**Link Asset Services**

**Update to SDCT Meeting 8th March 2019**

**Technical update:**

* IFRS9 Closedown Guide – we will be issuing a summary guide setting out the accounting entries for some of the most commonly held investments and liabilities held by local authorities;
* The note to the accounts for financial instruments have changed significantly, we have therefore provided clients with some model notes which highlight the new requirements;
* Expected credit loss (ECL) will be fine for most but long term debtors and investments may be a problem, if there are bad debt issues which have not been addressed historically;
* Fair value will be as usual for closedown – we will be doing the ECL for treasury investments;
* We are expecting more guidance from CIPFA on the commercialism agenda to clarify their position – this is likely to be clearer and a bit more restrictive - there seems to be a lot more audit activity in this area;
* As usual, clients should contact us if there are any problems and we are happy to respond to any queries from the wider Executive.

**IFRS16 update:**

* CIPFA has confirmed a 12 month deferral, but keep the momentum going with preparation – there is a considerable amount of work to be done;
* Adoption / transition is now at 31/03/2021;
* Standard sets out a broad set of rules about how leases should be accounted for and how to transition from current lease accounting (Operating Leases) – a single accounting model, bringing almost all leases ‘on balance sheet’ – recognise a Right of Use (RoU) asset and a lease liability;
* This is a substantial impact and data governance is essential;
* We have developed a comprehensive IFRS16 model and support service, which is attracting considerable interest.

**Business Planning update:**

* **Capital Strategy** – we have worked with a number of clients in developing their capital strategy in time for 2019/20 reporting – challenges we have observed from clients, and a review of strategies published to date, are that authorities continue to struggle with balancing technical detail with overall strategy, are still concentrating mainly on medium term rather than developing a longer term strategy and are often not making strong links to strategic influences to inform capital ambition and overall strategy – we continue to provide tailored capital strategy support – we can review existing / draft capital strategies, undertake a capital planning review and provide a draft capital strategy structure and guided approach – in addition we are providing training / local workshops.
* **Business rates forecasting** – as previously presented to the Executive, we are working in partnership with Pixel Financial Management to develop business rates forecasting - our forecast captures current business rates data / forecasting assumptions and feeds them into an interactive client area – specific site information also captured to consider impact of business rates growth and highlight risk from existing key sites – enables authority to maintain and adapt its business rates position on a real-time basis with aim of providing a sound base for business rates planning – forecast is flexible and is updated to reflect any future changes to business rates system and any local changes – we feel that this will be vital for effective financial planning over the coming years.
* **Business case development** – we have an experienced and accredited team, working with authorities, as part of individual projects, to draw project information together in three stages: Strategic Outline Case, Outline Business Case and Full Business Case, as aligned with the HMT Green Book five-case model – we bring experience, understanding and awareness of best practice in business planning processes and governance, which can be applied to local circumstances – we have to date worked with authorities on developing business cases for both internal funding bids and external (government) funding bids.
* **Capital modelling** – as previously presented to the Executive, we have developed acapital model, which enables a capital investment plan to be fed into an interactive client area to present and report on key capital investment features – this better enables more efficient and transparent evaluation and prioritisation – it captures cost and benefits information, evaluates data consistently and allows for key variables to be tested – it can support rationale for proposed programmes and can provide additional modelling capability for various impacts such as funding stream, cash flow, service and local economic growth implications – in addition we have combined capital modelling with support on business case development, as a key element of developing a business case to strengthen profiling of financial / benefit implications over time.

**Lisa Quinn – Link Asset Services**