

Brighton & Hove City Council

Cabinet

Agenda Item 132

Subject: Response to notice of motion from October Council

Date of meeting: 12 February 2026

Report of: Cabinet Member for Finance & City Regeneration

Lead Officer: Director of Property and Finance

Contact Officer: Name: John Hooton
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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 This report provides an update to Cabinet following the motion agreed at Council in October 2025 requesting officers to bring a report to Cabinet detailing any exposure of the East Sussex Pension Fund, of our treasury management and of our freehold landholdings to 'involved companies'.
- 1.2 This report also provides further information on governance arrangements for the East Sussex Pension Fund and national legislative changes that impact on Local Authority Pension Funds across the country.

2. Recommendations

- 2.1 Cabinet notes the information set out in section 3 of this report, setting out exposure of ESPF, the Councils treasury investments, and our freehold landholdings to 'involved companies'. 'Involved companies' refers to the United Nations Office of the High Commissioner for Human Rights (OHCHR) list that has been compiled of companies that operate in illegal settlements in the West Bank.
- 2.2 Cabinet agrees that, as part of the implementation of Local Government Reorganisation in Sussex, we will recommend that Brighton and Hove City Council has more representation on governance and oversight arrangements for the East Sussex Pension Fund or any replacement Fund.

3. Context and background information

- 3.1 Council agreed a motion in October 2025 requesting officers to bring a report to Cabinet detailing any exposure of the East Sussex Pension Fund, of our treasury management and of our freehold landholdings to 'involved companies'. That information has now been compiled and is set out in the paragraphs below.

- 3.2 The governance arrangements for the East Sussex Pension Fund are a Pensions Committee, which is made up of members from East Sussex County Council, and a Local Pension Board, which is made up of equal numbers of employer and scheme member representatives. The Committee currently comprises 3 Conservative Councillors, 1 Green Councillor and 1 Liberal Democrat Councillor. The Pensions Committee has delegated authority to manage the fund's investments, administration and overall strategy. The Pensions Board exists to provide assurance and oversight of the scheme administration, it does not take investment or strategy decisions.
- 3.3 Employer members of the Pension Fund include – East Sussex County Council, Brighton and Hove City Council, the 5 boroughs and districts in East Sussex, as well as admitted bodies such as academies, universities and colleges.
- 3.4 The East Sussex Pension Fund has been in existence since the Superannuation Act of 1972, which introduced modern local government pension arrangements in this country. These arrangements are governed by the Local Government Pension Scheme (LGPS) regulations which have been amended and updated since that point in time. The East Sussex Pension Fund has been administered by the County Council over the period of its existence.
- 3.5 In 1997, Brighton and Hove City Council became a unitary authority in its own right but remained part of the East Sussex Pension Fund at that point in time.
- 3.6 It is important to note that Brighton and Hove City Council has no control over the investment policy of the East Sussex Pension Fund. This is determined by the 5 elected members of East Sussex County Council as detailed in paragraph 3.2 above.
- 3.7 'Involved companies' refer to companies that operate in illegal settlements in the West Bank. The list is compiled by the OHCHR and currently contains 158 companies. They are predominantly Israeli companies – construction organisation, banks and financial institutions, but also include some multinational companies, for example AirBnB, Booking.com, Expedia and Motorola.
- 3.8 A review of the Council's internal treasury management has confirmed that we do not hold any investments in companies on the OHCHR list.
- 3.9 A review of the Council's property holdings (which include commercial, agricultural, operational and heritage assets) has confirmed that we do not have any exposure to companies on the OHCHR list.
- 3.10 The Leader of the Council wrote to the Chair of the East Sussex Pension Fund, requesting information in respect of the pension fund's exposure to companies on the OHCHR list. The information received in response is as follows:

- East Sussex Pension Fund holds approximately £29.8 million (0.58% of total fund assets) in companies identified by OHCHR, primarily through equity positions in Booking Holdings Inc., Airbnb Inc., and Expedia Group Inc., alongside smaller exposures in Israeli banks and telecommunications firms. Fixed income exposure is limited to Altice International Ltd.
 - Passive equity strategies replicate benchmark indices with exclusions for fossil fuels, controversial weapons, and United Nations Global Compact (UNGC) violations—none of which apply to the OHCHR-listed companies. Sustainability reviews concluded that certain firms may benefit indirectly from settlement activity but are not direct contributors, noting some mitigation efforts. Active engagement with Booking Holdings continues, with divestment contingent on a downgrade to a lower quality rating. Fixed income managers apply UNGC screening and are monitoring OHCHR developments. Where exposure exists, our strategy remains to engage with the managers to understand their investment decisions and challenge their rationale for inclusion of these companies.
- 3.11 As set out above, the East Sussex Pension Fund has a policy of active engagement with fund managers and companies, with exclusions for certain investments such as fossil fuels, controversial weapons and UN Global Compact violations.
- 3.12 It is important to note that in recent years, local authority pension funds have increasingly been pooled across many authority areas, and this approach is being transformed further through government legislation. The draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 will mandate the delegation of investment strategy to LGPS asset pools, and all LGPS assets must be transferred into the management of the relevant FCA-authorised pool company. This is part of a wider government agenda to align LGPS investment decisions with UK economic and social priorities.
- 3.13 Currently approximately 60% of the East Sussex Pension Fund investments are within an existing pool, known as ACCESS. From April 2026, these funds currently in the ACCESS pool, will transfer to the Border to Coast pool, along with the remaining 40% of the East Sussex Pension Fund. The Pension Fund Committee will retain overall fiduciary duty for the East Sussex Pension Fund, determining at a high level the balance between risk and the protection of its assets as well as its ultimate requirement to pay pensioners. Implementation of the overarching investment strategy will move to the Pool from 1st April 2026. There is some uncertainty over how these responsibilities will interact in practice, as government guidance is still in the process of being drafted.
- 3.14 Arrangements for monitoring and oversight of Pension Funds following the implementation of the 2026 regulations is not currently clear. With the implementation of Local Government Reorganisation in Sussex, it could provide an opportunity for Brighton and Hove City Council to acquire

representation on governance and oversight arrangements for the East Sussex Pension Fund or any replacement Fund.

4. Analysis and consideration of alternative options

- 4.1 The report sets out the current position in respect of the governance of the East Sussex Pension Fund and the forthcoming government legislation. Given the move towards pooling of Local Authority Pension Funds, alternative options are limited.

5. Community engagement and consultation

- 5.1 There is significant local interest in pension fund investment principles.

6. Financial implications

- 6.1 There are no direct financial implications arising from the recommendations in this report.
- 6.2 There is considerable debate around the financial implications of ethical investment policies. Investment policies which exclude specific sectors or types of investment for ethical reasons may limit the investment universe, potentially impacting on the on the security or financial returns of the fund. This would ultimately result in the requirement for higher employer contributions to ensure the fund can continue to meet its liabilities. Conversely, others argue that ethical investment approaches enable pension funds to invest in companies and sectors with more sustainable approaches, which could generate greater returns over the long term.

Name of finance officer consulted: Haley Woollard Date consulted : 03/02/2026

7. Legal implications

- 7.1 As indicated in the report, pensions of BHCC staff are administered by East Sussex County Council as administering authority of the East Sussex Pension Fund. Accordingly, whilst Brighton and Hove City Council can make representations to East Sussex County Council in relation to its investment decisions, it does not have any powers to make decisions on these matters.
- 7.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require a scheme administrator (in this case East Sussex County Council) to formulate an investment strategy in relation to the scheme. Government guidance relating to this states that although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.
- 7.3 As indicated in the report the Government has published draft Local Government Pension Scheme (Pooling, Management and Investment of

Funds) Regulations 2026 which will mandate the investment of LGPS assets strategy to LGPS asset pools. Whilst it is understood that each Pension Fund will need to continue to have an investment strategy, the extent to which that might have any influence on a Pool's investment decisions is unclear and currently the subject of draft guidance which has been consulted on, but is likely to be more limited going forward.

Name of lawyer consulted: Allan Wells

Date consulted 03/02/2026

8. Risk implications

- 8.1 Risks associated with Pension Fund investments are considered in detail in determining the investment strategy.

9. Equalities implications

- 9.1 Pension Fund investment approaches that fully embed ESG considerations tend to align closely to promoting equality.

10. Sustainability implications

- 10.1 Pension fund investment policies can be used to further sustainability goals, both on a local level and also on a wider national and international scale.

11. Social Value and procurement implications

- 11.1 Pension fund investment policies that fully embed ESG considerations are likely to drive greater social value.

12. Conclusion

- 12.1 As set out in the recommendations to the report.

