

# validating Brixx business plans

Our services to RPs

With more RPs choosing to use the Brixx modelling tool, validation is becoming even more important. Smith & Williamson can provide varying levels of assurance regarding your projection models.

Brixx is becoming the modelling tool of choice for many registered providers of social housing (RPs). It uses pre-programmed 'objects' with in-built logic to speed up the development of financial projections. However, using such objects results in the loss of a visible audit trail between inputs and outputs. This makes the validation of financial projections particularly crucial.

## Our RP validation services

Smith & Williamson is a Brixx certified partner. We have provided validation services to over 20 boards and financial institutions regarding the robustness of RPs Brixx business plan models.

## Our approach

Our approach to validation and the scope of our procedures varies between clients, depending on the degree of assurance they require.

We design our procedures specific to your needs. Our experience suggests that boards and funders typically require the following levels of assurance.

### Level I

- 'Sense check' the main inputs and outputs.
- Review the principal assumptions, focussing on assumptions that appear to be outside the normal range, rather than all assumptions.

### Level II

- Report on whether the financial projections have been properly compiled on the basis of the principal stated assumptions, and whether the outputs are correct in material respects.

### Level III

Those included in level II, and additionally the following services.

- Confirm the narrative commentary of the business plan is consistent with the financial projections.
- Review and comment on the reasonableness of the principal assumptions applied in the financial projections.
- Identify the key risk areas which might prevent the projections being achieved.
- Seek independent verification of the assumptions, where they have been based on information provided by a third party.

#### Level IV

As level III, and also the services listed below.

- Identify key assumptions in the financial projection cashflows.
- Test the sensitivity of the projections to changes in these assumptions. Comment on any remedial action that has been proposed by the board to address any problems.
- Confirm the projections have been compiled after due and careful consideration by the board.
- Prepare an independent financial model to assist the review of the calculations for the projections, including the projected funding requirements.

#### General

For each assignment, we prepare an interim report which covers the work identified in the different levels, and a final report. Our report is presented in a concise bullet-pointed style, and we will report by exception.

Additional activities may include attendance at board meetings to present our findings, and carrying out such additional work and investigations as may reasonably be requested by the funders.

Our review will primarily involve use of the Brixx modelling tool, but depending on the assignment scope may make use of Microsoft Excel and third party products.

#### Who we are

Smith & Williamson is an independent professional and financial services group, employing around 1,500 staff in 10 offices across the UK and Ireland. We are the one of the top ten accounting firms in the UK *Accountancy Age* (June 2010) and our social housing team advises 70 RPs and related organisations.

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