

Audit Committee
Progress and Update Report for
Birmingham City Council
Year ended 31 March 2016

July 2016

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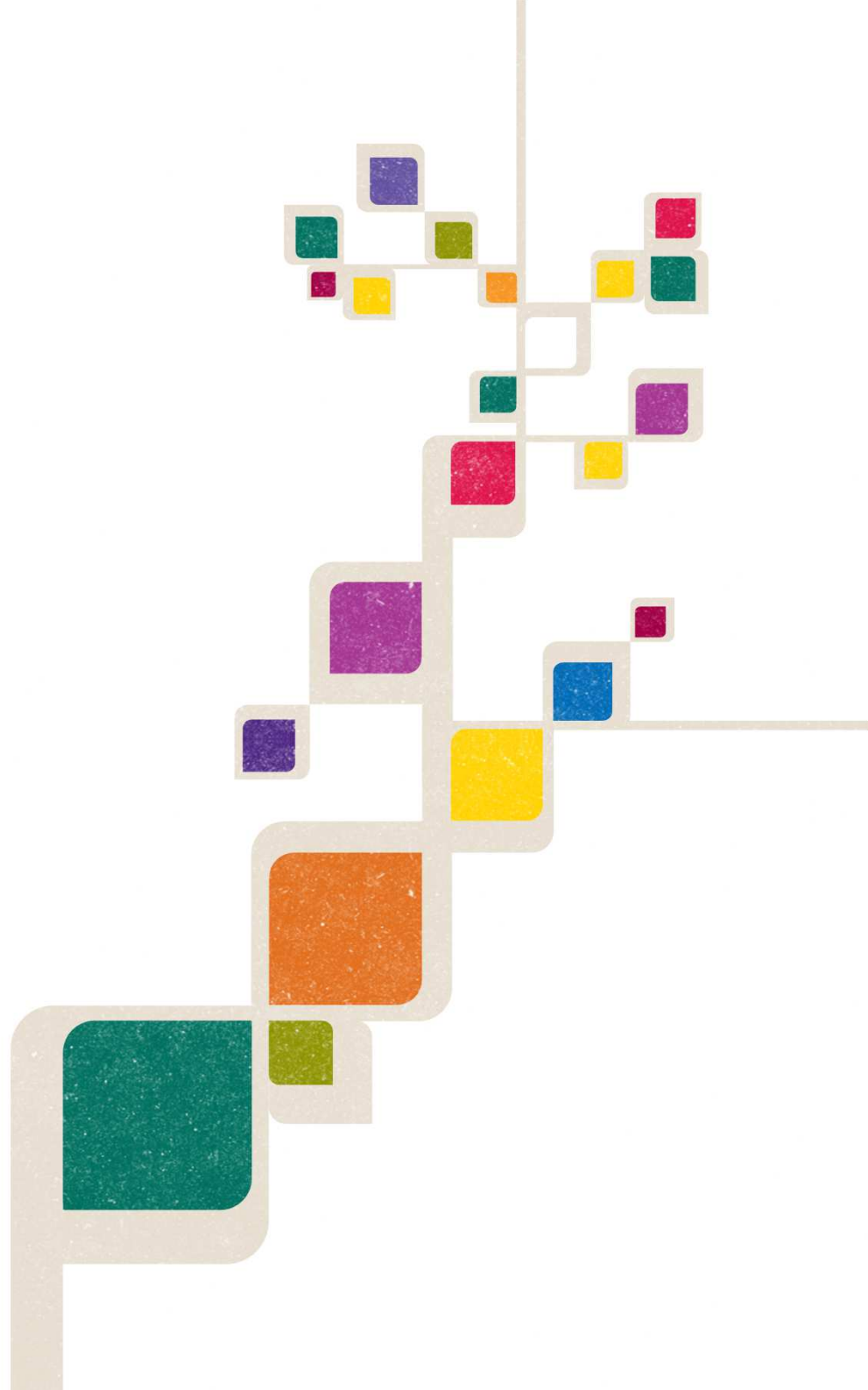
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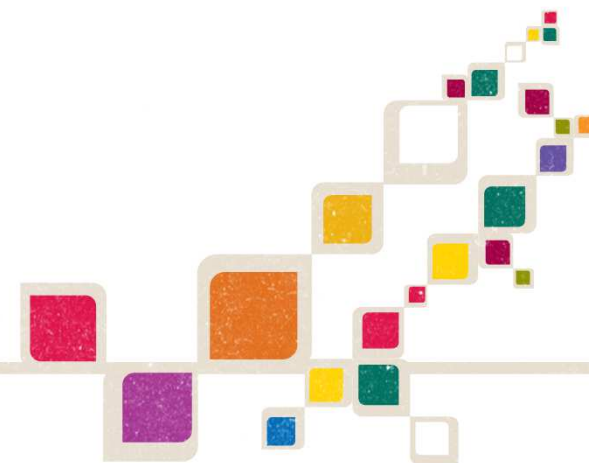
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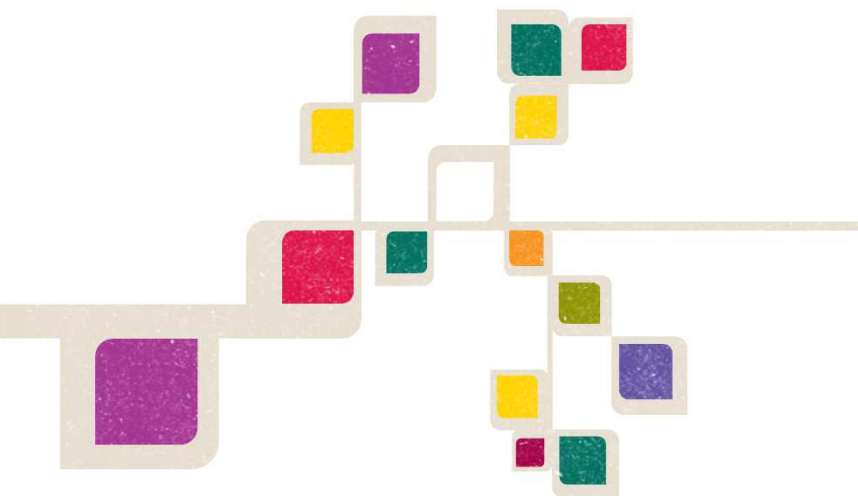
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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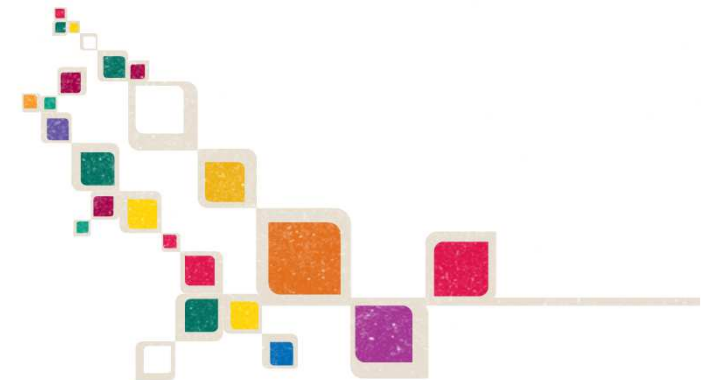
Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

We have included an overall summary of progress in delivering this year's audit and provided feedback on the outcomes of our interim audit work. We have also taken the opportunity to include short briefings on current issues and our latest publications.

Members of the Audit Committee can find further useful material on the Government and Public sector page of our Insights website (<http://www.grantthornton.co.uk/en/insights/>).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



Progress at 30 June 2016



Progress against plan
On track



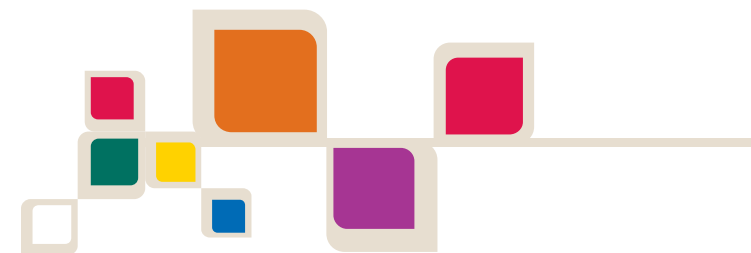
Opinion and VfM conclusion
Plan to give before deadline of
30 September 2016



Outputs delivered
Fee letter, Progress Reports, delivered
to plan

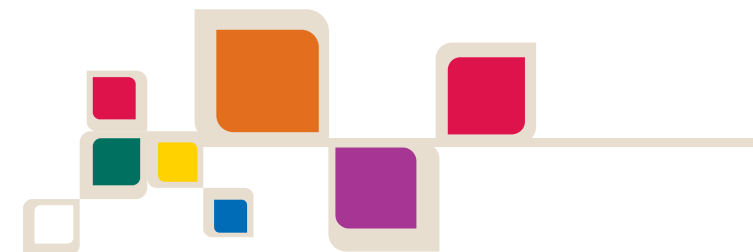
| 2015/16 work | Completed | Comments |
|---|------------|--|
| Fee Letter We issued the planned fee letter for 2015/16 in April 2015. | April 2015 | We have also recently issued the fee letter for 2016/17, with no change to the fee proposed. This is reported to this meeting of the Audit Committee. |
| Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements. We also inform you of any subsequent changes to our audit approach. | March 2016 | Presented to the Audit Committee in March 2016. |
| Interim accounts audit Our interim fieldwork visit included: <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing | March 2016 | Interim audit findings for the work completed to date are included in this report (pages 7 - 9). As part of our formal communication between auditors and the council's Audit Committee, as 'those charged with governance', we prepare a specific report which covers some important areas of the auditor risk assessment where we are required to make inquiries of management and the Audit Committee under auditing standards. This was also presented to the Audit Committee in March. |

Progress at 30 June 2016 (continued)



| 2015/16 work | Completed | Comments |
|---|--|---|
| Final accounts audit Including: <ul style="list-style-type: none"> Audit of the 2015-16 financial statements proposed opinion on the Council's accounts | Planned for June - August, In Progress | <p>The financial statements were sent to us on 13th June and our audit is now in progress. The early delivery of this complex set of accounts is a notable achievement by the Financial Accounts Team.</p> <p>We are planning to complete our audit by 31st August as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>We are working with the Financial Accounts Team to support improvements in accounts production efficiency and the project management of the audit</p> |
| Value for Money (VfM) conclusion The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are: <ul style="list-style-type: none"> Informed decision making Sustainable resource deployment Working with partners and other third parties | Field work in March – July , In Progress | <p>We have considered the potential significant risks for our VfM conclusion and identified the following issues:</p> <ul style="list-style-type: none"> - Future Council - Savings challenge - Health and social care funding - Services for vulnerable children - Management of Schools - Improvement Panel - Equal pay <p>We have begun to carry out key document reviews and interviews to inform our conclusion.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> |
| Other activities We provide a range of workshops, along with network events for members and publications to support the Council. Meetings with Members, Officers and others. | On-going | <p>We are continuing to hold regular meetings with key members, the Chief Executive and Strategic Directors. We also have meetings planned with the Children's Commissioner and the Vice Chair of the Improvement Panel</p> |

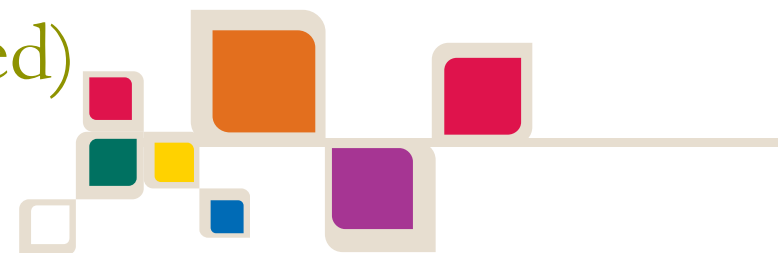
Results of interim audit work



The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised below.

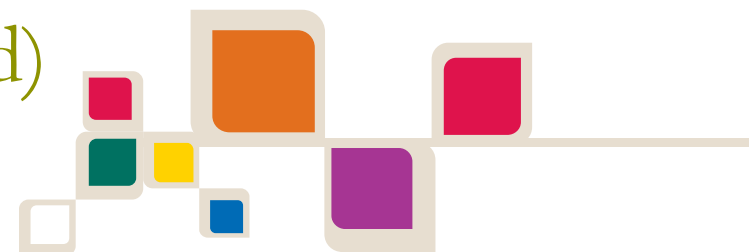
| | Work performed | Conclusion |
|-------------------------------|---|--|
| Internal audit | We have completed a high level review of internal audit's overall arrangements. We have also considered the outcome of internal audit's work on the Council's key financial systems to date. | Overall, we have concluded that the arrangements for internal audit contribute to an effective internal control environment. Our review of internal audit work has not identified any weaknesses which impact on our audit approach. |
| Entity level controls | We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices | Our work has identified no material weaknesses in these overall controls which are likely to adversely impact on the Council's financial statements |
| Journal entry controls | We have reviewed the Council's journal entry policies and procedures as part of determining our testing strategy. We have carried out testing of material journal types from months 1 to 9, and extracted journals with 'unusual' criteria for detailed review. | We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements. Further work will be completed at the final accounts visit to update our journals testing to the year end, including coverage of both material and non-material journals types. |
| IT controls | We have undertaken a detailed review of the general IT control environment, as part of the overall review of the internal controls system. We considered the progress made to implement the recommendations made in 2014/15. | Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements. |

Results of interim audit work (continued)



| | Work performed | Conclusion |
|------------------------------------|---|--|
| Walkthrough testing | <p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements – namely employee remuneration and operating expenses.</p> | <p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> <p>Our walkthrough testing confirms that internal controls have been implemented by the Council in accordance with our documented understanding and our work has not identified any weaknesses which impact on our planned audit approach.</p> <p>We have also commenced walkthrough tests of controls relating to property, plant and equipment. Some of these controls are year end controls so we will complete the walkthrough testing during our final account visit. Testing to date has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> |
| Employee remuneration | <p>In our testing completed to date we have:</p> <ul style="list-style-type: none"> Performed a trend analysis for the full year to identify areas which may require additional procedures. Tested a sample of items of payroll expenditure for the full year to relevant documentation to confirm the accuracy of pay. | <p>Our work on Employee Remuneration is substantially complete. To date our work has not identified any issues that we wish to highlight for your attention.</p> <p>Further testing will be carried out at our accounts audit visit to finalise our work including review of any fluctuations identified via our trend analysis, and updating our testing of a sample of payroll expenditure.</p> |
| Operating expenditure | <p>We tested a initial sample of operating expenses from months 1 to 9 to ensure they are valid expenses and have been accurately accounted for in the correct period.</p> | <p>Our work has not identified any issues that we wish to highlight for your attention.</p> |
| Housing benefit expenditure | <p>In our testing completed to date we have:</p> <ul style="list-style-type: none"> Confirmed the correct parameters have been entered into the housing benefit system | <p>Our work completed to date has not identified any issues that we wish to highlight for your attention.</p> <p>Further testing will be carried out at our accounts visit, to include testing based on the 'HB COUNT' approach as in previous years.</p> |

Results of interim audit work (continued)



| | Work performed | Conclusion |
|-------------------------|---|---|
| Assets | <p>In our testing completed to date we have:</p> <ul style="list-style-type: none">• Verified a sample of the Council's property assets to the deeds.• Verified the existence of a sample of the Council's property, plant and equipment assets. | <p>Our work to date has not identified any issues that we wish to highlight for your attention.</p> |
| Opening balances | <p>We have confirmed that the opening balances brought into the general ledger for 2015/16 are in agreement with the audited balance sheet for 2014/15.</p> | <p>No matters to bring to your attention.</p> |

Brexit: What happens next and what does it mean for you?

The people of the UK have made a decision to leave the EU. What happens next - and the implications for businesses and organisations in the UK - is less clear.

We have produced an analysis of what we know about the mechanics of leaving the EU, our assessment of some of the external factors that may affect organisations over the coming months and years, and a summary of the different models for trading relationships outside the EU. This can be found on our website and we have attached copies to this report.

In thinking about the impact organisations will want to consider not only legal and regulatory changes but also market reactions, consumer and business behaviours, and the wider political and economic environment. The Council will have a role in both shaping its own response and in helping organisations in the City respond to a changing environment. We can expect three broad phases of reaction to Brexit:

- initial volatility
- medium term uncertainty and instability
- longer term transition

The impact of this will be different for every organisation. In looking at the threats and opportunities these phases create, and planning how the Council can create and protect value, you may wish to consider the short, medium and long term implications for issues like people and talent, strategic ambitions, financing, risk, operations and protecting investment.

We believe that in the coming weeks and months, dynamic organisations have a critical role to play in helping to shape the future of Britain. Grant Thornton is leading a campaign which explores how we can build a vibrant economy. You can find out more here: <http://vibranteconomy.co.uk/>

We would welcome views on what the priorities should be for government and the UK to create a new economy outside the EU.

Emerging issues

How is the Council responding to the outcome of the EU referendum?

Better Together: Building a successful joint venture company

Grant Thornton reports

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>



Financial sustainability of local authorities: capital expenditure and resourcing

National Audit Office

According to the NAO, Local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.

Since 2010-11, local authorities have faced less pressure on their resources to support capital expenditure as compared to revenue. Although local authorities' revenue spending power fell by over 25 per cent in real terms from 2010-11 to 2015-16, the NAO estimates that capital grants to authorities marginally increased from 2010-11 to 2014-15, (excluding education).

Capital spending by authorities increased by more than five per cent in real terms overall between 2010-11 and 2014-15, but this is uneven across local authorities and service areas. Almost half of authorities reduced their capital spending. Most service areas saw an increase in capital spend with the exception of culture and leisure: capital spending fell by 22 per cent overall in this area.

The NAO's report, published on 15 June, found that authorities face a growing challenge to continue long-term investment in their existing assets. Total spending has remained stable, but increasingly capital activities are focused on 'invest to save' and growth schemes that cover their costs or have potential to deliver a revenue return. Many areas of authorities' asset management programmes do not meet these criteria and are now seen as a lower priority.

The report also notes that local authorities' debt servicing costs have grown as a proportion of revenue spending as revenue resources have fallen. A quarter of single-tier and county councils now spend the equivalent of 10 per cent or more of their revenue expenditure on debt servicing, with metropolitan district councils being particularly exposed.

According to the NAO, DCLG has rightly focused on revenue issues in the 2015 Spending Review but in future reviews will need to focus more on capital. The Department is confident from its engagement with authorities that revenue pressures are their main concern, however the NAO's analysis demonstrates that capital costs exert significant and growing pressure on revenue resources.

The full report is available at:

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

The changing face of Corporate Reporting

We have established a global network of public sector auditors and advisors to share good practice and to provide informed solutions to the corporate reporting challenges our clients face.

We were fortunate to have the CEO of the IIRC speak at our most recent meeting. Integrated Reporting, <IR>, is a new approach to corporate reporting and it is building a world-wide following in both the public and private sectors.

In the commercial sector, <IR> has led to improvements in business decision making, the understanding of risks and opportunities as well as better collaborative thinking by boards about goals and targets..

<IR> is based on integrated thinking that results in a report by an organisation about sustainable value creation. It requires a more cohesive and efficient approach to organisational reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time.

By moving the focus away from only short-term, backward looking, financial reporting, <IR> encourages organisations to report on a broader range of measures that link their strategic objectives to their performance. The result is an overview of an organisation's activities and performance in a much wider, more holistic, context.

- <IR> encourages organisations to consider whether there are any gaps in the information that is currently available to them, so that integrated thinking becomes embedded in mainstream practice.
- <IR> is underpinned by the International <IR> Framework published in December 2013. It is principles- based, allowing organisations to innovate and develop their reporting in the context of their own regulatory framework, strategy, key drivers, goals and objectives.
- <IR> is consistent with the Strategic Reports required from UK companies, the Performance Reports that government departments, agencies and NHS bodies produce and the developing Narrative Reporting in local government.

The IIRC has established a Public Sector Pioneer Network to consider why and how the public sector can adopt <IR>, with the end goal of improving transparency and building trust. There is already a core of UK organisations within this.

<Integrated Reporting>

Further information is available on the IIRC's website



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EU Referendum: the mechanics of leaving

How does the UK go about leaving the European Union?

UK votes 'leave' on 23 June

The referendum doesn't formally trigger the leaving process – this is done by invoking Article 50.

Article 50 outlines the process a country must use to withdraw from the EU:

- A two year period of negotiations begins when the UK government formally notifies EU Council President Donald Tusk of the UK's intention to leave the EU (the timing of the notification is within the gift of the UK government) – Negotiators may want some time to prepare the ground with EU leaders and may wait at least 6 weeks, the legal period for legal challenge to the result, before triggering.
- During the 2 year period:
 - EU law still applies, including free movement and paying EU membership, until a deal is made or time runs out.
 - The UK cannot participate in discussions of the European Council regarding its withdrawal. The power balance during this period is deliberately weighted towards the remaining 27 EU countries.

Andrew Duff, a former Liberal Democrat MEP, who helped draw up Article 50 notes:

"The EU could not allow a seceding state to spin things out for too long. The clause puts most of the cards in the hands of those that stay in"

Is an agreement reached within the 2 year period?

YES

It must now be ratified by a qualified majority of the 27 other countries on the European Council and their national parliaments. The European Parliament must endorse the deal.

N.B. It is not yet clear whether UK Parliament will be asked to ratify the agreement

NO

The period of negotiation can be extended with a unanimous vote from the remaining 27 member states on the European Council.

If an extension is not agreed, the UK leaves the EU immediately. It will likely be in both the EU and the UK's interests to continue negotiating

Can the UK change its mind?

Should it wish to, though extremely unlikely, it might be possible for the UK to reverse its decision to leave as it is not explicitly prohibited.

Timescale

44 years of treaties and laws will need to be untangled and adjusted, this is unlikely to be done quickly.

There is speculation that it will take 10 years before market access, labour agreements and trade rules are agreed – it could be that nothing is agreed until it is all agreed, including labour movement and any cash contribution by the UK.

Much depends on the type of economic relationship the UK wishes to move to and how much detail must be agreed before we leave.

Has anyone left the EU before? Case study: Greenland

REFERENDUM
1982



POPULATION
56,000



REASON IT LEFT
FISHING POLICY



TIME TO LEAVE
3 YEARS



Background

Greenland voted to leave the EU in 1982, following the introduction of the Common Fisheries Policy.

With an economy primarily based on its fishing industry, they felt that the new policy would be detrimental to their interests.

Complications

- Greenland still falls under the Danish crown, so its people are EU citizens.
- The rules attached to selling to the single-market still apply to Greenland.
- Greenland now holds 'overseas country and territory status', allowing it to retain trade privileges. It is unlikely the UK would be treated similarly.

Verdict

Greenland was negotiating on one issue, which took 3 years. UK might be a higher priority, but there are many more issues at stake.

Points to consider: What situation will the UK find itself negotiating in?

- A vote to leave may spark a **leadership contest in the Conservative party**.
The timing of this is important as the Prime Minister will set the agenda over the negotiation period.
- It is worth noting that the **majority of MPs are Pro-EU**.
This may affect the debates in Parliament, treaty negotiations and relationship with the public.
- There is also the political context across Europe to consider. There are upcoming **national elections in France** (April 2017), **Germany** (September 2017) and **Poland** (2019). The EU is facing mass migration, conflict on its borders, medium term energy issues, stagnant domestic growth, uncertainty over the Eurozone and increasing euroscepticism. How this will affect the makeup of the Council and impact on negotiations is unknown.

Looking ahead: A new relationship with Europe?

The people of the UK have taken the decision to leave the European Union. What happens next – and the implications for businesses and organisations in the UK – is less clear.

It is now up to the UK Government to decide on what economic relationship it would seek to replace our current EU membership. To provide an overview of the available options, we set out the possible models the UK may look to negotiate.

Post-Brexit economic arrangements

What might our future relationship with the European Union look like?

KEY COLOURS ● Yes ● No ● Unsure

| | | | | | | | | | | | | | | | |
|---|-----------------------------|---|----------------------------|---|----------------------------------|---|----------------------------------|---|-------------------------------------|---|---|---|------------------------------|---|---|
|  | Access to the Single Market |  | Tariff-free trade in goods |  | Passporting of banks from the UK |  | Avoid EU regulation domestically |  | Ability to influence EU regulations |  | Freedom to independently pursue trade deals |  | No contribution to EU budget |  | Freedom to dictate immigration controls |
|---|-----------------------------|---|----------------------------|---|----------------------------------|---|----------------------------------|---|-------------------------------------|---|---|---|------------------------------|---|---|

Norwegian-style EEA agreement:

- UK joins European Economic Area (EEA) – full access to the single market but it must adhere to EU standards and regulations over which it has no say and contributions to the EU budget will continue. Norway is currently paying more per head for membership of the EEA than the UK does as an EU member.



Swiss-style bilateral accords:

- The UK's relationship would be based upon a series of bilateral agreements negotiated on a case by case basis. Switzerland has access to the free trade of goods but not financial services. The UK would need to pay for this, comply with regulations and accept the free movement of people.



Free Trade Agreements:

- A series of Free Trade Agreements (FTA) would dictate our relationship with the EU. Tariff barriers would be unlikely to apply but the EU has the power to impose other restrictions. While this option provides the opportunity to implement immigration controls, there are question marks around the time it would take to implement.



Turkish-style customs union:

- Internal tariff barriers would be avoided. The UK would adopt EU standards and regulations, without influence over them. No financial contributions would be made and the UK would be free to impose immigration controls. However the UK would be required to implement EU external tariffs, without influence or guaranteed access to third markets.



World Trade Organisation (WTO) model:

- The UK can negotiate its own trade deals and set its own tariffs on imports. We would face 'most favoured nation' tariffs when trading with the EU if no FTA is in place. This option guarantees the most independence on regulations and immigration and doesn't require paying into the EU budget but membership of the single market is sacrificed. According to the WTO, the additional tariffs on goods imports would cost British consumers £9bn and exporters could face an extra £5bn of tariffs.



Sources:
House of Commons Library/Institute of Fiscal Studies/Global Counsel

Scenario planner – Impact of ‘Brexit’

The people of the UK have taken the decision to leave the European Union. What happens next – and the implications for businesses and organisations in the UK – is less clear.

There will be a wide range of dynamic factors at play over the coming months and years that will affect the impact on your organisation. Grant Thornton has produced a prediction of how these could pan out. This is a provocative scenario to help business planning; it should be noted that the reality may be very different.

| | First 100 days | 2 years | Long term | | | | | | | | |
|---------------------|---|--|--|------|---------------------|-------------|----------------|-----|----------------|------------------|----------------|
| Economic | Initial shock? <ul style="list-style-type: none">Market volatilityFall in London listingsSterling falls? Analysis from HSBC suggests that the pound would drop by about 15-20% against the dollar. link | Instability and uncertainty? <ul style="list-style-type: none">The UK continues to have access to the single market and is treated as a full member during the negotiation periodInvestment decisions may be delayed until there is greater clarity over the UK's future trading relationshipsIMF estimates increased inflation and fall in consumer spending | Gradual transition? <p>The long-term economic consequences are disputed, though the majority predict a negative long-term impact. Forecasts include:</p> <table><tr><td>Org.</td><td>Effect of GDP, 2030</td></tr><tr><td>Open Europe</td><td>-2.60 to +1.55</td></tr><tr><td>LSE</td><td>-2.60 to -1.30</td></tr><tr><td>Oxford Economics</td><td>-0.39 to -0.10</td></tr></table> | Org. | Effect of GDP, 2030 | Open Europe | -2.60 to +1.55 | LSE | -2.60 to -1.30 | Oxford Economics | -0.39 to -0.10 |
| Org. | Effect of GDP, 2030 | | | | | | | | | | |
| Open Europe | -2.60 to +1.55 | | | | | | | | | | |
| LSE | -2.60 to -1.30 | | | | | | | | | | |
| Oxford Economics | -0.39 to -0.10 | | | | | | | | | | |
| Business behaviours | Dealing with uncertainty <ul style="list-style-type: none">Investment decisions delayedSome immediate disinvestment | Period of business transition? <p>Some decisions still delayed; other businesses may take decisions within first 6-12 months (not wait for political / legal settlement)</p> | New business models embedded? <p>With our new relationship taking shape businesses have adapted to the new environment</p> | | | | | | | | |
| Political | Instability <p>Government likely to trigger Article 50 quickly – David Cameron:</p> <p><i>“If the British people vote to leave, there is only one way to bring that about, namely to trigger Article 50 of the Treaties and begin the process of exit, and the British people would rightly expect that to start straight away”</i></p> <ul style="list-style-type: none">Leadership in government and Opposition will be wounded, potentially challengedThe majority of MPs are pro-EU and there is no clear plan for parliament to negotiate Brexit | Continued instability <p>Domestic uncertainty:</p> <ul style="list-style-type: none">Leadership may change, divisions in the parties may increase and government may struggle to command its parliamentary majority – possible election? <p>Constitutional issues:</p> <ul style="list-style-type: none">Scotland may push for independenceNorthern Ireland: Good Friday agreement stretched as dependent on open border with Republic of Ireland <p>International uncertainty:</p> <ul style="list-style-type: none">Elections in: US (November 2016), France (spring 2017), Germany (Sept 2017), Poland (2019) | Realignment for 2020 elections? <p>Realignment and clarity:</p> <ul style="list-style-type: none">New leadership in main parties by 2020 and agreement on their post-EU policiesEither majority government or hung Parliament 2020 | | | | | | | | |
| Legal & regulatory | No change <p>Government notifies EU of intention to leave, triggering Article 50. There is now two years to negotiate exit from the EU</p> | All change ●.....→ <ul style="list-style-type: none">Direct regulations fall away after 2 years (eg financial services)Comprehensive review of UK law will be required. Parliament to agree new legal and regulatory framework | Continued transition period <p>2 years unlikely to be enough to agree new UK legislation – especially with no political consensus and slim parliamentary majority</p> | | | | | | | | |
| Market access | No change <p>As with legal and regulatory, market access remains the same during the negotiation period</p> | Continued access <ul style="list-style-type: none">Access to the Single Market and 3rd country EU trade agreements continue during renegotiation. (This access is terminated on leaving the EU)Finalising a trade relationship with the EU is separate from Article 50 exit negotiationsNew deals with the EU and 3rd countries will need to be agreed | New relationships? <ul style="list-style-type: none">On-going trade negotiations. Government hampered by lack of skilled trade negotiators?Focus / deals likely to be on goods – services may be slower; movement of people may be more limited | | | | | | | | |

Assessing the impact and developing plans

The impact of this will be different for every organisation. In looking at the threats and opportunities these create for your business, and planning how you can create and protect value, you may wish to consider issues such as:

People & talent

- If you have employees of EU or non-EU origin, consider what to communicate to them and what reassurance you can give.
- Review employment contracts and take steps to protect your non-UK talent.
- Plan for longer term impact on talent recruitment, development and pensions.

Strategic Ambitions

- Consider what to communicate to stakeholders.
- Review M&A transactions and assess longer term opportunities for organic growth, JVs and acquisitions.
- Identify transitional and longer term markets and commercial opportunities.

Finance Growth

- Consider what to communicate to investors.
- Identify opportunities and risks around refinancing and sources of capital.
- Assess future funding requirements and opportunities.

Master Risk

- Which customers or suppliers might be affected by short term volatility?
- Assess impact on business risks including issues such as working capital management and financial reporting.
- Assess longer term plans for tax structure, pension structures and strategies for mitigating fraud, bribery and corruption.

Optimise Operations

- Assess the impact on processes and control and identify exposure to interest rate and exchange rate fluctuation.
- Review operational effectiveness and efficiency including back office and manufacturing/cost base.
- Identify opportunities for developing supply chain value.



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