

Appendix A

3. Critical Judgements in Applying Accounting Policy

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision and we believe we will remain a going concern into the future.
- The Council has the right to appoint the majority of delegates on the board of the Swimming Bath Trust and as management agents has control over the financial and operating policies of the pool. Also, the Council deficit funds the operations of the pool. It has been determined that the Council has control of the Trust and should be treated as a subsidiary. However, due to the value of the leisure centre being revalued to nil in 2014/15 the Council have decided not to prepare group accounts on the basis of immateriality.
- The Council's former insurers Municipal Mutual Insurance Limited ceased trading in 1992 and the Council became a party to the scheme of administration for liabilities outstanding at that time. Previously the administrators advised that the assets would at least match the liabilities and a solvent run off of the scheme could be expected. However the directors of MMI 'triggered' MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 on 13 November 2012 and Ernst and Young LLP became responsible for the management of the MMI's business, affairs and assets in accordance with the terms of the Scheme. The claw back scheme to which Tewkesbury is subject provides for a maximum liability of £159,699. Ernst and Young suggested an initial levy rate of 15% to achieve a solvent run off and this (£23,954) was paid over in January 2014. We have provided for an additional 10% in long term provisions as we have not had any confirmation that this would be the final payment.
- The level of provision for business rate appeals under the business rate retention scheme has been calculated using historic appeals information. Those on the list at 31st March 2016 with a code of grounds where we have statistical information relating to the success and outcome of past appeals have been calculated using the average success rate and rateable value lost. The appeals relating to Virgin Media are treated separately as these are unique cases that were heard as part of a special programme. The hearing relating to the 2005 assessment resulted in a reduction in rateable value of 40% and so we have used that basis for establishing a provision for the outstanding 2010 Virgin Media appeals.

- The Council is required to consider whether there are unlogged appeals in respect of Business Rate payments which could have a material impact on the Statement of Accounts. The current scheme, set up in 2013/14, uses a Baseline assessment of expected income from Business Rates. This has been used by DCLG to then set the risk that the council is exposed to from changes in income collected. This Baseline has been set for 5 years.

Given the impact of the change in the Virgin Media assessment in 2014/15 the income that the Council now receives has fallen against the original Baseline set.

Taking into account the Council's 2016/17 projection of Income, growth, grant funding and the provision for appeals the risk that the Council is exposed to is calculated as £367,681. If the Council was to experience new appeals, if situations such as NHS Trusts being awarded charitable status arise, or that appeals currently provided for are more than expected then the Council would be liable for the first £367,861k of refunds. After which the Council would be in a safety net position and central government would be responsible for covering the cost of any further impact of appeals.

Whilst the Council is predicting limited growth in business rates income and until the Government reset the Baseline funding assessment to take account of recent changes in Rateable values, the Council does not consider itself to have a material liability in respect of unlogged appeals causing changes in Rateable Value

- IAS 19 disclosures include information on the assets that make up the Local Government Pension Scheme for the Council as required under 6.4.3.42 (8) of the Code of Practice. We have taken the decision to disclose, in summary, the categories that the Pension Fund have invested in. The Council does not directly influence the activities of the Fund and as the fund assets do not impact on the revenue account it is our decision that the disclosure is sufficient in line with section 6.4.3.42 (2) of the Code of Practice. Should further information be required on the categories of pension assets and the decision making on the strategy for investment then we would direct the query to the Pension Fund administrators.

The Council joined a Local Authority owned company, Ubico, on the 01st April 2015. This company provides a range of environmental services for the Council. During the year 2 other Local Authority's joined, which has taken the number of owners up to a total of 6. Each authority has one share interest in Ubico.

We are required to consider whether the Council has an interest in this company and whether the Council should produce Group Accounts.

Our conclusion is that UBICO represents a separate vehicle. However when considering joint arrangements, under IFRS12, our assessment is that on the test of whether there is Joint Control per section 9.1.2.10 of the code, there is no evidence to support this.

We have then considered whether under IAS28, that we have significant influence, per 9.1.2.22 of the code. This is due to their being 6 equal shareholders, which means our interest in Ubico is below the 20% threshold which is an indication of holding significant influence. Other factors which we have considered include representation of n the board, participation in policy making, material transactions and management influence. Our judgement is that there is no persuasive evidence that the Council has a significant level of control over the strategic direction and operation of Ubico. Therefore Group Accounts do not need to be produced.

The Council has accounted for the cost incurred in operating a service contract with Ubico and also the interest the Council has a Shareholder, however the Councils statements do not reflect any interest in assets and liabilities that we have in the company.

Ubico's Statement of Accounts are available from Companies House,