single Purpose Pension Authority, in the form of a "residuary body", and can only be used as part of Local Government Reorganisation.

6.9 The approach taken within the Statutory Instrument is consistent with the approach that was taken in setting up the South Yorkshire Pensions Authority.

7. Consultation

Summary of consultation outcome and methodology

7.1 The proposal for a Single Purpose Pension Authority was included in Surrey County Council's proposal for a two unitary council model as part of Local Government Reorganisation. The Ministry for Housing, Communities and Local Government ran the required statutory consultation for this proposal between 17 June 2025 to 5 August 2025. Proposals for local government reorganisation in Surrey - GOV.UK. There were no responses relating to the pension proposal. Proposals for local government reorganisation in Surrey: government response - GOV.UK

7.2 The proposal was also put to Surrey Pension Committee and Surrey County Council, who made representations to the Ministry of Housing, Communities and Local Government. Issues raised by the Pension Committee (meeting on 25th October 2025) included: more detail on implementation, which would be required for any case to government; how a representative governance model would be achieved; and the need to focus on the fiduciary duty of the Fund. Surrey County Council (meeting on 9th December 2025) noted that: alternative options which involved merging or diving the Surrey Pension Fund came with significant cost; that a Single Purpose Authority would enable the new unitary authorities to have equal representation and accountability; and that the sole purpose of the pension fund is to look after money invested on behalf of Fund members.

7.3 At the meeting on 9th December, Surrey County Council agreed that the Leader submit a proposal to the Secretary of State asking for a Single Purpose Authority to be established.

7.4 Following ministerial agreement, the shadow authorities for East Surrey Council and West Surrey Council were informed of the decision.

8. Applicable Guidance

8.1 No guidance is being published or is intended to be published. The Department will work closely with Surrey County Council and Surrey Pension Fund to support them with implementation where needed.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this Instrument because it is not expected to have a significant impact on business. This instrument primarily makes provision relating to the administration of the Local Government Pension Scheme in respect of the Surrey Pension Fund only.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because this is about moving administrative functions for the Local Government Pension Scheme to a different public body. In the long term, efficiencies from the Surrey Pensions Authority operating model may lead to lower employer contribution rates for business, charities or voluntary bodies which are employers in the Local Government Pension Scheme.

9.3 The legislation does not impact small or micro businesses.

9.4 The impact on the public sector is the creation of an alternate independent statutory public sector body for the administration of the pension scheme, separate to any existing local authority (including those created as a result of local government reorganisation). There is no direct immediate impact on employers, including local authorities, as there should be no change in contribution rates or on member experience. In the long term, efficiencies from the Surrey Pensions Authority operating model may lead to lower employer contribution rates for public sector employers in Surrey, and an enhanced experience for members.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is the continuation of regular engagement by the Ministry of Housing, Communities and Local Government with Surrey Pensions Authority, the Scheme Advisory Board and its subcommittees, and wider stakeholders.

10.2 The statutory remit of the Scheme Advisory Board includes providing advice to the Secretary of State on the desirability of making changes to the Scheme. Conducting a post-implementation review of this legislation would be part of the Scheme Advisory Board's remit.

10.3 The Department intends to review the performance of the Surrey Pensions Authority after it has been established against its business case. The previous Minister for Homelessness and Local Government, Alison McGovern MP, wrote to the leaders of the East Surrey and West Surrey shadow authorities to inform them of this.

10.4 The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 This instrument uses powers conferred by section 17 of the Local Government and Public Involvement in Health Act 2007 to set up a "residuary body". It is the first time that the power has been used in this way. The establishment of a new Single Purpose Pensions Authority to be the Administering Authority for the Surrey Pension Fund relates to the broader programme of Local Government Reorganisation.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").