

## Eastbourne Borough Council

### Addendum to 2018-19 and 2019-20 Annual Governance Statement

#### Companies

The council is also expected to report on separate bodies set up by the council and to give a full picture of the relationship with those bodies. The following table gives the details of these bodies and, where appropriate, it includes a link to where information can be found in respect of information such as reports and accounts.

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Aspiration Homes LLP (Limited Liability Partnership)	Incorporated on 30 June 2017.  To ensure the councils have the overall capacity to maximise housing investment and funding opportunities. To act as the asset holding vehicle for affordable housing properties that cannot, for financial accounting or other reasons be held in EBC or LDC respective Housing Revenue Accounts.	Limited Liability Partnership LDC and EBC  Company number: OC41800	Governed by LLP Agreement and an Executive Committee of 6 - made up of 2 elected members from each authority.	<b>Eastbourne Borough Council</b> Ownership of voting rights - More than 25% but not more than 50% Right to surplus assets - More than 25% but not more than 50% <b>Lewes District Council</b> Ownership of voting rights - More than 25% but not more than 50% Right to surplus assets - More than 25% but not more than 50%	Aspiration Homes will act as the asset holding vehicle for affordable housing properties developed through the EHICL and LHICL commercial development programmes. Support has included a £10 million loan to be funded from borrowing by LDC to Aspiration Homes LLP.  <a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities">www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities</a>
Eastbourne Housing Investment	Company Active	Company EBC only.	Governed by Articles of Association and a Board of 5 directors made up of	Eastbourne Borough Council.	To enable the council to undertake non HRA development and use associated forms of tenancies.

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Company Ltd (EHICL) (1 May 2015)	To undertake more commercial development, place shaping activities and hold associated respective assets, in a way which meets legal and regulatory requirements and ensures that the council has distinct control over such assets.	Company number: 09571387	senior staff and Elected Members from Eastbourne Borough Council plus one Independent.	Ownership of shares – 75% or more Ownership of voting rights - 75% or more Right to appoint and remove directors.	<a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities">www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities</a>

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Eastbourne Homes Limited (24 January 2005)	Company active  The Group's principal activities are to manage, maintain and improve the housing stock on behalf of Eastbourne Borough Council.	Company  Company number: 05340097	Governed by Articles of Association and a Board of 9 directors, 4 independents, 3 tenants and 2 Elected Members from Eastbourne Borough Council made.	Private company limited by guarantee without share capital.	Eastbourne Homes Limited is controlled by Eastbourne Borough Council. The Parent Company was established as an Arm's Length Management Organisation (ALMO) in accordance with a Government policy initiative for local authority housing management.  <a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/eastbourne-homes-limited-governance">www.lewes-eastbourne.gov.uk/about-the-councils/eastbourne-homes-limited-governance</a>
Eastbourne Downs Water Company (24 August 2016)	Company active  To enable water to be supplied to farms on the downs in Eastbourne.	Company EBC only  Company number: 10343551	Governed by their Articles of Association and a Board of 3 directors – made up of EBC/LDC senior staff.	Private company limited by guarantee without share capital	<a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities">www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities</a>

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Investment Company Eastbourne Limited (26 March 2018)	Company active.  The Council has established this wholly owned company for the purpose of providing a Guarantee to an institutional investor (Infrastructure Investments Ltd) relating to a property asset in Leicester.	Company  Company number: 11276378	Governed by their Articles of Association and a Board of 3 Directors – made up of EBC/LDC senior staff.	Private company limited by shares. The 2 shares are wholly owned by Eastbourne Borough council.	<a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities">www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities</a>
South East Environmental Services Ltd (31 August 2018)	Company active.  To undertake domestic waste and recycling collection and street cleansing services in Eastbourne from 1 <sup>st</sup> July 2019 and to develop related services in the medium term thereafter.	Company  Company number: 11545729	Governed by their Articles of Association and a Board of 5 Directors – made up of EBC senior staff and Elected Members.	Private company limited by shares. wholly owned by Eastbourne Borough council.	<a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities">www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities</a>
<b>Companies in which the council has an interest</b>					
Cloudconnx Limited (19 January 2011)	Company active  To provide competitive internet services to Eastbourne, Wealden and East Sussex based businesses on network communication technologies providing high speed broad band circuit provision etc.	Company  Company number: 07497266		Eastbourne Borough Council owns 45% of shares and represented on the board.	Broadband provision.
SEILL (South East Independent Living Limited) (30 September 2013)	Company active  Company set up by Eastbourne Homes Ltd (see above)  To deliver a short term housing floating support service for people of	Company  Company number: 08710235	Governed by their Articles of Association and Directors from Eastbourne Homes Limited including a Corporate Director	Wholly owned subsidiary of Eastbourne Homes Ltd.  1 Ordinary share owned by Eastbourne Homes Ltd.	Subsidiary of Eastbourne Homes Limited, established for the purposes of delivery of the STEPS contract and possibly bidding for similar future contracts.

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
	65 and over who live in Eastbourne, Lewes and Wealden Districts. Navigator service for support for people 18 or over with long term physical health condition.				<a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/south-east-independent-living-limited">www.lewes-eastbourne.gov.uk/about-the-councils/south-east-independent-living-limited</a>

### **Eastbourne Homes Ltd**

Governance arrangements at Eastbourne Homes Ltd (EHL) are also considered. Reviews are carried out and reports written by the internal and external auditors engaged by EHL which are reported to their own Audit and Risk Committee and Board. Currently EHL engages the council's Internal Audit section to carry out their internal audit reviews. At the end of year the Audit and Risk Committee of EHL have a minuted disclaimer concerning fraud and corruption.

### **Investment Company Eastbourne (ICE) Limited**

In May 2018, the council's wholly owned company Investment Company Eastbourne Limited (ICE) entered into a deal with a private company in respect of a property in Leicester. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with Eastbourne Borough Council being the ultimate guarantor. In return for providing this guarantee, ICE received an initial guarantee fee and will continue to receive an annual guarantee fee.

The setting up of the company and the transaction itself, were subject to advice from independent, external, legal and financial professionals. A review of the governance around the setting up of the company, and the transaction itself, was carried out in December 2019 by the council's Chief Internal Auditor. It was found that due diligence had been followed by that lessons could be learned to ensure full transparency in any similar, future, situation.

All relevant activities have been predetermined under the Development and Asset Management Agreement (DAMA) and will be consolidated into the council's financial statements. The DAMA entitles ICE to a degree of control over the activities of Infrastructure Investments Limited (IIL) and exposes it to a portion of the returns from those activities. IIL is a property company that holds and lets out the property. The activities of IIL are to manage the property and the tenancies and ensure maximisation of rental income and eventually sell the property.

The operations of IIL are run by its board of directors that are appointed by a majority of the shareholders as per Article 18.1 of IIL's Articles of Association. Clause 2 of the DAMA sets out a requirement for the management of IIL to run IIL in accordance with the 'Business plan' and any changes to the 'Business plan' require approval by the ICE Board of Directors.

ICE does not currently have a majority of the shareholding in IIL, but it has the ability to require the Shareholders to sell to ICE (or as it directs) 49.5% of the shares for £1 at any time in a non-default situation before the Property is sold in accordance with the DAMA. In addition, it has a second option which can only be exercised on a default termination of the DAMA and consists of the ability of ICE to require the Shareholders to sell to ICE (or as it directs) 100% of the shares for £1. In such a situation, unless the option to acquire 100% of the share capital in ILL is exercised under the Share Option agreement, ILL must procure that the Property is transferred to ICE (including the transfer by II(L2)L of the Leasehold Property). In which case ICE has a Purchase Option which has to be exercised within a set time period of termination of the DAMA. ICE can have a nominee purchase the Leasehold Property whilst it takes the Freehold.

The Articles of Association of IIL includes the grant of a "B" share which preserves the ICE entitlement to its share of the Exit Proceeds on a Disposal Dividend, a Sale, a Liquidation or a Return of Capital. The Articles of Association II(L2)L give a "B" share to ICE which provides that the company shall not without the written consent of the holder of the B share sell, transfer, dispose or grant any interest in or over (or agree to do so) the property.

The Intercreditor Deed records the fact that the security issued in favour of ICE ranks in all circumstances behind Canada Life's security. That said, Canada Life is restricted from taking enforcement action where to do so would prejudice the right of ICE to step in and take over the Loan under the DAMA. In order to benefit from this protection, ICE must notify Canada Life of its intention to complete an acquisition of the shares or the Property within ten business days of it being notified of an event of default. It must then complete the necessary processes within the timescales set out in the InterCreditor Deed.

The completion of the Council's accounts final audit was delayed due to technical accounting issues/treatment and valuation of the ICE guarantee contract. The Council has complied with the recommended number of technical accounting changes following consultation with council's External Auditors (Deloitte), Grant Thornton, Arlingclose Limited and Link Asset Management Service on the accounting treatment and valuation of the ICE guarantee contract.