

COUNTY COUNCIL – 15 MAY 2018

QUESTION FROM MEMBERS OF THE PUBLIC

1. Question from Patricia Patterson-Vanegas, Forest Row, East Sussex

In answer to questions from members of the public, Cllr Stogdon (in his role as chair of the Pension Committee) has repeatedly pointed to shareholder resolutions at oil company AGMs as evidence of successful engagement with fossil fuel companies. What climate shareholder resolutions is the East Sussex Pension Fund supporting this year, either directly or through bodies such as the Local Authority Pension Fund Forum?

Response by the Chair of the Pension Committee

The East Sussex Pension Fund (ESPF) uses the Local Authority Pension Fund Forum to engage directly with fossil fuel companies along with its Investment Managers. The ESPF wishes with fossil fuel companies to achieve a positive response, without the requirement for shareholder resolutions. Where this is not forthcoming the ESPF with the advice of LAPFF will support shareholder resolutions

2. Question from Fran Witt, Lewes, East Sussex

Responding on behalf of the Pension Committee, Cllr Fox has stated that 'The Fund believes that it is important that the global economy manages decline of existing production in line with what is necessary to achieve the Paris climate goals.'

Does the Pension Fund accept that a Paris-compliant strategy for a fossil fuel company would require that company to commit to: (a) no new fossil fuel capital expenditure by end 2019; (b) a managed decline in production; and (c) to reduce its overall GHG footprint (scopes 1,2 and 3) to zero by 2050, with compatible interim milestones for 2025, 2030 and 2040?

Response by the Chair of the Pension Committee

The Pension Committee recognises the issue of stranded assets and continued fossil fuel extraction as a collective investment risk for all asset owners and as an engagement and policy priority. The Committee, in line with LAPFF considers there is an economic and financial justification for moving away from investment in coal, oil and gas, and promotes a managed decline. For oil and gas companies, the focus should be on value at risk, particularly from high cost projects and returning capital to investors where appropriate. For companies with coal operations, no new resources should be exploited. The Forum also considers that in positioning themselves for the required low carbon future, companies should disclose a transition plan.

In 2018, LAPFF attendance at resource company AGMs has focussed questions on 'science-based targets'. These are targets adopted by companies to reduce carbon emissions in line with the level of decarbonisation required to keep global temperature increase below 2°C.

3. Question from Gabriel Carlyle, St Leonards on Sea, East Sussex

In April 2018 the UK Sustainable Investment and Finance Association published a report 'Not Long Now', detailing the responses to their survey of 30 fund managers operating in the UK, collectively representing organisations with over £13 trillion under management (Not long now: Survey of fund managers' responses to climate-related risks facing fossil fuel companies, <http://uksif.org/wp-content/uploads/2018/04/UPDATED-UKSIF-Not-Long-Now-Survey-report-2018-ilovepdf-compressed.pdf>)

90% of the fund managers surveyed expected at least one of the following risks to significantly impact the valuation of International Oil Companies (IOCs) within the next 2 years: regulation risk, litigation risk, transition risk, reputation risk, peak demand for oil occurring or becoming widely forecast, peak demand for gas occurring or becoming widely forecast.

The report's authors note that 'perceptions of these risks have increased dramatically in the last twelve months' with 'a doubling of investors that see transition risk significantly impacting IOCs in 5 years.'

They conclude that: 'The fund management sector recognises the imminent risks posed to fossil fuel investments from climate change and the transition toward a zero-carbon economy' but that 'this is not reflected in most investment products offered by the firms especially to passive and retail investors which are still in the main based on benchmarks that are heavily tilted towards fossil fuels.' They also note that 'There is also inconsistency in the engagement approaches adopted by firms to manage this risk. Their understanding of the timeframe for risks affecting valuations of companies is not integrated into their plans for engaging with companies or making decisions about whether specific companies are likely to offer good investments in the transition towards a zero- carbon economy.'

What is the Pension Committee's response to these findings?

Response by the Chair of the Pension Committee

The Committee understands that the underlying benchmark they set their investment managers will drive the behavior of the managers and the investment risks they will take. The Committee also recognises that for its passive mandates the manager will only buy the stocks within the benchmark they are tracking. The Committee is aware that to ensure it is investing in the way that meets the needs of the Fund it needs to ensure it provides suitable benchmarks for each investment mandate. Therefore, the choice of benchmark index by the Committee is very important and will continue to explore the potential for using low carbon indices.

4. Question from Marie White, Stroke Association, East Sussex

What plans does the Council have to ensure that the proposed removal of funding for Stroke Association services does not lead to higher additional costs to social care than the savings generated by the proposal?

Response by the Lead Member for Adult Social Care and Health

We are currently consulting on the County Council's Adult Social Care budget proposals with the outcome of this work being reported to Cabinet on 26 June. An impact assessment will also be completed for Cabinet to understand the effect of the potential reduction of funding for the Stroke Association, and what actions might be taken to mitigate this, including the provision of alternative support to all those currently assisted by the service. The Cabinet report will address the issue of the risk to Adult Social Care of additional costs arising from the proposal.

5. Question from Roger Ross, Rodmell, East Sussex

Last year the Local Authority Pension Fund Forum provided LAPFF members with a Climate Change Investment Policy Framework with the aim of helping to 'guide their policy approach to current and future investment risks and opportunities that result from the impacts of climate change' and provide 'LAPFF's current view of suggested best practice guidance' (http://www.lapfforum.org/wp-content/uploads/2017/11/Climate_Change_Investment_Policy_Framework.pdf).

One paragraph from this Framework – which, LAPFF recommends that its member funds adopt - reads: 'We will review a variety of research and analytical materials to encourage the use of scenario analysis which provides estimations of relative performances of asset classes and sectors under different scenarios. When we have found scenario analysis that we consider robust and meaningful, we will request such research be utilised where possible in our Asset Allocation decisions and encourage our investment advisers to do likewise.'

Does the ESPF accept this best practice guidance from LAPFF? And what scenarios have the East Sussex Pension Fund and its investment managers and consultants considered to date when assessing the climate risk of the Fund?

Response by the Chair of the Pension Committee

The Pension Committee will consider any scenario analysis that they consider robust and meaningful. The Pension Committee recently requested a carbon footprint of the Fund and is considering how best to utilize this information.

6. Question from Carol Boydell, Stroke Association Volunteer, East Sussex

As a stroke survivor, I would like to know what work is the Council undertaking with partners and other strategic stakeholders to ensure its decision to withdraw funding Stroke Association services in East Sussex meets the Council's aims of:

- Driving economic growth
- Keeping vulnerable people safe
- Helping people help themselves
- Making best use of resources

as defined by the Council Plan?

Response by the Lead Member for Adult Social Care and Health

Our four priority outcomes continue to direct both our activity and budget decisions. As the fourth priority explains we will continue to do the very best we can to support those that need our help by making the best use of the resources available. The hard truth is that we must set a balanced budget and with rising demand and falling funding we do not have enough resource to continue with all our current work. We therefore are having to look at all the services we provide or commission from others and understand which are the most effective at helping us achieve our priority outcomes.

To assist us in this task we have undertaken extensive consultation on a range of proposals to change or reduce the services we offer, including those for Adult Social Care. The outcome of this work will be reported to Cabinet on 26 June. An impact assessment will also be completed for Cabinet to ensure the effect of the potential reduction of funding for the Stroke Association is understood together with what mitigating actions might be taken, including the provision of alternative support to all those currently assisted by the service. We will continue to prioritise the funding we have available to support the activities that have the biggest impact on achieving the County Councils aims. We have acknowledged publicly that these tough choices may well mean that we are unable to sustain valuable preventative services which have a longer term benefit.

7. Question from Nahar Choudhury, Southdown, Lewes, East Sussex

In response to the consultation about the proposed 50% cut to the Home Works budget there have been over a 1000 responses made to the Council in defence of the service requesting that no cut be made and explaining the devastating impact this would have on local people in crisis and the impact on the public services in turn that would need to pick up the pieces. Can you confirm that this is a genuine consultation where clients and community views will be listened to and can potentially change the proposed cut to the Home Work Service?

Response by the Lead Member for Adult Social Care and Health

The County Council is undertaking a genuine consultation. All the responses will be considered by Cabinet on 26 June before decisions are made about the Adult Social Care budget proposals, including the potential reduction in funding to Home Works. It is important to stress that the County Council is fully committed to supporting and protecting vulnerable people and delivering the very best possible services as far as it is able. It is, however, unavoidable that tough choices will be required as we have to manage falling funding and rising demand for services. We are therefore looking at all the services we provide and working out how to deploy the resources we have available to best meet East Sussex residents' needs.

8. Question from Barry Horsnell, Bexhill, East Sussex

The Sussex Police and Crime Commissioner herself has said that homelessness is a complex issue, that involves partner organisations working together. How can the

community as a whole ever hope to realistically tackle homelessness, in light of the proposed 50% cuts to Home Works, which has so concerned many Eastbourne residents?

Response by the Lead Member for Adult Social Care and Health

The County Council is committed to working with all its partner organisations to provide the best possible response to the significant challenges of homelessness across East Sussex. This work includes close working with the Police and the boroughs and districts who are the housing authorities.

The whole public sector is faced with tough choices as demands rise and resources reduce. After several years of budget reductions the County Council has to make a further £17m of savings in 2018/19. We will continue to prioritise the funding we have available to support the activities that have the biggest impact on achieving the County Council's aims. We have acknowledged publicly that these tough choices may well mean that we are unable to sustain valuable preventative services which have a longer term benefit. To assist us in making these choices we have undertaken extensive consultation, including on the Adult Social Care budget proposals. The outcome of this work will be reported to Cabinet on 26 June. An impact assessment will also be completed for Cabinet to ensure the effect of the potential reduction of funding and what mitigation actions might be taken, can be taken into account. We will remain committed to strong partnership working to tackle homelessness using the resources we have available.

9. Question from Andrew Price, Newhaven, East Sussex

Why does such a large cut have to be taken out of the adult social care budget?

Response by the Lead Member for Adult Social Care and Health

The County Council's activity and financial planning is driven by its four priority outcomes

- Driving economic growth
- Keeping vulnerable people safe
- Helping people help themselves
- Making best use of resources

The decisions Members take about spending and savings plans are taken within the context of falling resources. The amount of funding the Government provided to the Council this year for services fell by 10% and the demand for our services has risen. Demand has also grown because of increases in the populations we serve. For this reason the Council has to reduce its spending by £17m this year.

We will continue to do the very best we can to support those that need our help with the resources we have and allocate resources accordingly. Between 2014/15 and 2017/18 the resources available to Adult Social Care rose by 6.45%, more than any other service area. We do not however have enough resource to continue with all our current work and therefore we are having to look at all the services we provide and

understand which are the most effective at helping us achieve our priorities. We do this across the council, as One Council, but as the Adult Social Care budget is the largest within the County Council, it is inevitably subject to significant savings. In making the tough choices required, the County Council gives full consideration to the pressures our services face, including in demands for support from the rising numbers of older people and inflation within care services. The scale of the financial challenge means that there are very significant savings required from all the Councils departments. These are described in detail in the Cabinet reports throughout the year, available on our website.

10. Question from James Hamilton-Andrews, Wealden, East Sussex

Are the council aware that Home Works provide a unique and multi-disciplinary approach to supporting vulnerable people, and how do they propose to plug this gap, if the 50% cuts go ahead?

Response by the Lead Member for Adult Social Care and Health

The County Council understands the important role of Home Works in supporting vulnerable people. After many years of budget reductions the County Council has to make a further £17m of savings in 2018/19. The County Council therefore has to consider how it uses its resources to achieve its four priority outcomes which include keeping vulnerable people safe and helping people help themselves. We will continue to prioritise the funding we have available to support the activities that have the biggest impact on achieving the County Council's aims. We have acknowledged publicly that these tough choices may well mean that we are unable to sustain valuable preventative services which have a longer term benefit. To assist us in making these choices we have undertaken extensive consultation, including on the Adult Social Care budget proposals. The outcome of this work will be reported to Cabinet on 26 June. An impact assessment will also be completed for Cabinet to ensure the effect of the potential reduction of funding and what mitigation actions might be taken, can be fully taken into account.

11. Question from Marcus MacLaine, West Hoathly, East Sussex

The fact that the majority of landlords do not accept Universal Credit and ask for huge deposits/guarantor's, plus the high amounts of people in temporary accommodation, means that Home Works play a vital role in housing people and maintaining tenancies. How do you propose to deal with the added pressure on other services that the 50% of cuts to Home Works will cause?

Response by the Lead Member for Adult Social Care and Health

The County Council understands the impact that welfare reform including the roll out of Universal Credit is having and the important role of Home Works in supporting vulnerable people. After several years of budget reductions the County Council has to make a further £17m of savings in 2018/19. The County Council therefore has to consider how it uses its resources to achieve its four priority outcomes which include keeping vulnerable people safe and helping people help themselves. We will

continue to prioritise the funding we have available to support the activities that have the biggest impact on achieving the County Council's aims. We have acknowledged publicly that these tough choices may well mean that we are unable to sustain valuable preventative services which have a longer term benefit. To assist us in making these choices we have undertaken extensive consultation on the Adult Social Care budget proposals, including the potential reduction to Home Works funding. The outcome of this work will be reported to Cabinet on 26 June. An impact assessment will also be completed for Cabinet to ensure the effect of the potential reduction of funding and what mitigation actions might be taken, can be fully taken into account. The Cabinet report will address the issue of the risk of additional pressures on other services.

12. Question from Hugh Dunkerley, Brighton

In March 2018, in answer to a written question from a member of the public, Cllr Fox stated that the Pension Committee 'has made the decision to have a significant proportion of its passively managed assets to be invested in the UBS Climate Aware fund.'

Can the Pension Committee confirm: (a) what proportion of their passive equity investments they plan to have invested in the UBS Climate Aware fund and by when; and (b) give its best estimate as to the proportion of the Fund's equity investments that will then be invested in the oil & gas industries once this shift has been completed?

Response by the Chair of the Pension Committee

The Pension Committee has committed to putting 11% of the Funds held in their passive investment portfolio into the UBS Climate Aware Fund.

It is anticipated that the investment in the Climate aware fund will reduce the CO₂ emissions of Pension Fund with the portfolio companies contracting at an annual rate of 2.4%, compared to a rate of decline of 0.3% in the benchmark index.

13. Question from Ariane Hadjilias, Lewes, East Sussex

How many, if any, of the oil and gas companies in which the East Sussex Pension Fund is invested currently use a <2 degree Celsius trajectory as their central planning scenario?

Response by the Chair of the Pension Committee

Companies tend to use a range of scenarios, for example BP has an 'even faster transition' scenario, which follows the IEA 'sustainable development' scenario, with emissions falling by 50% by 2040.

Shell has a net carbon footprint ambition covering not just operational emissions but scopes 2 and 3, i.e. from the use of Shell products. The aim is to cut emissions by 20% by 2035 and by half by 2050. The CEO has stated implementation will be done 'in step with society's drive to align with the Paris goals'.

LAPFF's involvement in collaborative engagement in 2018 has a strong focus on companies supporting the Taskforce on Climate-related Financial Disclosure. One of the Task Force's key recommended disclosures focuses on the resilience of an organisation's strategy, taking into account consideration of different climate-related scenarios, including a 2° Celsius or lower scenario.

14. Question from Arnold Simanowitz, Lewes, East Sussex

BP currently has a 19.75% equity interest in the oil company Rosneft, which Carbon Tracker lists as having the third highest unnecessary capital expenditure under the International Energy Agency's 450 scenario, with over \$69 billion committed to projects with break-even prices of over \$80 per barrel (<https://shareaction.org/wp-content/uploads/2017/10/InvestorReport-AimingForA-BP.pdf>).

In Councillor Stogdon's written answer to a question that I submitted to the 21 March 2017 Full Council meeting he noted that, as regards oil and gas companies, 'an important engagement focus [for the East Sussex Pension Fund] is the restriction of capital expenditure on high cost resource extraction'.

What actions have the Pension Committee and its fund managers taken to try and restrict BP's expenditure on the financially and environmentally reckless projects identified by Carbon Tracker? And, if no information is currently available beyond an assurance 'that all these stocks are being specifically looked at', on what date will such information become available?

Response by the Chair of the Pension Committee

The East Sussex Pension Fund, through LAPFF continues to engage with BP as part of a new collaborative initiative called Climate Action 100. Broad objectives of this engagement include, as indicated previously, alignment with the resilience of an organisation's strategy, including a 2° Celsius or lower scenario. Climate 100 is powerful voice, comprising 279 investors with nearly USD \$30 trillion in assets under management.

The LAPFF Annual Reports contain details of all the engagement activities that they undertake on behalf of members. These can be found along with more detailed reports on their activities on their website <http://www.lapfforum.org>.