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## **TRANSEUROPA DEBT**

To: **Governance and Audit Committee – 26 July 2013**

Main Portfolio Area: **Financial Services**

By: **Financial Services Manager**

Classification: **Unrestricted**

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**Summary: For Members to note how the Transeuropa debt will be addressed within the 2012/13 statement of accounts.**

### **For Noting**

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#### **1.0 Introduction**

1.1 Following the termination of business by Transeuropa NV and its subsequent filing for insolvency, the outstanding debt to the council is circa £3.3m. In accordance with proper accounting practice, full provision for this debt will be made within the 2012/13 statement of accounts which will be presented for approval to this committee on 25 September 2013.

#### **2.0 Statement of Accounts**

2.1 As part of the closure process for 2011/12, a review was undertaken of the debt position in relation to Transeuropa. The position was discussed with the auditors and it was decided that as agreement had been reached over a debt repayment plan, there was no need to make explicit reference to the Transeuropa debt position within the accounts or make a provision for the outstanding debt. Indeed, the first three repayments had been received at the time of the signing of the 2011/12 accounts which provided the auditors (and the council) with assurance that Transeuropa would honour the debt repayment plan.

2.2 Unfortunately, Transeuropa's financial position did not improve as hoped and in April 2013 they ceased operations and started insolvency proceedings. The council has consequently reviewed its outstanding debt position with Transeuropa and the debt stands at circa £3.3m. Although the council has lodged its debt with the company administrators and intends to take whatever action it can to chase the debt, good accounting practice means that the council needs to provide for the debt in full within its 2012/13 statement of accounts. The proposed sources to fund the outstanding debt were presented to Cabinet on 29 May 2013 (see Cabinet report attached at Annex 1). Cabinet approved these sources and this will now go to Council in July for ratification. Once approved, these drawdowns from reserves and the bad debt provision will be reflected in the 2012/13 accounts which will then be presented to this committee for approval on 25 September 2013. Members should note that the position has already been discussed with the auditors and they are aware of the council's proposed treatment of the debt position.

### **3.0 Corporate Implications**

#### **3.1 Financial and VAT**

3.1.1 The outstanding debt will be provided for in full within the 2012/13 statement of accounts. The sources of funding to cover this debt were presented to Cabinet on 29 May 2013 and will be approved by Full Council on 11 July 2013.

#### **4.2 Legal**

4.2.1 The Legal team will endeavour to take whatever action is available to chase the outstanding debt.

#### **4.3 Corporate**

4.3.1 The published accounts must give a true and fair view of the council's financial position and its income and expenditure for the year. The 2012/13 accounts will therefore reflect the outstanding debt position in relation to Transeuropa.

#### **4.4 Equity and Equalities**

4.4.1 There are no equity or equality issues arising from this report

### **5.0 Recommendations**

**5.1 That Governance and Audit Committee note the outstanding debt position in relation to Transeuropa and the proposed treatment within the 2012/13 statement of accounts.**

#### ***Annex List***

<i>Annex 1</i>	<i>Transeuropa Outstanding Debt report to Cabinet 29 May 2013</i>
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