

2 March 2021

Chair of Audit and Governance Committee
Eastbourne Borough Council ("the Council")
1 Grove Road
Eastbourne
NS21 4UG

For the attention of the Chair of the Audit and Governance Committee

We reported to the Audit and Governance Committee in November 2020 on the findings of our audit on the 2018/19 audit.

In that report, we had noted a number of open matters. We have summarised below how these have been resolved:

- **Accounting for the ICE guarantee contracts:** Management has now prepared the accounting entries for the ICE guarantee contract, the related receivable, and in the group accounts the joint venture accounting for this transaction.
The adjusted position shows net income for the year of £0.8m, compared to £2.0m in the draft accounts (which had shown £2m income and no assets or liabilities beyond the initial cash receipt), increasing reducing reserves by £1.2m.
We have noted immaterial presentational points in respect of the posting of these entries, which we will include in the schedule of unadjusted matters in our representation letter.
Narrative disclosures have been included in the financial statements on the transaction, including on the critical accounting judgements and key sources of estimation uncertainty in accounting for the transaction. We have recommended that the final Annual Governance Statement includes reference to the governance over this transaction as a material matter within the year, but have no further observations on the disclosures in the financial statements themselves.
- **Valuation of property assets – treatment of additions between valuations:** Additions to HRA assets had been added to cost without corresponding disposal entries, with a cumulative impact of c£12m on net assets (albeit with the impact of this being upon unusable reserves). Management have agreed that this should be adjusted for, and to restate the comparatives with a £4.0m impact at 1 April 2017 and £3.9m in 2017/18 (cumulative £7.9m at 31 March 2018), with further £4m impact in 2018/19. We have noted a number of issues in how the entries for this have been reflected in the financial statements, which require correction. We are reviewing with management the corrections required.
- **Valuation of property assets – assumptions on the valuation of David Lloyd (Broadwater Way), Hampden Retail Park, and the property in Infrastructure Investments Leicester Limited:** After further discussion and evidence on the valuation of these assets, we do not have any additional matters to report.

We have received an updated set of financial statements reflecting the adjustments for these items, and including subsequent event disclosures in respect of the impact of the Covid-19 pandemic on the Council and the capitalisation direction received from the Ministry of Housing, Communities and Local Government. We are checking the adjustments made in the updated financial statements and taking

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through our quality reviews. After completion of these steps and resolution of any queries arising, we will reissue a final version of our ISA 260 report, taking into consideration the corrections to the financial statements as noted above.

Following finalisation of the financial statements, and receipt of signed representation letter, we anticipate issuing an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

Yours faithfully,

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Ben Sheriff
Deloitte LLP
St Albans, UK