

COUNTY COUNCIL – 6 FEBRUARY 2024 QUESTIONS FROM MEMBERS OF THE PUBLIC

Note: Questions 1 to 8 relate to a similar issue. The answers to these questions are set out after question 8 below.

The same or similar questions were also asked by:

Jean Gould, Lewes, East Sussex
Moya Hamilton, Lewes, East Sussex
Alan Chapman, Lewes, East Sussex
Emily Salisbury, Ringmer, East Sussex
Erica Smith, St Leonards, East Sussex
Claire Duc, Lewes, East Sussex
Theresa McGhee, Eastbourne, East Sussex
Ewan Marshall, St Leonards, East Sussex
Carolyn Beckingham, Lewes, East Sussex
Robin Goldberg, Brighton
Jane Wilde, Eastbourne, East Sussex
Adam Rose, Eastbourne, East Sussex
Susan Murray, Lewes, East Sussex
Tessa George, Lewes, East Sussex
Jason Evans, Brighton
Sonya Baksi, Lewes, East Sussex
Gail Murphy, Plumpton, East Sussex
Sumner Milford, Brighton
Iain Sheard, Battle, East Sussex
Anne-Marie Harrison, Hove
Joanne Rigby, Seaford, East Sussex
Carol Turner, Eastbourne, East Sussex
Wendy Gubby, Bexhill, East Sussex
Fiona MacGregor, St Leonards, East Sussex
Anne Massey, Hove
Philippa Beagley, St Leonards, East Sussex
David Read, St Leonards, East Sussex
Tamás Orbán, Hastings, East Sussex
Gary French, St Leonards, East Sussex
Martyn Dunne, Lewes, East Sussex
June Bradbury, Newhaven, East Sussex
Chris Saunders, St Leonards, East Sussex
Lucy Bryson, Brighton
Antony Gordon, Heathfield, East Sussex
Clive Thorpe, Lewes, East Sussex
Sally Phillips, Hastings, East Sussex
Angela Colburn, Seaford, East Sussex
Lorraine Langham, Bexhill, East Sussex
Serena Penman, Lewes, East Sussex
Jane Clare, Crowborough, East Sussex
Ayesha Mayhew, Brighton
Tai Ray-Jones, Newhaven, East Sussex
Sam Burgess, Brighton
Jennifer Allan, Seaford, East Sussex
Sarah Casey, Lewes, East Sussex
Anne Fletcher, Seaford, East Sussex

Jamie Barnes, Brighton
Ann Holmes, Lewes, East Sussex
Beccy Mccray, St Leonards, East Sussex
Julia Turner, Brighton
Paul Lloyd, Brighton
John Enefer, Hastings, East Sussex
Karl Horton, Hastings, East Sussex
Elspeth Inglis, Brighton
Paul Grivell, Lewes, East Sussex
Leslie Doyle, Lewes, East Sussex
Sylvia King, Brighton
Linda Miller, Brighton
Will Cobbett, Lewes, East Sussex
James Joughin, Brighton
Jeremy Hicks, Hastings, East Sussex
P. Bradford, Seaford, East Sussex
Claire French, Polegate, East Sussex
Colin Miller, Hove
Roger Murray, Lewes, East Sussex
Jeremy Pugh, Hove
RPG Frame, Eastbourne, East Sussex
Christian Kugsbjerg, Brighton
Ellie Karner, Brighton
Caroline Pick, Lewes, East Sussex
John Lambert, Eastbourne, East Sussex
Jim Renme, Brighton
Steven Wood, Eastbourne, East Sussex
Victor Anderson, Brighton
S. Trafford, Lewes, East Sussex
Janet Frame, Eastbourne, East Sussex
Kathleen Owston, Lewes, East Sussex
Emma Lindsay, Brighton
Clive Edwards, Lewes, East Sussex
Edd H Smith, Hove
Stuart Cartland, Lewes, East Sussex
Jan Tucknott, Polegate, East Sussex
Graham Bickler, Lewes, East Sussex
Dewzil Jones, Lewes, East Sussex
Mo Heather, Barcombe Mills, East Sussex
Jane Thomas, Lewes, East Sussex
Pho Kypri, Lewes, East Sussex
S. Savage, Seaford, East Sussex
Joseph Moughrab, Seaford, East Sussex
Colin Gills, Eastbourne, East Sussex
Posy Greary, Brighton
Vincent Tickner, Ditchling, Hassocks
Julie Sleightholme, Lewes, East Sussex
Denise Savage, Seaford, East Sussex
Bernadette Wren, Lewes, East Sussex
Stephen Hill, Lewes, East Sussex
Susan Goodwin, Brighton
Nadia Edmond, Brighton
Tony Downmunt, Lewes, East Sussex
Kath Kane, Lewes, East Sussex
Jo Monroe, Lewes, East Sussex

Esme Hilliard, Lewes, East Sussex
Charlotte Williams, Lewes, East Sussex
William Horder, Lewes, East Sussex
Francesca Lindsay, Brighton
Brekka Larsen, Hastings, East Sussex
Paul Bevan, Peacehaven, East Sussex
David Hendy, Lewes, East Sussex
Brendan Clegg, Crowborough, East Sussex
Howard Harbert, Lewes, East Sussex
Sally Attwood, Lewes, East Sussex
Tim Rabjohns, Rodmell, East Sussex
Catherine Edminson, Lewes, East Sussex
Stuart Chadwick, Eastbourne, East Sussex
Tod Boucher, Brighton
Sue Walters, Brighton
Clare Finn, Brighton
Rachel Foggitt, Brighton
Richard Robinson, Brighton
Lydia Freeman, Brighton
Ivan Bunsell, Lewes, East Sussex
Faizah Ishfaq, Brighton
L Simatele, Brighton
Moirra Mangalindan, Brighton
Laura Lorente Aguilar, Brighton
Dushica Lazova, Brighton
Sophia Rainem, Brighton
Cat Gulliver, Brighton
Ang Witt, Brighton
Becca Tucknott, Brighton
Charlie Whale, Brighton
Kate Bayliss, Brighton
Maria M Simon, Brighton
Jane Backeberg, Hove
Lucie George, Brighton
Georgie Barrett, Brighton
Milo Di Duca, Brighton
Ruth Urbanowicz, Brighton
John Wood, Brighton

1. Question from Sue McCormick, Forest Row, East Sussex

As you meet on 5 December the UN Climate Conference (COP28) will be taking place in Dubai.

It's now more than four years since East Sussex County Council declared a climate emergency, yet the East Sussex Pension Fund (which ESCC administers) is still investing tens of millions of pounds of local people's pensions in the fossil fuel companies that are driving the climate crisis.

Does the Council not understand that by clinging on to these remaining investments in fossil fuel companies (which now amount to a mere 0.6% of the Fund) it is providing a fig-leaf for these companies' ongoing attempts to block effective climate action and missing a huge opportunity to show real leadership on the climate crisis?

2. Question from Richard Wistreich, Hastings

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Does the Council not understand that by clinging on to these remaining investments in fossil fuel companies (which now amount to a mere 0.6% of the Fund) it is providing a fig-leaf for these companies' ongoing attempts to block effective climate action and missing a huge opportunity to show real leadership on the climate crisis?

Will the Council now instruct the East Sussex Pension Fund trustees to cease investments in all fossil fuel companies and energy generating companies that burn fossil fuels?

3. Question from Andrea Needham, Hastings, East Sussex

Background

In July 2022 the East Sussex Pension Fund commissioned a report on (among other things) 'Divestment vs Engagement', a summary of which was finally made available to the public in September.

The Summary repeatedly talks about the importance of 'escalation' and lists 'Establish[ing] clearer thresholds as to when to escalate an engagement and when disinvestment should be considered' as something that the ACCESS pool should consider.

In May 2021 the IEA said that if we're to have a fighting chance of limiting the rise in global temperatures to 1.5°C 'there can be no new investments in oil, gas and coal, from now – from this year'. In September 2023 it reiterated this, noting that 'no new long-lead-time upstream oil and gas projects are needed. Neither are new coal mines [or] mine extensions' (<https://www.iea.org/news/the-path-to-limiting-global-warming-to-1-5-c-has-narrowed-but-clean-energy-growth-is-keeping-it-open>).

Question

Given this, will the East Sussex Pension Fund now set 'no new fossil fuels' as a threshold for disinvestment? That is, will it commit to:

- (a) exclude the public equity or corporate bond of any fossil fuel extractor that has failed to commit to 'no new fossil fuels' by the September 2024 Pension Committee meeting; and
- (b) not to make any new private equity investments in such fossil extractors?

4. Question from Hugh Dunkerley, Brighton

In July 2022 the East Sussex Pension Fund commissioned a report on (among other things) 'Divestment vs Engagement', a summary of which was finally made available to the public in September. That summary notes that '[t]here is inherent risk that rising oil and gas prices result in harmful substitutions of oil and gas with more emissions intensive coal' and that 'tackling exposure to thermal coal' could be a 'key focus area' for investors interested in 'escalation in the name of climate action'.

Given this, will the East Sussex Pension Fund make a commitment to make no new investments in thermal coal; to fully divest from all thermal coal public equities and corporate bonds within one year; and to make no new private equity investments that include thermal coal?

5. Question from Sarah Hazlehurst, Brighton

Background

In July 2022 the East Sussex Pension Fund commissioned a report on (among other things) 'Divestment vs Engagement', a summary of which was finally made available to the public in September.

Among other things this summary misrepresents 'avoid[ing] the most deleterious effects of climate change' as a non-financial, 'quality of life' issue, which the Fund is therefore free to ignore.

Question

Does the Council accept that this is false and that, in reality 'action to cut [global] emissions and avoid the worst impacts of climate change is *the only real path to protect long-term investment value and returns*' ('The Business Case', Climate Action 100+, <https://tinyurl.com/climateaction100>)?

6. Question from Julia Dance, Bexhill, East Sussex

I ask that the ESCC Pension Fund, administered by yourselves, get rid of their remaining shares in fossil fuel companies. Although these investments now only represent 6% of the Pension Fund, the fact that ESCC is still seen to support such investments, is not respectful of the courage and forethought which led you to declare a Climate Emergency.

7. Question from Richard Willis, Brighton

Four years ago, East Sussex County Council declared a climate emergency. Why then is the council still investing local people's pensions in fossil fuel companies?

This is contradictory and cannot continue.

We have an opportunity to show real leadership for the children of East Sussex, and the future of people everywhere, by finally cutting this tie. The council's investment in fossil fuels constitutes less than one percent of the total investment, and so removing would hardly have an impact on local pensions.

I call on East Sussex County Council to finally sever this tie and do its part in moving humanity forward in the right direction.

8. Question from Millie Darling, Cooksbridge

Please could you explain why the ESCC Pension Fund continues to invest in fossil fuels and when you plan to divest?

Four years ago East Sussex County Council declared a climate emergency, yet the East Sussex Pension Fund (which ESCC administers) is still investing tens of millions of pounds of local people's pensions in the fossil fuel companies that are driving the climate crisis. It is imperative that this changes.

Response by the Chair of the Pension Committee

East Sussex County Council (ESCC) is designated under legislation for the local administration of pensions and other benefits payable for people entitled to the Local Government Pension Scheme (LGPS) known as the East Sussex Pension Fund (the Fund). The beneficiaries of the scheme may not be local to the county and are in some cases international. Under legislation the statutory decisions associated with pensions, including the investment strategy, are not the responsibility of the executive i.e. the Full Council or Cabinet, they must be made by a non-executive committee. ESCC has as a result delegated all functions of the Fund to the East Sussex Pension Committee.

The Fund is ring-fenced and represents separate assets from the general assets of the Council and must be used for the sole purpose of paying pension benefits. When Committee Members are asked to make a decision on a matter affecting the Fund, they must always act as a fiduciary. The power of investment, must be exercised for investment purposes, and not for any wider purposes; so, investment decisions cannot be for ethical or political purposes. Investment decisions must be directed towards achieving a wide variety of investments, and to provide a return, often several years into the future, balancing risk with return.

There is a requirement on the Pension Committee when making investment decisions to seek advice, and on receiving that advice to act with prudence. As a result, all investment decisions are made following advice from investment consultants and other professional bodies.

The Fund does not invest in any company directly, it invests in high level strategies that are administered by professional Investment Manager. These strategies are managed on behalf of many other investors, not just the Fund, which means the Pension Committee cannot direct the Investment manager to invest in any specific company or not. Investment strategies are also in a wide range of investment classes, so as well as investments through strategies where shares of companies are held, the Fund also invests in areas such as property, government bonds, or windfarms among many others.

The Pension Committee has however selected a range of strategies that are focused on climate opportunities and that do exclude companies that are not aligned with a 1.5 degree transition. As a result, all investment strategies invested under the Committee's Investment strategy for Global Equities (i.e. company shares), which is 40% of the strategy, excludes all fossil fuel companies. The Fund has made significant reductions in the carbon emissions of the companies held in the investment portfolio, with a 55% reduction in scope 1 and 2 emissions from 2020 to 2022. Following the drive for positive holdings from climate

opportunities, the value of green investments in liquid holdings of the Fund doubled from 2020 to 2022.

The small exposure to fossil fuels that remains in the portfolio is embedded within several strategies, some of which are illiquid (i.e. can not be sold easily and sale would potentially at significant cost), it is not the case that the Fund can sell shares in a company to remove this exposure, entire investment strategies would need to be sold to remove the 0.6% exposure.

The Fund is a signatory to the Principles of Responsible Investment (PRI) and the Stewardship Code, where it has evidenced stewardship activities against 12 principles including integration of Environmental, Social and Governance factors into its strategy and investments; engagement with companies and policy makers; exercising rights and responsibilities; and collaboration, which the Fund carries out with LAPFF, the Institutional Investors Group on Climate Change (IIGCC) and other organisations.

The Pension Committee commissioned a research report to support them in understanding the varied and wide-ranging literature on the efficacy of divestment or engagement, the legal framework in which it must make investment decisions; statutory guidance in which the Fund must follow in relation to pooling of investment; and what exposure the Fund does have to fossil fuels and what types of assets these are. This paper was shared publicly to provide transparency to the beneficiaries of the pension scheme as to the framework in which the Pension Fund investments are made. The findings of the report were that research does not prove divestment or engagement as standalone strategies have been effective to date in delivering a low carbon transition. The Fund must invest in a diversified range of investments to generate return. There is pressure from the Government to invest in pooled structures, which are not currently aligned to divestment strategies and there is no sign of them moving in this direction. There is a general Government preference for engagement over divestment with the Government stating blanket divestment from certain assets is the wrong approach. There is still a long way for the fossil fuel industry to go to engage with a low carbon future and escalation is needed.

9. Question from Gabriel Carlyle, St Leonards, East Sussex

In July 2022 the East Sussex Pension Fund commissioned a report on (among other things) 'Divestment vs Engagement', a summary of which was finally made available to the public in September. How much did the report cost?

Response by the Chair of the Pension Committee

The cost paid to the consultant for the report, as published on the website, including additional detailed sections that provided the analysis behind the summarised, was £55,000.

10. Question from Arnold Simanowitz, Lewes, East Sussex

According to the UN Secretary-General Antonio Guterres the fossil fuel industry 'is the polluted heart of the climate crisis':

'The problem is not simply fossil fuel emissions. It's fossil fuels – period. The solution is clear: The world must phase out fossil fuels in a just and equitable way -- moving to leave oil, coal and gas in the ground where they belong – and massively boosting renewable investment in a just transition ... Fossil fuel industry transition plans must be transformation plans, that chart a company's move to clean energy – and away from a product incompatible

with human survival. Otherwise, they are just proposals to become more efficient planet-wreckers.' (Press Conference, 15 June 2023, <https://media.un.org/en/asset/k1n/k1n4wutrw2>).

Does the East Sussex Pension Fund agree?

Response by the Chair of the Pension Committee

It is not the role of the Pension Committee to agree or disagree with the political views expressed by the UN Secretary General.

However, the Fund recognises the importance of the Paris Agreement of the United Nations Framework Convention on Climate Change. The Fund has removed exposure to fossil fuel companies within its global equity allocation investments.

The Fund made a number of commitments to climate monitoring and action, including measuring and reporting on carbon-equivalent emissions where possible and continue collaborative work with IIGCC and other partners to engage and influence companies and policy makers. The Fund is a signatory to the FRC Stewardship Code and also reports against the Taskforce for Climate related financial disclosures annually.

The Fund also states that it recognises that an Energy Transition is under way. It seeks to balance the reality that the transformation of the global energy sector from fossil fuel-based systems to a system of energy from renewable sources is underway, with the understanding this will take time and that the world's energy demand will continue to grow. Where viable opportunities arise, the Fund will seek to increase its exposure to renewable infrastructure assets. Where the Fund's investment managers hold exposures to fossil fuel assets, it expects its managers through escalating engagement to elicit transition plans from those companies such that their engineering expertise, cashflows, and capital convening powers are increasingly deployed in support of the energy transition. The Fund seeks to broadly align its investment approach with the objectives of IIGCC and Climate Action 100+ initiatives.

11. Question from Bernard Brown, Battle

Background

In a report to the SELEP Accountability Board on 12 January 2024, which was co-authored by the ESCC Head of Service - Economic Development, Skills and Infrastructure, it was stated at Para 2.1.2:

East Sussex County Council is working with its delivery partner to ascertain the extent to which further resource is required to complete the project.

At paragraph 3.4 the report states:

Since 2018, the £10m LGF funding allocation has been spent in full supporting project delivery to the end of 2020/21.

SELEP Officers report in Paragraph 9.7

The report does indicate that it is expected that the project can be delivered within the amount estimated in the original business case of £15m but East Sussex County Council have been unable to give any clarity on the exact cost at this time.

It is clear from this report none of the parties involved know when this road will be open and how much it will cost to complete the project. Because history shows no real answer will be given to any question about who is responsible and accountable for this clear and obvious failure, it is not included here.

Question

For the Queensway Gateway Road there is a Service Level, Agreement in place between ESCC and Essex County Council as accountable body for SELEP. Under this SLA, ESCC are responsible for any over runs incurred to deliver the project. There is supposed to be a mirror image agreement in place between ESCC and Sea Change Sussex. The ESCC report to SELEP indicates a further spend of between two and five million pounds to deliver the project. There are no funds free in the LGF fund; Sea Change Sussex have indicated they are unable to meet their financial liabilities on this and other projects. So will the Leader explain where the funds to complete the Queensway Gateway Road will come from. If it is ESCC, what will be sacrificed to provide the funds.

Response by the Leader, and Lead Member for Strategic Management and Economic Development

We are working to ascertain the detail of the final costs required to complete the project and are exploring what sources of funding are potentially available to fund these.

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