

Appendix B

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'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 £169,775. Ernst and Young suggested an initial levy rate of 15% to achieve a solvent run off and this was increased to 25% on 1 April 2016. 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 (2010 list) has been calculated using historic appeals information. Those on the list at 31 March 2017 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 and we will use a variety of sources to determine a suitable appeals provision, e.g. 1 April 2017 rating list figures.
- The 2017 rating list has introduced a new appeals scheme called 'Check, Challenge, Appeal' due to many appeals previously being made speculatively and with little supporting information. This means that the ratepayer has to go through 2 stages before they get a chance to appeal and this can take many months. At the end of February there were no businesses who had made it to the Challenge stage giving us no indication of the level of provision to make against the 2017 list for appeals not yet lodged. When setting the 2016/17 multiplier for the new 2017 list an allowance of 4.7% was made by the Ministry of Housing, Communities and Local Government to provide for future appeal loss. Therefore we will be providing 4.7% of the gross rates payable for the 2017-18 financial year.
- 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 1 April 2015. This company provides a range of environmental services for the Council. During the year Gloucestershire County Council joined, which has taken the number of owners up to a total of 7. Each Council 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 7 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 on 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 as a Shareholder, however the Council's 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.

- The council has to make judgements whether a lease is an operating lease or a finance lease and has assessed the following:

- all the investment properties recently purchased included tenant with lease terms remaining of between 6 and 9 years. The authority has decided that, on the balance of the risk and rewards, they should all be classified as operating leases.

- The Council purchased a new fleet of vehicles in 2017, which it leases to Ubico. The vehicles are on our balance sheet as operational assets as we retain the majority of the risks and rewards of ownership therefore the lease to Ubico is classed as an operating lease.

- A decision has been made to classify the following Plant, Property and Equipment bought this year as investment properties:

-E1 and E2 The Chase, Foxholes Business Park, Hertford, Hertfordshire, SG13 7NN was purchased for £3.9m and was acquired for the in situ tenants with lease end dates ranging from 2024 to 2026.

-SPL House, Poole Hall Industrial Estate, Ellesmere Port CH66 1ST was purchased for £3.77m with sitting tenants whose next lease break clause comes in 2027.

-Unit 10 Kennet Way, Canal Road Industrial Estate, Trowbridge, BA14 8RN cost £5.9m and the current tenants have a lease in place until 2027.

There are no service related provisions in the any of the contracts and they are held purely for the capital appreciation and revenue return.