

MINUTES

EAST SUSSEX COUNTY COUNCIL

MINUTES of a MEETING of the COUNTY COUNCIL held at County Hall, Lewes on 23 MARCH 2021 at 10.00 am

Present Councillors John Barnes MBE, Matthew Beaver, Colin Belsey, Nick Bennett, Bill Bentley, Bob Bowdler, Tania Charman, Charles Clark, Martin Clarke, Godfrey Daniel, Philip Daniel, Angharad Davies, Chris Dowling, Claire Dowling, Deirdre Earl-Williams, David Elkin (Chairman), Nigel Enever, Michael Ensor, Kathryn Field, Gerard Fox, Roy Galley, Keith Glazier, Darren Grover, Carolyn Lambert, Tom Liddiard, Laurie Loe, Carl Maynard, Ruth O'Keeffe MBE, Sarah Osborne, Peter Pragnell, Pat Rodohan, Phil Scott, Jim Sheppard (Vice Chairman), Daniel Shing, Stephen Shing, Alan Shuttleworth, Rupert Simmons, Andy Smith, Bob Standley, Richard Stogdon, Colin Swansborough, Barry Taylor, Sylvia Tidy, David Tutt, John Ungar, Steve Wallis, Trevor Webb and Francis Whetstone

50 Minutes of the meeting held on 9 February 2021

50.1 RESOLVED- to confirm as a correct record the minutes of the County Council meeting held on 9 February 2021.

51 Apologies for absence

51.1 There were no apologies for absence.

52 Chairman's business

COUNTY COUNCIL ELECTIONS

52.1 The Chairman announced that this was the last Full Council meeting before the elections in May. The Chairman wished all councillors every success in the future whether they were seeking re-election or were retiring and thanked all councillors for their work on behalf of the people of East Sussex. The Chairman reminded councillors that the pre-election period arrangements formally come into force next week and the need for councillors to exercise discretion in the coming weeks.

PETITIONS

52.2 The following petitions were presented before the meeting by members:

- | | |
|--------------------------|--|
| Councillor Osborne | - calling on the County Council to take action to improve road safety on the B2116 east of the junction with Plumpton Lane |
| Councillor Stephen Shing | - calling on the County Council to improve the road surface on the C40 Jevington Road. |

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PRAYERS

52.3 The Chairman thanked the Reverend Annette Hawkins for leading the prayers before the meeting

53 Questions from members of the public

53.1 Copies of the questions received from members of the public and the answer from Councillor Fox (Chair of the Pension Committee) are attached to these minutes.

54 Declarations of Interest

54.1 There were no declarations of interest.

55 Reports

55.1 The Chairman of the County Council having called over the reports set out in the agenda, reserved the following for discussion:

Cabinet report – paragraph 1 (Council monitoring)

Lead Member for Transport and Environment report - paragraph 1 (Notice of Motion – road safety on the A259)

NON-RESERVED PARAGRAPHS

55.2 On the motion of the Chairman of the County Council, the Council ADOPTED those paragraphs in the reports that had not been reserved for discussion as follows:

Cabinet report – paragraph 2 (Conservators of Ashdown Forest Budget)

Governance Committee report – paragraph 1 (Coronavirus meeting arrangements) and paragraph 2 (Pay Policy Statement)

56 Report of the Cabinet

Paragraph 1 (Council monitoring)

56.1 Councillor Glazier moved the reserved paragraph in the Cabinet's report.

56.2 The motion was CARRIED after debate.

57 Report of the Lead Member for Transport and Environment

Paragraph 1 (Notice of Motion – Road Safety on the A259)

57.1 Councillor Claire Dowling moved the reserved paragraph of the Lead Member's report.

57.2 The Chairman stated that as the recommendation of the Lead Member for Transport and Environment was to reject the motion rather than proposing an amendment the Council would vote on the original motion as proposed by Councillor Lambert and seconded by Councillor Grover as set out in paragraph 1.1 of the report.

57.3 Councillor Lambert indicated that she wished to alter the motion she had submitted as follows:

Members will be aware of the two accidents in two days that closed the A259 in Seaford at the junction with Marine Parade. Statistically, the roads in East Sussex are among the highest in

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the country for killed and seriously injured people. Seaford is the biggest town in Lewes district and is continuing to grow.

East Sussex County Council agrees to *[insert] (1)* request the Cabinet to:

- *undertake a proper survey of the whole town, not just the Buckle by-pass, with particular focus on all the junctions with the A259, to identify the areas of greatest risk to both car users, cyclists and pedestrians, and to come up with some concrete proposals to enhance road safety. The County Council is already undertaking a review of the A259 from Seaford to Brighton in terms of congestion and the safety of both car users, pedestrians and cyclists should be part of that;*
- *impose lower speed limits on the approaches to Seaford and to work with partners to ensure these are enforced;*
- *provide safe pedestrian crossings at key points of the A259 including at the Bishopstone junctions*

[insert] (2) bearing in mind the wider concerns about road safety, to request the Place Scrutiny Committee, to undertake a review of the criteria for intervention on road safety issues including work on setting lower speed limits.

57.4 The Council did not consent to the alteration of the motion.

57.5 The following motion, as set out in paragraph 1.1 of the report, was LOST after debate:

Members will be aware of the two accidents in two days that closed the A259 in Seaford at the junction with Marine Parade. Statistically, the roads in East Sussex are among the highest in the country for killed and seriously injured people. Seaford is the biggest town in Lewes district and is continuing to grow.

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- *impose lower speed limits on the approaches to Seaford and to work with partners to ensure these are enforced;*
- *provide safe pedestrian crossings at key points of the A259 including at the Bishopstone junctions.*

58 Questions from County Councillors

58.1 The following members asked questions of the Lead Cabinet Members indicated and they responded:

Questioner	Respondent	Subject
Councillor Tutt	Councillor Glazier	Possible bid for funding announced in budget statement by the Chancellor
Councillor Scott	Councillor Claire Dowling	Condition of roads in Hastings and contract compliance in relation to pothole repairs

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Questioner	Respondent	Subject
Councillor Field	Councillor Glazier	Notification to members of works in their division including emergency works
Councillor Godfrey Daniel	Councillor Claire Dowling	Use of additional funding from Government for pothole repairs and road maintenance including highway lining
Councillor Webb	Councillor Standley	Inclusion of black history, anti racism and diversity in training for teachers
Councillor Whetstone	Councillor Glazier	Budget for Conservators of Ashdown Forest

58.2 Five written questions were received from Councillors Stogdon, Lambert, Field, Ungar and Philip Daniel for the Chair of the Pension Committee, the Lead Member for Transport and Environment, the Lead Member for Education and Inclusion, Special Educational Needs and Disability and the Lead Member for Adult Social Care and Health. The questions and answers are attached to these minutes. The Chair and the Pension Committee and the Lead Members responded to supplementary questions.

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 12.47 pm

The reports referred to are included in the minute book

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QUESTIONS FROM MEMBERS OF THE PUBLIC

Note: Questions 1 to 9 relate to the East Sussex Pension Fund exposure to fossil fuel investments, the response to climate emergency and related issues. The answer to these questions is set out after question 9 below

1. The same or similar questions were asked by:

Eveline Tijds, Hastings, East Sussex
Dirk Campbell, Lewes, East Sussex
James Eaton-Brown, Cross-in-Hand, East Sussex
Iain Sheard, Battle, East Sussex
Steve Jeanes, Brighton
Serena Penman, Lewes, East Sussex
Sue Fasquelle, Lewes, East Sussex
Melanie Jarman, Lewes, East Sussex
Sharon Hamlin, Brighton
Richard Boyle, Eastbourne, East Sussex
Julian Blundell, Brighton
Dean Robinson, Hastings, East Sussex
Steve Pine, Hove
Jonathan Lewis, Brighton
Tessa George, Lewes, East Sussex
Ting Planskett, Eastbourne, East Sussex
Andrea Needham, Hastings, East Sussex
Jane Wilde, Brighton
Anna Reggiani, Forest Row, East Sussex
Sarah Gorton, Brighton
Kathy Bor, St Leonards on Sea, East Sussex
Les Gunbie, Brighton
Madeleine Ehm, Hastings, East Sussex
John Enefer, Hastings, East Sussex
Michael Bernard, Bexhill-on-Sea, East Sussex
Duncan Armstrong, Lewes, East Sussex
Oliver Darlington, Lewes, East Sussex
Hugh Dunkerley, Brighton
Peter Murray, Lewes, East Sussex
Gary French, St Leonards on Sea, East Sussex
Denzil Jones, Lewes, East Sussex
Carol Mills, Eastbourne, East Sussex
Kate Norman, Forest Row, East Sussex
Natalia Serrano, Brighton
Sally Phillips, Hastings, East Sussex
Karen Stewart, Eastbourne, East Sussex
Nicola Reese, Saltdean
Jane Wigan, St Leonards on Sea, East Sussex
Richard Pike, Forest Row, East Sussex
Anna Page, Hastings, East Sussex
Becca Horn, Hastings, East Sussex
Jane Swan, Ditchling, East Sussex
Robert White, Eastbourne, East Sussex
Caroline Gorton, Brighton

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James Self, Newick, East Sussex
Chris Benner, Hastings, East Sussex
Chris Murphy, Polegate, East Sussex
Sarah Oxenbury, Eastbourne, East Sussex
Patricia Rigg, Lewes, East Sussex
Jane McIntosh, Lewes, East Sussex
Arnold Simanowitz, Lewes, East Sussex
Jayne Ford, Brighton
Claire Duc, Lewes, East Sussex
Rosemary Pickersgill, Lewes, East Sussex
Fran Witt, Lewes, East Sussex
Elizabeth Hankins, Hailsham, East Sussex
Ann Link, Lewes, East Sussex
Fiona MacGregor, St Leonards on Sea, East Sussex
Alison Cooper, St Leonards on Sea, East Sussex
Benjamin Clench, Hove
Carol Turner, Eastbourne, East Sussex
Lesley Buckley, Brighton
Anne Massey, Hove
Karl Horton, Hastings, East Sussex
Ayesha Mayhew, Brighton
Ilona Brunzel, Bexhill on Sea, East Sussex
Gabriel Carlyle, St Leonards on Sea, East Sussex
Judith Knott, Lewes, East Sussex
Laurence Johnson, Brighton
Sundari Poorun, Hastings, East Sussex
Terence Walker, Brighton
Judith Scott, Hastings, East Sussex
Lisa Stevens, Horam, East Sussex
Sheila Parkin, Brighton
Paul Lloyd, Brighton
Zoe Garrity, Seaford, East Sussex
Anthony Bradnum, St Leonards on Sea, East Sussex
Dorothy Amos, Hastings, East Sussex
Rachelle Dare, Hastings, East Sussex
Lucy Butler, St Leonards on Sea, East Sussex
Colin McCloskey, Lewes, East Sussex
Karen Simnet, St Leonards on Sea, East Sussex
Lucy Dixon, Hastings, East Sussex
Esme Needham, Hastings, East Sussex
Emily Price, Hastings, East Sussex
Angela North, Crowborough, East Sussex
John Doherty, Bexhill on Sea, East Sussex

According to a 12 February assessment by the Transition Pathway Initiative: 'An almost complete and immediate stop in exploration and sanctioning of new oil fields would ... be required to avoid locking in future oil production that would see temperatures exceed a 1.5°C increase' in global warming

(<https://www.transitionpathwayinitiative.org/publications/48?type=NewsArticle>).

Yet to date *none* of the world's eight largest oil majors (BP, Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell and Total) has agreed to stop exploration and *none* has

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agreed to stop approving new extraction projects (see <http://priceofoil.org/content/uploads/2020/09/OCI-Big-Oil-Reality-Check-vF.pdf>).

As at 31 December 2020 the East Sussex Pension Fund had £76.4m invested in fossil fuel companies, including £14.2m in these companies' corporate bonds – one of the two main sources of funding for such new fossil fuel projects.

What (if any) time limits has the Fund set for these companies to stop exploring for new oil fields and stop sanctioning new oil extraction projects? And what (if any) action will the Fund be taking if, as seems highly likely, these companies continue along their current path, making limiting global warming to 1.5°C impossible?

If it has not already done so will the Fund now: (a) set a near-term time limit for such companies to stop exploring for new oil fields and stop sanctioning new extraction projects; and (b) commit to divesting from those companies that fail to do so by the given time limit? If not, why not?

We would remind you that:

(1) The East Sussex Pension Fund is a signatory to the UN Principles of Responsible Investment (PRI) and that the East Sussex Pension Committee was briefed by one of the PRI's directors (Anastasia Guha) at the Committee's 1 March 2021 meeting.

In her presentation Ms Guha, made clear that if the East Sussex Pension Fund was going to continue its policy of 'engaging' with fossil fuel companies then it was essential that it should have an 'escalation strategy' (ie. a plan for what to do if a company fails to do the things that the Fund has asked them to do), and that this 'has to be an escalation strategy that comes with time limits'. She also made clear that these time limits would need to be near-term, noting that 'unless we do stuff in the next nine years we're in serious trouble ... some would say we're already in serious trouble'.

As an example, she cited the recent announcement by one Britain's top asset managers (Aviva) that it would divest from 30 of the world's largest oil, gas, mining and utilities companies [the escalation] unless these companies carried out its demands, setting a deadline of 1 - 3 years for these companies to comply [the time limit]. According to the Financial Times Aviva's demands are as follows: 'set short and medium-term targets to meet the energy transition, align management pay with climate goals and ensure that direct and indirect lobbying was not in conflict with their public position on global warming.'

She also reminded the Committee that it was crucial that the Fund 'keep 1.5°C front of mind.

(2) The UN's Intergovernmental Panel on Climate Change projects that going from 1.5°C of global warming to 2°C could mean:

- 1.7 billion more people experiencing severe heatwaves at least once every five years
- Several hundred million more people being exposed to both climate-related risks and poverty
- Coral reefs that support marine environments around the world declining by 99%

2. Question from Jessica Nieman, Brighton

Why does ESCC continue to derive investment income from Fossil Fuel corporations?

We are all conscious of the dangers inherent in breathing filthy PM2.5 - filled air - we're still under Lockdown, living in fear of respiratory disease.

Investment Fund Managers are commercial operators, and when a client states: "Find me a long term stable equivalent return now" their job is to provide you with a list.

Can you show us that list?

Can ESCC divest?

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3. Question from Vanessa Jewell, Lewes, East Sussex

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4. Question from Peter Newell, Kingston, East Sussex

I would like to congratulate members of the council for their endorsement of the idea of a Fossil Fuel Non-Proliferation Treaty, the first municipality in the UK to do so. Given this support, I would like to know when, following other councils, they plan to divest their funds from fossil fuels in line with this endorsement.

5. Question from Melissa Hay, Lewes, East Sussex

In October 2019 East Sussex County Council (ESCC) declared a 'climate emergency'. But it continues to act as though it has all the time in the world to address the crisis – even as the giant oil and gas companies in which it invests act in ways that will rapidly [make limiting global warming to 1.5°C impossible](#).

When is ESCC going to recognise the irresponsibility of continuing to invest in these companies? There are 'green' alternatives!

When are you going to be part of the solution, not indirectly part of the problem?

6. Question from Sheila Deen, Brighton

I'm extremely concerned that by investing in fossil fuels you are ignoring scientific evidence and endangering the future of our planet. Why are you so short-sighted?

7. Question from Hilary Pogge von Strandmann, Ripe, East Sussex

I read that you have still not resolved the frightening and catastrophic problem of your investment, on our behalf (I am a pensioner of ESCC) in fossil fuel companies, apparently to the tune of over £76 million including in such companies' corporate bonds. I am unable to understand your stance given that none of the world's eight largest oil companies has undertaken to stop extraction and investing in new projects.

What time limits have you set, or are proposing to set (I hope very soon) so that these companies stop extraction and future exploration. And what action will you take if such companies continue to extract and explore?

I find it hard to believe that you are consciously and willingly aiding and abetting the current race towards the 'tipping point' of climate change, but that is what it looks like.

8. Question from Jenny Clench, Hove

I am contacting you to voice my serious concerns over the continuing investments of the County Council's pension fund in companies that are at odds with the council's sign up to the current climate emergency.

As a past employee of the County Council for many years and thus as a long-term contributor to the pension fund and now as a retiree and in receipt of an ESCC pension I am shocked to learn of the County Council's poor track record in responding to past questions and concerns raised regarding its investment activities in relation to the CC pension fund.

- What is the timescale for divesting from fossil fuels
- How will the Council communicate transparently to both those contributing to the LA's pension scheme and those in receipt of an ESCC pension that its investments are ethically aligned to the climate emergency.

9. Question from Gillian Bargery, St Leonards on Sea, East Sussex

I am horrified to learn that as of the end of last year your council had an investment totaling £76.4M in fossil fuel companies. I am quite sure that investing in companies which have contributed so disproportionately to the destabilising of the global climate is not what most East Sussex Council taxpayers and residents would wish for.

Please could you let me know what plans you have to disinvest and by when you expect these plans to have been fulfilled?

Response by the Chair of the Pension Committee to questions 1 to 9 above

The Pension Fund has not set any time limits relating to companies' exploration for oil. This is primarily due to the fact that the Pension Fund does not directly invest in any company, so the setting of time limits on companies by the Fund is not be something that the Fund can act upon. The Fund makes decisions to firstly invest into an asset class, for example, equity funds, bond funds, property or infrastructure. From there the Fund will consider options of possible investment managers to carry out that strategy on behalf of the Fund. When selecting a specific investment manager the Fund takes into account a number of factors such as the expertise of the team; the conviction of decisions on what to hold; anticipated performance; risk; integration of environmental, social, governance (ESG) and any sustainability risks; as well as many other considerations. As the Fund does not hold any investments directly with companies it is reliant of the investment manager to carry out engagement and voting with those companies and exclude when it is deemed to be in the best interest of the underlying investors such as the East Sussex Pension Fund. The Fund expects investment managers to have engagement and escalation strategies in place; and the fund expects as a minimum, its equity investment managers to be members of Institutional Investment Group on Climate Change (IIGCC). The Fund and its advisers liaise with the active investment managers and are able to question their holdings, methodology, strategic decisions and voting to ensure confidence with the risks faced by the Fund. It is necessary to note at this point that the 2016 Investment regulations moves selection of investment managers from Pension Fund Pension Committees to FCA regulated operators of the new LGPS investment pools, this has only been partially embedded in

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the Fund but the Pension Committee's ability to select a manager has reduced and continues to reduce as this piece of legislation embeds.

As to the second part of the primary question, asking if the Fund will now commit to set any time limits, neither myself as Chair of the Pension Committee nor Full Council can dictate investment activity and decisions of the Pension Fund. Investment decisions must be made by the Pension Committee through a majority vote, in line with the Investment Strategy and with proper investment advice to ensure our beneficiaries will receive their pensions when they fall due; as a result no commitments can be made in this forum in response to this question.

The Pension Fund is on a journey with respect to its ESG credentials and response to the climate crisis and energy transition; and is ahead of the curve in many respects within the LGPS with the significant actions taken over the past 18 months. The most recent valuation of the Funds exposure to fossil fuel companies across all types of investments is 1.9% at 31 December 2020; with only 0.7% within the equity allocation, where further changes were approved at the March 2021 Pension Committee to move away from the last of the traditional passive index investments. In contrast, the Fund has currently invested 10% of the whole portfolio (or 25% of its equity allocation) into investments that are focused on providing a positive impact to the environment, socially or providing solutions to sustainability challenges and 10% of the whole portfolio (or 25% of its equity allocation) into a smart beta fund that aims for long term alignments with the Paris agreement through climate solutions.

The Pension Committee has committed to a number of other actions which are planned over the next 12 month period including a responsible investment impact assessment and annual refresh of carbon benchmarking in June/July 2021; an RI Implementation Statement and Stewardship Code submission statement in September 2021, then climate change scenario analysis modelling in December 2021. In addition to these actions, the Fund has committed to report based on the Task Force on Climate related Financial Disclosures (TCFD) and a first draft of PRI reporting this year. All of these actions are aligned with guidance and expectations of Pension Funds through the climate focused investor groups and newly outlined regulations that will come into place in the near future. 5 of the Funds 13 investment managers are within the leading group of 30 global asset managers that have committed to support the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with achieving the long run objectives of the Paris Agreement.

I have commented on the stance of the Pension Fund regarding divestment on numerous occasions and there was a detailed discussion at the March 2021 Pension Committee where the Committee received a presentation from the PRI (as noted in the primary question) and committee members were able to ask questions and discuss this topic. The stance has not changed at this time. To reiterate, the Fund has a policy of Engagement and not Divestment. Regardless, the Fund vehicles in which its assets sit also preclude unilateral divestment options. The UN PRI, LAPFF & IIGCC all favour engagement over divestment as a tool for asset owners; with divestment being a last resort in an escalation process of engagement where required and possible - noting that divestment is not possible for passive managers but the use of voting rights is powerful in its absence. The most recent Department of Works and Pensions guidance promotes a similar position with the Pensions Minister stating in a number of interviews and speeches that blanket divestment is not advised, highlighting the importance to drive these companies to find solutions to a net zero future through engagement. A more

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detailed statement on this can be found on the Pension Fund website and has been answered at numerous recent Full Council meetings which are also published.

When the Pension Committee met with the representative of the PRI, they made it clear that PRI cannot give investment advice and that they cannot take a position on the merits of investment vs divestment; although they noted that in the context of effecting change the latter achieved little. The representative underlined the criticality of ensuring that many companies and sectors make the transition; this requires investors to remain heavily involved. Agreeing that the direction of travel of any company is more critical than alignment with a particular warming scenario, they cited Shell, which is making progress but not yet aligned with 2°, as an example of good company engagement with the energy transition. The PRI representative went on to outline a number of possible different investor engagement approaches that have emerged recently and suggested that an effective strategy might involve a set of escalating steps. They confirmed that the engagement approach taken by IIGCC, which employs escalation, with which the PRI work closely and of which the Fund is a member, is completely aligned with and to some extent more aggressive than that taken by PRI. There was also support for Impact approaches to investment which the Fund has adopted and in which it has invested 25% of its equity portfolio.

WRITTEN QUESTIONS PURSUANT TO STANDING ORDER 44

1. Question by Councillor Stogdon to the Chair of the Pension Committee

Could the Pension Chair outline what steps the ESPF Committee have taken to better align the Fund's investment approach with the challenges presented by sustainability and the Energy Transition? How does this approach compare with current guidance & best practice? What are the risks & opportunities associated with the course that the Committee have taken? How well positioned is the Fund to meet its obligations?

Answer by the Chair of the Pension Committee

The Fund Financial Position:

The Fund is worth £4.1 billion, it has approximately 78,000 scheme members and around 130 employers. The Funds primary responsibility is to provide defined benefit pensions as laid down in statute. The fund has an obligation to make these as affordable as possible for employers and members and as a result. Despite the challenges of managing a complex defined benefits scheme, the Fund has outperformed its benchmarks over the last 5 years. Its most recent actuarial solvency ratio approximates to 107% of projected fund liabilities, which means that it is very well positioned to pay pensions as they fall due. The Funds most recent solvency comparison reveal it to be approaching the top decile among LGPS Funds. This prudent stewardship of the Fund's assets means that it has been able to reduce employer contributions from 2020 and if the Fund continues to hold its solvency level it should be able to continue to do so again at the next triennial valuation.

The Fund's Approach to the challenges presented by Sustainability & the Energy Transition

Over the last four years the Pension Fund Committee has spent increasing focus and resource in better understanding and aligning its assets with the challenges and opportunities associated with Sustainability and the Energy Transition. It has recognised that the Energy Transition touches on all parts of the economy. The Fund acknowledges its overriding interest in preserving the largest investable set of companies as possible in line with the diversification requirement within the LGPS investment regulations. The Fund accepts that not all companies and sectors can move at the same speed, and that direction of travel rather than absolute alignment matters most and has therefore favoured robust and active collaborative engagement.

Because the Fund owns collective investment vehicles rather than segregated funds or individual stocks, bonds and other assets, this not a simple task. It can only be approximate, and is best done at an holistic whole portfolio level, by recourse to a diversified set of themed Fund Managers and investment styles, risk monitoring and collaborative company engagement with other Funds i.e. through its membership of engagement focused organisations like IIGCC, LAPFF and other ACCESS pool members.

There is mounting evidence that this collaborative engagement has led to substantial movement in pivoting business models (for example BP Shell) and incorporating Scope 3 emissions into company carbon accounting.

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The Pension Committee's approach has always been forward looking and it was among the first LGPS Funds to carbon footprint its portfolio and to adopt a Climate Aware index fund mandate. The Fund has been recognised for its efforts, shortlisted by LAPFF Awards for the best ESG approach in 2018, and is perceived by its ACCESS partners to be the Pool leader in this field.

The Fund's Direct Exposure to Fossil Fuels in Context:

The Fund does not directly target its Oil and Gas Company exposure, nor does it tell its Active managers what to own as this would reduce the managers ability to manage performance and East Sussex Pension Fund is not the sole investor in any product. However, through manipulation of varying themed manager holdings the Fund has consistently sought an underweight exposure at a whole portfolio level to the traditional energy sector, reflecting the uncertainties associated with the Energy Transition. The Fund's Active Managers are also expected to absorb the ESPF Responsible Investment Principles and have due regard for our membership of IIGCC.

Whole fund direct exposure to Oil and Gas has fallen from an estimated 6.6% of assets in 2015 to around 4% in 2019, to 1.9% today, of which around 1.2% is in equities and absolute return funds. Recent investment decisions should see that whole portfolio number fall at the margin to around 1.5% (c£60mm) by mid-year.

Putting this into perspective: The Fund's exposure to Green Revenue Tilted, Climate Solutions focused, or Resource Efficient investment approaches will be over 15 times the size of its Oil and Gas exposure by mid-year.

What the Fund has done over the last 2 years:

Over the last 2 years the Committee under my Chairmanship has enacted the following changes to its approach:

- Conducted a major Governance Review, adopting its key recommendations
- Brought Pension Fund Administration in-house
- Doubled Pension Team resourcing to 12 FTE
- Instituted more rigorous cashflow forecasting to better monitor the alignment of Fund income with its obligations
- Conducted a major strategic asset allocation review to better align Fund holdings with Sustainability challenges
- Substantially updated its Responsible Investment Principles
- Become a UN PRI signatory
- Joined the Climate Engagement body IIGCC/Climate Action 100+ (representing over 275 member & €35 trillion in AUM)
- Conducted further Carbon foot-printing of its Funds, committing to regularly monitor their progress
- Expects its equity Investment managers to join the Institutional Investment Group on Climate Change (IIGCC)
- Committed to report in line with the updated UK 2020 Stewardship code
- Committed to report in accordance with the Taskforce for Climate Related Financial Disclosures
- Committed to explore Climate Scenario risk reporting at a whole portfolio level
- Doubled its target exposure to infrastructure assets
- Put 25% of its equity fund exposure into Impact Equity Managers focused on resolving global social, environmental & sustainability challenges

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- Adopted Green Revenue Tilted, Climate Solutions focused or resource efficient approaches to its index Fund exposure
- Removed direct fossil fuel exposure from all of its index funds
- Presided over a fall in direct Oil and Gas exposure from 6.6% of AUM in 2015 to a projected 1.5% by mid-year 2021
- The Fund has 15x as much exposure to Impact, Green Tilted & Climate solutions focused Equity as it does to Oil & Gas in all forms

The Consistency of the Fund's Approach with Best Practice & Guidance:

The approach outlined above aligns well with recent guidance from DWP, and is consistent with our membership of IIGCC, LAPFF & UNPRI signatory status. It is also fully endorsed by the Fund's Independent advisor and by both its former and current external advisors (Hymans & ISIO).

The most recent DWP Guidance to Pension Funds, outlined in a recent speech by the Pensions Minister, emphasised the following:

<https://www.gov.uk/government/speeches/pension-schemes-and-climate-related-risks>

1. Triennial Scenario Testing of Climate Risks with annual interim reviews
2. Adoption of absolute & intensity based GHG metrics
3. Strong emphasis on improving engagement
4. Clear opposition to blanket divestment from high carbon sectors
5. A strong steer to green infrastructure
6. Mandated reporting in line with TCFD
7. No requirement for decarbonisation targets

He subsequently reiterated the DWP's opposition to the principle of "Divestment" referring to it as "Reverse Green Washing."

The Fund is therefore clearly well positioned relative to best practice and guidance.

The Risks and Opportunities associated with the approach adopted by the Fund:

The Funds Statement of Responsible Investment Principles outlines where it sees the longer run opportunities for the Fund associated with ESG themes.

<https://www.eastsussexpensionfund.org/east-sussex-pension-fund/client-area/news/espfr-responsible-investment-and-fund-fossil-fuel-exposure/>

Impact, Resource Efficient & Green revenue tilted Risks & Opportunities: It is the Committee's belief that there may be substantial long-run opportunities presented by exposure to companies that operate in a resource efficient way, and/or provide solutions to social, environmental, climate, sustainability, and energy transition challenges. Those with a higher exposure to green revenues may offer better growth and returns while suffering lower impairment costs from policy and regulation as governments seek to promote the energy transition. Green infrastructure presents opportunities, but also some hazards associated with overpaying for assets and over-reliance on subsidy regimes.

Energy Transition Risks: The Fund recognises that a prolonged Energy Transition is under way. It also acknowledges that a number of energy incumbents through their size, capacity to mobilise capital and engineering expertise offer the potential to play a

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substantial role in that transition. We see evidence of this from the pivot in the business models of companies like BP and Shell.

The Fund seeks to balance the economic reality that fossil fuels currently provide just under 80% of the world's primary energy and that energy demand will grow by up to 50% by 2050, with global commitments, as yet not fully backed by detailed policy, to decarbonise the energy system by the second half of the century. Where viable opportunities arise, the Fund will seek to increase its exposure to renewable infrastructure assets.

Stranded Asset Risks: In terms of risks to the Fund from this approach, the substantial underweight exposure of the Fund to the fossil fuel sector, and its concentration in the hands of active managers who can exit positions at will, means that there is no appreciable stranded asset risk to the Fund.

Income risks: The nature of the new Active managers recently acquired means that the whole portfolio generates less cashflow. This is not an immediate concern for the Fund, although it needs to be continually monitored. There is a perennial challenge to the Fund in that income generating equities are required to pay current pensions, but traditionally income generation tends to reside in the older more carbon intensive sectors.

Substantial underweight exposure to Fossil Fuels: There is a theoretical near-term risk of Fund underperformance if Oil and Gas prices rally substantially in the immediate years post Covid.

2. Question by Councillor Lambert to the Lead Member for Transport and Environment

Regular complaints are received from residents about the quality of pothole repairs. No sooner is a pothole repaired, than it deteriorates again.

This is not an efficient use of resources at a time when residents are becoming increasingly frustrated with the state of our roads which are already among the most dangerous in the country for killed and seriously injured. The number of potholes and the amount of broken and degraded road surfaces adds to the constant danger not just for cars, but for motorbikes, pushbikes and pedestrians. It is bad enough that pothole repairs are so constrained by the lack of adequate funding but even worse when they are carried out to an inadequate standard.

Will the Lead Member please detail the material used in pothole repairs, the cost of this material and the length of guarantee provided by the contractor?

Answer by the Leader and Lead Member for Transport and Environment

The Council's maintenance contractor uses two materials to repair potholes. The vast majority (over 90%) of potholes are repaired using a hot bitumen based macadam (commonly known as tarmac). However, during the wetter winter months, particularly during periods of heavy or prolonged rainfall, it is not always possible to use hot materials and a cold proprietary (bagged) material is used. These products are commonly used across the country and are designed to be used as an instant repair and is poured straight from the bag with little preparation of the hole required. The repair

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material needs water to enable a chemical reaction to set (and consequently can be used when surfaces are very wet) and requires only regular trafficking to compact it. This material is also used on occasion to carry out temporary repairs until a more permanent repair can be completed such as in an emergency situation or in an awkward location for example.

Each pothole repair costs approximately £50 to repair. And because of the nature of the fixed-price contract we have with the contractor, they are paid the same for each repair whether they use hot tarmac or a cold-lay material. A cold-lay proprietary product is actually almost four times more expensive per tonne than tarmac.

Under the terms of the Council's contract all pothole repairs are guaranteed for two years. Regular audit checks of the quality of the repairs are undertaken by Council Officers, and any failed repairs are repeated by the contractor at their own cost.

3. Question by Councillor Field to the Lead Member for Education and Inclusion, Special Educational Needs and Disability

The Schools Admissions Team report that all schools across East Sussex are fully subscribed apart from one school in Eastbourne. This means that pupils are being offered places at schools that are often a considerable distance from their homes. Pupils in Seaford, for example, are being offered places at Longhill school in Brighton – another education authority outside East Sussex. Parents have been told that they can appeal or be put on the waiting list for their first choice of school.

Our children and young people have already been through perhaps the most difficult year of their lives in terms of their access to education. For those making the key transition between primary and secondary school, this is now an added anxiety for both them and their parents, separating them from their friendship groups and placing further barriers to education in their way because of the practical travel arrangements they will have to make.

Are schools in East Sussex now at crisis point?

Answer by the Lead Member for Education and Inclusion, Special Educational Needs and Disability

Recent high numbers in primary schools are now being reflected in rising Year 7 secondary school intakes. Year 7 numbers are predicted to peak around 2022/23 or 2023/24, with total numbers on roll in secondary schools likely to peak around 2024/25 or 2025/26.

For September 2021, there are currently three secondary schools with Year 7 spaces, as reported by the School Admissions Team. As in previous years, more places are likely to become available in schools which initially filled up as families who decide to use the private sector or make other arrangements are factored in, and these places will be allocated out to new applicants and families on the waiting list after the deadline for appeal and accepting places has passed on 1 April, as happens every year.

To address the growing demand for secondary school places, the local authority has:

- provided additional places in the Havens area by expanding Seahaven Academy by a form of entry (30 places per year group, 150 places overall)

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- provided additional accommodation at Willingdon Community School in readiness for a projected rise in demand in the wider Eastbourne area
- supported Beacon Academy in Crowborough to increase its intake by a form of entry
- begun construction on expanding Hailsham Community College by two forms of entry

Further temporary increases in capacity may also be necessary in some areas to address short term increases in demand for places.

With regard to the situation in Seaford, this year, as in previous years, a number of families in Peacehaven, Newhaven and Seaford did not apply on time for their local schools. As Seaford Head was again oversubscribed this year, it was not able to offer places to every child who applied. This led to some families having to be placed elsewhere. Although Seahaven Academy had places for some of these children, it did fill nearly all its places with children who had requested places there (including some from Brighton & Hove), and could not, therefore, offer places to all the children living in Newhaven whose preferences elsewhere could not be met. Peacehaven Community School filled up with families who had applied to go there.

For information, seven students from Brighton & Hove were offered Peacehaven for September 2021 (all with siblings or EHCPs) and eight were offered Seahaven. Longhill accepted 45 East Sussex residents, of whom 13 were first preferences, one was a second, and the remaining 31 were unplaced, seven of whom were late applications. Of the 31 unplaced children, only two live in Seaford (both late applications). The remaining 29 live in Newhaven, Peacehaven and East Saltdean. East Saltdean falls within the community area for Longhill, and the journey to Longhill from Peacehaven (and most of Newhaven) is shorter than the journey to Seaford Head.

Where parents express a preference without following our guidance (i.e. they either do not use all three of their preferences, they do not state their local school amongst their three preferences or they are late submitting their application), they can end up with a longer journey to a school they did not apply for if that is the closest alternative school with space. The other available alternative schools (Ringmer or Causeway) would have been a longer journey than that to Longhill. Seaford Head was able to offer places to children living outside the area this year so, had the two families not missed the closing date, they would certainly have been offered places there. We do make every possible attempt to encourage families to apply on time. Families obviously have the right to appeal any negative decision.

4. Question by Councillor Ungar to the Lead Member for Adult Social Care and Health

As the Lead Member for Adult Social Care and Health will remember, through the various waves of the Covid pandemic elderly vulnerable residents in care homes, many of whom are very frail, were disproportionately affected by the ravages of Covid-19. Does the Lead Member agree with me that the Adult Social Care Department should, prior to placement, carry out a fully informed risk assessment for each client the place in a care home? In doing that they should take into account the percentage of staff in a home who have been vaccinated. Would he agree with me that without this information they are unable to carry out a fully informed risk assessment?

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Answer by the Lead Member for Adult Social Care and Health

The Covid19 pandemic has brought unprecedented challenges, deeply impacting on all aspects of social care provision. There is no avoiding the sad reality that this includes the loss of care home residents and carers lives to Covid19.

There is also no doubt that the effects of Covid19 and the need to control the virus to protect vulnerable people and those who care for them, will continue for the foreseeable future and the Council will continue to provide support throughout this period.

I can confirm that the Department is carrying out its duties in line with all relevant Government guidance and following best practice when ensuring the appropriate risk management of people placed in care homes, including:

- The Department of Health and Social Care
- NHS England
- Public Health England
- The Care Quality Commission
- East Sussex Clinical Commissioning Group (Quality and Safety Team)
- East Sussex Healthcare NHS Trust (Infection Prevention and Control Team)
- ESCC Public Health

The Department's placement risk assessment process for each home takes into account a number of factors including contractual compliance (including elements relating to Health and Safety, Infection Prevention and Control – not just COVID, etc.), CQC Ratings and Reports, Safeguarding (current and previous), feedback from NHS and ASC staff assessments, reviews and visits, client and carer compliments and complaints, staffing levels, staff and managerial qualifications, etc.

It does not include the proportion of care workers vaccinated in any particular Care Home as there is no Government guidance or best practice advice that recommends this approach.

There are a number of reasons why the inclusion of this metric would be ineffective, including no conclusive scientific evidence is available that the vaccine prevents an individual from carrying and spreading the virus. This is why, whether a care worker has been vaccinated or not, they are still required to wear full PPE and be subjected to regular COVID testing.

5. Question by Councillor Philip Daniel to the Lead Member for Transport and Environment

The problem of litter and debris on shoulders and verges of roads in the County seems to be getting worse. Other countries, such as the United States and France, manage to maintain clean verges and shoulders. While some main highways, such as the A27, are the responsibility of Highways England, other important roads such as the A259 and A26 are the responsibility of the County. I understand that Districts and Boroughs are responsible for some aspects of the maintenance of shoulders and verges. Since the problem is now not only unsightly but probably also unsafe, will the Lead Member please explain how co-ordination, if any, between the County and the Districts or Boroughs on the maintenance of verges and shoulders is carried out?

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Answer by the Lead Member for Transport and Environment

Street cleansing and litter picking is the responsibility of borough and district (local) councils under Section 89 of the Environmental Protection Act 1990 and is generally a function carried out by the local authority's waste collection service. In Wealden and Rother Districts and in Hastings Borough this falls to the Joint Waste Partnership contractor BIFFA, and the subject is regularly discussed at the Partnership Committee. In Lewes District and Eastbourne Borough the service is carried out by in-house teams.

A small number of roads in this county; namely the A27 between Falmer and Polegate, A26 south of Lewes, and parts of the A259 are trunk roads and whilst street cleansing of these falls to the local authorities, ESCC has no jurisdiction over trunk roads. Elsewhere in the county maintenance activities carried out by East Sussex Highways and street cleansing / litter picking on those faster roads like the A22 Hailsham bypass is planned and coordinated.

Across the rest of the county, where maintenance priorities may differ, the county council's maintenance contractor publishes its grass verge cutting and weed control programmes and share these with borough and district councils, and there is regular engagement between officers and contractors. By way of examples; officers from Lewes District Council are in dialogue with the County Council's maintenance contractor about litter picking in certain parts of the town in advance of grass cutting and weed spraying. And the Joint Waste Partnership's contractor BIFFA is similarly in dialogue with the County Council's maintenance contractor about coordinating its activities.