

TRAFFORD COUNCIL

Report to: Accounts & Audit Committee
Date: 30 July 2018
Report for: Decision
Report of: Chief Finance Officer

Report Title

Approval of the Final Accounts 2017/18 (Accounts 2018)

Summary

The pre-audited 2017/18 accounts were approved by the Chief Finance Officer on 31 May 2018, and on 1st June 2018 were submitted to the Council's external auditors, Grant Thornton, and placed on deposit for public inspection for 30 working days.

Attached are the redrafted Final Accounts for 2017/18, as they currently stand at the time of the Committee report distribution and pending any changes prior to the completion of the audit by 31st July 2018. Amendments made are highlighted and accommodate changes currently agreed with Grant Thornton during their audit.

The majority of changes relate to "Disclosure" changes such as formatting, enhancements to improve readability and typographical errors. Full details are shown in the External Audit 2017/18 Findings Report, Item 6 on this Agenda.

There is one significant issue which remains outstanding relating to the accounting treatment of LOBO (lender option borrower option) debt. Grant Thornton decided to reconsider the accounting treatment of some kinds of LOBO arrangement with more complex terms, of which the council's portfolio includes one. The view represents a revision to the practice adopted by the council and signed off by successive auditors for the best part of a decade. There are about 10 authorities nationally affected by the proposed changes in accounting treatment which would involve making a significant charge to the revenue budget if the existing accounting treatment was changed. The Ministry of Housing, Communities and Local Government is currently being consulted about this and consideration is being given to introducing a statutory override for those authorities affected.

We are minded to continue the accounting treatment we have applied to the LOBO for 2017/18 and all subsequent years; this issue has been raised late in the 2017/18 accounting cycle, especially as this is the seventh year of audit since the loan was agreed and no adverse comment has arisen until this year. We have taken professional advice from our external Treasury Advisors, Link and also have clear evidence from RBS (the lender) to support our accounting treatment of this particular loan.

We are currently in ongoing discussions with Grant Thornton to say that we do not believe that there is a case for the council to have to reappraise the approach it has had in place for many years and, if they believe the contrary, asking them to explain why, with reference to our specific transaction, rather than their generic view previously put forward.

A summary of the possible outcomes is set out below :

1. The auditor accepts the treatment adopted by the council.
2. The auditor and council do not agree, in which case the auditor:
 - Will report any material difference in the Audit Findings report for 2017/18 and only give a final opinion on the Accounts once the position is resolved nationally and this might involve a statutory override.

A separate detailed briefing paper has been prepared for discussion with the lead Executive Member and the Accounts and Audit Committee members will be appraised of the latest situation at the committee meeting.

Recommendation

Members are requested to review and note the Accounts as they currently stand.

Any further significant changes which may be identified during the later stages of the audit will be presented at the committee meeting, along with an update on the situation regarding the LOBO loan.

Members are requested to approve the Final Accounts for 2017/18.

Contact person for access to background papers and further information:

Name: Dave Muggeridge, Finance Manager, Financial Accounting.
Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Failure to approve the accounts in a proper format would be contrary to the Accounts and Audit Regulations.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable