

Informing the Audit Risk Assessment

ACCOUNTING ESTIMATES

Estimate (Please add/remove estimates as appropriate)	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	RICS approved valuation methodologies	Use of external RICS qualified auditors	Yes – External Valuers and in-house RICS qualified employees	Variances to be checked with in-house team and where necessary alternative valuers will be used to challenge any variances	No
Depreciation	The approach is outlined in the statement of accounts utilizing Code of Practice and up to date CIPFA Capital Accounting guidance	Analysis of impairments, acquisitions and disposals included in the closure of accounts procedures	Yes – External Valuers and in-house RICS qualified employees	No other alternatives have been considered for 21/22	No
Level 3 investments – Investment in Joint Ventures	The Council does not have any investments of this nature.				

Deferred income	Standard schedules based on lease agreements.	Assessment of amount of outstanding lease payments	No. Process complies with standard practice for producing such estimates.	Model used follows requirements of accounting standards and Code. There are no alternative methodologies available.	No
Provisions (Bad Debts)	For Sundry Debts, for significant areas such as income from Market Walk, assessment has been made at a detailed level. For more general debt, a percentage provision has been applied. For HB overpayments, provision is based on a percentage dependent on the age of the debt. The levels of provision for this type of debt have been reviewed for 2021/22. CTax and Business Rates debt (including Costs) is again based on age bandings and percentages. All percentage bandings have been reviewed for 2021/22 in view of the	Estimates are derived by reference to the available relevant data and in accordance with professional standards and guidance.	No. Process is internal only. All staff involved are trained and experienced to sufficient degree both to fully understand the process and its significance and to apply it in practice.	There is an inherent element of estimation uncertainty and this has inevitably been increased by the circumstances of the pandemic. Every effort has been made to limit this increase, by close reference to all available data.	Base methodology remains unchanged for 2021/22.

	impacts of the Covid 19 pandemic and, where judged appropriate, varied compared to previous years.				
Provisions (NNDR)	For pre-2017 List appeals, a calculation is carried out based on levels of outstanding appeals, the grounds of the appeals and past experience of success rates and levels of reductions in RV. For the 2017 List, provision is based on an estimated percentage, derived with reference to comparator councils, adjusted for changes made at the 'Check' and 'Challenge' stages.	Estimates are derived by reference to the available relevant data, comparators, etc and in accordance with professional standards and guidance.	Estimate has been produced in-house. LG Futures have been retained to review and advise on its appropriateness.	A degree of estimation uncertainty is inherent even with the pre-2017 List, because although it is based on objective data and an established methodology, there is always the possibility of variation from previous percentage success rates and RV reduction. The uncertainty is higher in respect of the 2017 List, where there is very little objective evidence on which to assess the likely ultimate level of successful appeals. The percentage applied is judged to be within the range of likely outcomes, but towards the higher end of that range. Consideration has been given to applying a lower percentage, but this would expose the Council to the risk of future loss without the provision to cover it, with the possibility that this could be for a significant amount.	Only change compared to previous year is that a certain amount of information is now available in respect of numbers and status of 2017 List cases at the 'Check' and 'Challenge' stages and this has been incorporated

Accruals	Estimates are based on hard data, eg values of orders placed, actual invoiced/remitted amounts paid /received in first month of succeeding financial year, values produced by completion final returns and grant claims.	Accruals are raised only where there is objective evidence of expenditure/income which is required to be recognized in the financial year.	No. Process is internal only. All staff involved are trained and experienced to sufficient degree both to fully understand the process and its significance and to apply it in practice.	Robust nature of base data and relatively mechanistic nature of process mean that there is only a very limited degree of uncertainty, eg an invoiced amount may vary slightly from an order value, a subsequent amendment might be made to a return on which a grant claim was based, but it will be rare for these to produce any significant variation.	No.
Credit loss and impairment allowances	The only estimate of this type made by the Council is that for non-recoverability of Short Term Debtors. Detail in respect of this has been provided under the heading of Provisions (Bad Debts) above	See under Provisions (Bad Debts) above	See under Provisions (Bad Debts) above	See under Provisions (Bad Debts) above	See under Provisions (Bad Debts) above
Finance lease liabilities	The Council does not hold any assets under finance leases.				

<p>Minimum Revenue Provision (MRP)</p>	<p>Full Council (22nd February 2022) approved the 2022/23 Treasury Management Strategy.</p> <p>This included a revised approach to the calculation of MRP.</p>	<p>The Council calculates MRP on pre-2008 debt in “equal annual instalments”; this aspect of the calculation remains unchanged.</p> <p>For debt post-2008, the Council has adopted a varied approach; charging MRP largely in equal instalments over the life of an asset; however using an annuity basis for income generating schemes.</p> <p>The revised methodology uses the annuity method for <u>all</u> post 2008 debt to ensure a consistent and equitable approach.</p> <p>These changes will be applied in the</p>	<p>Discussions with Link Treasury Advisers</p>	<p>The methodology is applied to actual external borrowing – in the year after borrowing took place; in line with guidance.</p>	<p>2021/22 – No 2022/23 - Yes</p>
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