

Appendix B

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year (due to assumptions/judgements) are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------|---|--|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. With in year depreciation of £307k and depreciation adjustment of £304k (due to in year revaluations) a large change in valuation or useful life could increase or decrease the depreciation charge quite substantially. |
| Fair Value measurement | <p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16 below.</p> | <p>The authority uses Market Rental and Sales Values, along with other inputs to measure the fair value of some of its investment properties</p> <p>The significant unobservable inputs used in the fair value measurement include comparative information based on limited rental evidence based on rental value and yields.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p> |

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| Business Rates | <p>Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2015-16 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2016.</p> | <p>Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2015-16 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2016.</p> |
| Income from Garden Waste Payments | <p>The calculation of Receipts in Advance in relation to garden waste is an estimation technique based on information available from the financial ledger showing income received in each period, rather than the renewal date that the payment relates to. The information held in the ledger is not sufficient to identify the renewal date.</p> <p>To fully allocate payments to the renewal date would require a significant investment of resources to investigate approximately 15000 annual payments. This would ensure income is allocated to the correct period, and that at the year end Receipts in Advance calculation to transfer into the next financial year is correct. The result of such an exercise would be move some of receipts in advance by 1 month. However it is our view that as it would impact on all periods and the year-end figure would therefore not be significantly different from the Receipt in Advance figure in the financial statements.</p> | <p>In the 2015/16 financial statements the total income from garden waste was approximately £599k and the receipts in advance identified was £161k. Neither figure is material to the statements.</p> <p>The council is satisfied that the estimation technique used is sufficient to produce materially accurate financial statements, whilst making best use of resources available.</p> |

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| Arrears | At 31st March 2015, the Council had a balance on doubtful debts of £1,226,507 of which £1,190,801 related to a general provision. Housing benefit general provision has increased from 80% due to the level of debts increasing, increased pressure on those on benefits and the future introduction of Universal Credit. | If collection rates deteriorate then our revenue reserves would be impacted but we feel that the increased provision helps mitigate this potential risk. | |
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate | The effects on the scheme liabilities of changes in individual assumptions can be measured and the sensitivities regarding | |
| | Change in assumptions at year ended 31 | Approx. % increase Approx. monetary | |
| | 0.5% decrease in Real Discount Rate | 10% | 6,895 |
| | 1 year increase in member life expectancy | 3% | 2,055 |
| | 0.5% increase in the Salary Increase Rate | 3% | 1,895 |
| 0.5% increase in the Pension Increase Rate | 7% | 4,910 | |