

INTELLIGENCE AND INSIGHT

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Top billing

Alison Cornwell, CFO at Vue International, on film stars, financing and the future of cinema



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Retirement Solutions



When Theresa May promises to take “bold action” on bad corporate behaviour but fetters it with unease about globalisation, she sets business a hard task.

There's a world of difference between remuneration, tax, workers rights and corporate culture - which business can transform - and discontent about market failure, modern capitalism, inequality and changing employment patterns - which businesses have less control over (it's too late to put the stoppers on globalisation now; industry strategy is for the politicians to grapple over).

As a partner and tax veteran at KPMG International told *economia* recently in a conversation about the global tax system, we haven't agreed since Karl Marx was alive about the economic value of capital versus labour, so will we ever?

There is consensus, though, on restoring trust in business. As she said, it's incumbent on the business world to acknowledge that change is necessary, demonstrate that change is being made and be as open and transparent about it as possible. Most businesses already know this and have reacted to it. Perhaps they should be more vocal about it?

Sir Win Bischoff, the Financial Reporting Council chair, said in July this year there would be a “three-year pause” on UK corporate regulation. To “encourage improvement rather than to introduce new requirements that add to the regulatory burden”. Boards are persuaded to reward good behaviour while investors are rallied to support the Stewardship Code, improving

transparency about their relationships with companies, including behaviour and values. Sir Win said: “I believe investors should look at their own culture, not just at the culture of the companies they invest in. A positive culture, which balances the stakeholders' interests, backed up by clear communication to citizens is a good start.”

Yet here we have the prime minister ruminating on proposals including worker and consumer representatives on boards, binding shareholder votes on executive pay and publishing the ratio between chief executive and median workers' pay.

Business shouldn't be afraid of any of this, of course. Employee board directors is an idea that has worked well (handled correctly) in other countries (19 EU member states have some form of worker representation). But these interventionist proposals surely mean more regulation, perhaps even further updates to the UK Corporate Governance Code, at a time when business could do with less, and the FRC said no more change until 2019.

Recent failings at BHS and Sports Direct have tarnished the reputation of business, but are tub-thumping warnings that government is coming to get you the right approach? An open dialogue between business and the state would be a good start. So get ready to engage, answer questions, show off best practice and, as ET said many years ago, be good.

The new UN secretary-general is a man.

By all accounts he's a good man. Former Portuguese prime minister António Guterres starts his job on 1 January when Ban Ki-moon's second five-year term ends. Guterres led the UN refugee agency UNHCR for 10 years through some of the world's worst refugee crises.

His instincts, says the current secretary-general, are noble: “Co-operation for the common good and shared responsibility for people and the planet.”

Yet it was hoped that the UN would appoint its first female secretary-general this time. Of 13 candidates, seven were women, among them Unesco DG Irina Bokova and Helen Clark, former New Zealand prime minister.

Instead, a fictional character - Wonder Woman - was named as an ambassador to promote messages about women's empowerment. If we're following our lead on diversity from organisations like the UN, this isn't the best example to set.

Could it not have chosen a real-life trailblazer? Michelle Obama will be free soon...

ICAEW in this issue

“A lot of Brexiteers were saying they would reduce regulation. If that’s done in a smart way, that could help. But there’s a counter the EU uses, which is that the scale of 27 countries gives it benefits a country couldn’t get on its own”

P38 Stephen Ibbotson, director, commercial and business



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MEMBER
PROFILE**
Joan Parry

“We often see people who are returning from a career break choosing a more flexible career path. It offers a lot of flexibility if you have young children, or if you are a carer”

P48 Sharron Gunn, executive director, commercial

“The government has consulted on this, but has so far failed to take appropriate steps to resolve the issue. The CVA regime does not bind secured or preferential creditors and it would be more useful as a business rescue tool if it were to do so”

P76 Bob Pinder, regional director for professional standards, law manager

“A PSC regime of the kind envisaged would inevitably have its limitations for controlling money laundering, so that if there was a risk it would not be proportionate”

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COVER: DAN BURN-FORTI

There is more technical insight online, with news updates daily and weekly. Digital exclusives on the website this month include:

MENTAL HEALTH

To coincide with World Mental Health Day, Richard Martin, a former lawyer and workplace mental wellbeing adviser, looks at the business benefits of investing in staff mental health. Plus, Poppy Jaman, co-founder and CEO of Mental Health First Aid (MHFA) England on spotting mental health issues in the workplace

EUROPE

Yanis Varoufakis turns his attention to what he calls the EU’s “serial-mistreatment” of Ireland. Its ruling over Apple is only the most recent example, he says

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DIVERSITY

The use of quotas to improve diversity in business has been heavily debated, but could it be the answer to the slow rate of change in the representation of women in parliament?

ALSO ONLINE

KPMG promotes 40 partners
Deloitte tribunal over Aero audit
A weekly round-up of the biggest appointments, promotions, board moves and resignations

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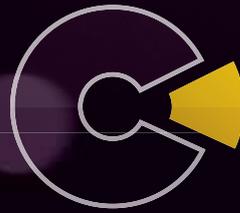
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In review

THE INTERNATIONAL PICTURE

\$35.9bn

PwC global record revenues for 2016

DELOITTE TOP OF THE TABLE

As the major firms announced their global results, it was revealed that PwC had fallen slightly behind its Big Four rival Deloitte, reporting record revenues of \$35.9bn, just below Deloitte's \$36.8bn. EY trailed the top two by \$6.3bn with \$29.6bn, up 6% on last year. The firms' growth comes despite a difficult time, said EY global chairman Mark Weinberger. "We are seeing continued global economic headwinds including geopolitical uncertainties, divergent monetary policy and turbulent emerging markets." They all continued a focus on training, with EY investing \$500m, which saw it voted "world's most attractive professional service employer" by Universum. Combined, the Big Four now employ over one million people globally.

WORK ON CONTRACT THEORY WINS NOBEL PRIZE

British-born economist Oliver Hart and his Finnish colleague Bengt Holmström have won the Nobel Prize for Economics for their work on Contract Theory, covering issues from public-private partnerships to executive pay. The Royal Swedish Academy of Sciences describes contract theory as "a comprehensive framework for analysing many diverse issues in contractual design, like performance-based pay for top executives, deductibles and co-pays in insurance, and the privatisation of public-sector activities".



UBS launches robo-advice

A "robo-advice" service will be launched in the UK by the Swiss bank in late November in a bid to attract younger clients to its wealth management services, the bank said. It believes the adviser, which recommends an investment portfolio based on the answers to simple questions, will give access to services previously only enjoyed by society's richest.

BUSINESS GROUPS URGE CAUTION ON BREXIT

The Conservative Party conference got a mixed response from business groups, with Theresa May's pursuit of a "hard Brexit" prompting concern. In a letter signed by a number of business figures including Carolyn Fairbairn, head of the CBI, the prime minister was urged to be cautious. "The UK voted

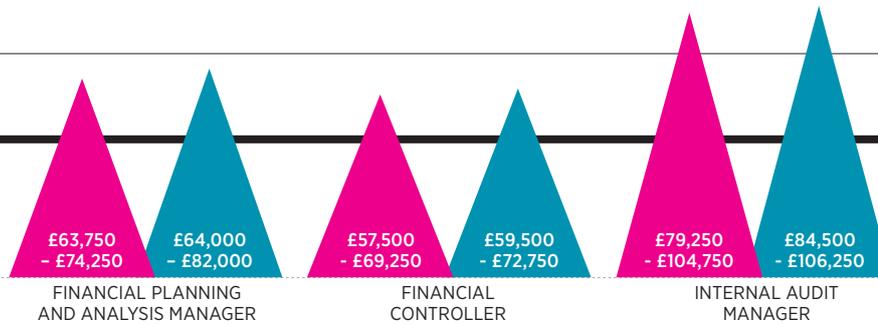
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to leave the EU but not, as the chancellor said, to cause living standards to decline. We want a Brexit that safeguards future prosperity for everyone across the UK," it said. Amber Rudd, the home secretary, also drew strong criticism after articulating her hard line on immigration, including a suggestion that the government would "name and shame" businesses with high numbers of foreign workers. Karen Briggs, KPMG's newly appointed head of Brexit, said: "Our view as a global business is that EU mobility has an overall positive impact not only on KPMG's business but also on the global competitiveness of the UK."

DELOITTE LAUNCHES NORTH WEST EUROPE FIRM

From June 2017, Deloitte's Belgian, Danish, Dutch, Finnish, Icelandic, Norwegian and Swedish member firms will combine with the UK and Swiss firm to create Deloitte North West Europe. The firm will invest an

PROJECTED SALARIES IN ACCOUNTANCY AND FINANCE



▲ 2016 UK AVERAGE
▲ 2017 UK AVERAGE

SOURCE: ROBERT HALF

additional €200m over the next three years, it said. The new North West Europe firm will help growth both regionally and globally and will account for approximately 20% of the global firm's activity.

THIRTYSOMETHINGS SEE WEALTH HALVED IN JUST 10 YEARS

The wealth of those in their 30s has halved in a single decade, a new report from the Institute of Fiscal Studies found. The stagnation of working-age incomes, coupled with a slowdown in property ownership in the age group, saw those born in the early 1980s become the first to have a lower income than the preceding generation. Those in their early 30s have an average wealth of £27,000 compared to £57,000 enjoyed by those born a decade earlier, at the same age.

PWC LEGAL INTEGRATES INTO PWC UK

Following long-awaited approval from the Solicitors Regulation Authority, PwC successfully merged

its legal operations arm into its main business, transforming the accountancy practice into a major multi-disciplinary firm.

PwC Legal currently has 16 partners, 26 directors and a total of 350 employees working in London, Birmingham, Newcastle, Manchester and Belfast.

PROFILE OF AN INVESTMENT FRAUD TARGET

City-dwelling males of around the age of 65 with more than £30,000 in savings are the chief target for investment fraud. Detailed profiling carried out by Operation Broadway - a team made up of the City of London Police, City of London Corporation Trading Standards, Metropolitan Police, National Trading Standards, HMRC and the FCA - shows 77% of those reporting investment fraud are men, and most have fallen prey to a boiler room scam, averaging £32,000 losses.

Operation Broadway has released a series of videos highlighting the impact of investment fraud. The videos also contain advice on how to protect yourself. ■

77%
of those reporting investment fraud are men, with an average age of 65

QUOTE OF THE MONTH

“Conference, I assure you, we will make breakfast a success”

Andrew RT Davies

The Welsh Conservative leader's speech at the Tory conference went viral after he appeared to make a meal of Brexit. He explained afterwards that the gaffe was not the result of speaking on an empty stomach but because he suffers from dyslexia and had struggled to follow his speech on autocue. He remained philosophical, saying: “Sometimes you do need a bit of humour.”



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PRIME PROPERTY
 According to Knight Frank, the UK's luxury property market is recovering. The number of prospective buyers registering interest in prime residential property was higher in July and August than at the same time in 2015. Apple's decision to lease 500,000 sq ft of office space at Battersea power station boosted the commercial market.

BOLNEY WINES
 The English wine producer, whose tippale is served exclusively at Wimbledon and in British Airways first class cabins, secured £2m to expand into the US, Scandinavia and Asia. The investment will see wine production jump to 300,000 bottles a year by 2020 in response to increasing demand.



STEVEN SPIELBERG AND JACK MA
 Amblin, Spielberg's production company, accepted a minority investment from Jack Ma's Alibaba Pictures. No financial details were released, but the two parties painted a picture of cultural cohesion.

Good month Bad month

Life, it was once famously observed, is a rollercoaster, a sentiment no doubt shared by those featured in our regular roundup of highs and lows



WAYNE ROONEY
 England football's record scorer and most-capped male outfield player was booed at the team's 2-0 defeat of Malta in World Cup qualifiers. After scoring just once in the first 12 matches of the season for England and Manchester United, Rooney was dropped for the country's next match against Slovenia, where no goals were scored.

DEUTSCHE BANK
 Uncertainty about the size of a US fine over a decade-old mis-selling scandal knocked almost 4% off the share price of Germany's biggest bank. The chief executive failed to reach a deal with the US Department of Justice and was forced to insist he had not asked for government help.



ELENA FERRANTE
 Investigative journalist Claudio Gatti claimed to have unmasked the anonymous Italian author of the *Neapolitan* series this month. His report prompted outcry from fans of her books. Gatti said he wanted to "uncover a lie".

As I see it

As global head of sustainability for PwC **Malcolm Preston** says his mission is to ensure business recognises the importance of the non-financial impacts of decision-making

I've done lots of soul-searching to find out why I have become so passionate about sustainability and have concluded it was latent in me.

Being global head of sustainability at PwC has got to be the best job in the world.

The Sustainable Development Goals are world changing – 193 governments signing up to the same language, the same set of ambitions. That's momentous.



I AM MAN AND BOY PWC. I came up through the audit route, became an audit partner but changed roles every five years. I have continually reinvented myself, which is why I've never left. Eight years ago I decided sustainability was really interesting, so I've had to break my five-year rule to allow me to carry on.

AS AN AUDITOR I come to sustainability from a different space from most people working the majority of their career in the area. Sustainability professionals are driven by a passion to make a difference. I come from a world where those two things have collided. I am driven by the heart but I know the head has to lead and that's a really interesting place to be.

MY "AHA" MOMENT CAME in 2007 when I attended the Cambridge Programme for Sustainable Leadership. Scientists from the British Antarctic survey handed round a core of ice the size of a big lollipop. They said: "That ice is 400,000 years old and from that ice we can tell you what the atmosphere looked like 400,000 years ago because it's trapped in there." They showed us this 100,000-year carbon dioxide cycle and how all this carbon dioxide has been put back into the atmosphere in a few decades. I thought hang on, this is ridiculous.

ONLY BUSINESS CAN STOP all this because it's what enables it. But we are struggling to work out how. People are asking for accountability in making wise decisions, not accountability for everything. We have a financial system that can tell you whether you should invest in a project based on return on investment. But it cannot tell you which of the projects has a better value to the community or does less damage to the environment. I have made it my mission in life to help companies navigate these issues. ■

PHOTOGRAPHY: FELICITY MCCABE

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Data: transport

As the chancellor promises to focus public sector spending on “productivity-enhancing infrastructure”, we take a look at the UK’s rail, air and sea transport

\$9trn Projected spend on transport infrastructure worldwide by 2025

 Since 1963, 12 policy documents, commissions or white papers have been produced on where to build new runways in the London area

 **740,000** Flights a three-runway Heathrow will provide a year

15,000 Heathrow’s rail capacity will treble from 5,000 trains an hour

Date for Gatwick’s runway to be built without taxpayer funding **2025**

£100bn Heathrow’s economic benefit

Newly noise-affected people in Heathrow area **320,000**

370,000 Tonnes of UK steel will be used

Limit for airport charge at Gatwick **£15**

£18bn Cost of Heathrow’s third runway

 **£11bn** Value of contracts Builder HS2 Ltd will hand out

40,000 HS2 Phase 1 jobs boost

40% HS3 cut in journey time between Leeds and Manchester

2million Trees to be planted along the main route

£36.4bn HS2 will be the world’s most expensive railway

96% Volume of all UK import/export trade that enters the UK through its ports

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 **£5.8bn** Ports sector’s total tax contribution

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The mpg figures quoted are sourced from official EU-regulated test results (EU Directive and Regulation 692/2008), are provided for comparability purposes and may not reflect your actual driving experience.





PHOTOGRAPHY: INDIRA FLACK. WORDS: ELLIE CLAYTON

I've been involved in the diversity agenda for at least 10 years and I spent a huge amount of time frustrated by the lack of progress. But, in 2010, the government-backed Davies Review shifted the zeitgeist. It created a very different environment for the conversations around diversity. On gender and at board level it has been very successful. Since the review was commissioned, female board representation has more than doubled. There is now no FTSE 100 company without a woman on its board. That's a very good news story.

KPMG didn't create the Connect on Board online platform solely to help address the diversity problem. We wanted to make sure that wherever there is talent, there is a route through which that talent can be identified. This is not just about women, or ethnic minorities - it is about diversity in a range of areas,

executive level. The process will be steered by chairmen who, as long as there is the will to do so, can change the makeup of a boardroom using the re-election of non-executives. Managing the route to the executive level is more complex. The organisations that are getting this right are those learning to be more mindful of how they're improving diversity, not just at the top, but the diversity of the pool from which we're fishing.

Most organisations will have a desire to identify the top 10%-15% of personnel, and most will focus on how this talent is being pushed through the organisation. When we talk about talent mapping there are going to be unconscious biases.

As leaders we tend to sponsor people who look and feel like us, and this is something that must be addressed. An effective way of doing this is to ask yourself what you want the future leadership of your organisation to look like. There are definite stereotypes of what good leadership looks like, and that stereotype does not always support the inclusion agenda.

We don't want leaders that look like us, we want leaders that can address the entire marketplace and bring a range of different skills and capabilities onto the team.

To achieve this I absolutely believe we should be seeking more transparency in terms of reporting and in terms of the goals individual businesses are setting themselves.

I'm a great believer that if you create visible targets - not quotas, I hasten to add - then you will encourage more meaningful discussions about the talent that you're promoting. It is not just about getting people into the right box, it is about creating an environment in which people can thrive, and the more inclusive an environment you create, the more successful the organisation will be.

A couple of years ago, KPMG published extensive diversity targets covering gender, ethnicity, sexual orientation and disability. It became immediately clear to anyone that saw those targets that we have a big hill to climb. By being transparent we felt like we were challenging our organisation to change. ■

Tales from the frontline

Melanie Richards, partner and vice chair at KPMG, on how businesses can ensure that everyone is represented, both at board and executive level

including diversity of skills and experience. About 40% of those currently using the platform are aspiring non-executive directors (NEDs). It creates an opportunity to enlighten chairmen looking for more diverse candidates.

But the Board is not the whole story and we're a million miles from "job done". The reaction to Emma Walmsley's appointment as CEO of GlaxoSmithKline - now just one of seven female CEOs of a FTSE 100 business - is proof of that. The next area of focus has to be around the executive pipeline. We can't kid ourselves - the board challenge was solved principally through the appointments of NEDs. There has been very little progress at the

SPONSORED CONTENT

Attracting and retaining talent in accountancy

Accountancy firms are becoming more innovative with their recruitment strategies. As Jennifer Warawa, executive vice president, product marketing, at Sage explains, those that understand what motivates modern talent will succeed

TRADITIONAL APPROACHES, where people had to earn career progression over a number of years, are over. If firms want top performers they need to offer something different.

Technology can be a deal breaker. Gen Y and Gen Z expect to use the same tools and technology at work that they use at home. They are not willing to compromise on the technology they use on work, specifically if it is less sophisticated than that which they use on their own time.

We are also seeing a move away from the traditional work phones to Bring Your Own Device (BYOD), because talent demands it. This has led to the creation of more chief information officer roles to help the business manage the security and compliance and safety measures around BYOD.

There are other effective ways of attracting and retaining talent. A two-way mentoring system is a great way of enabling a cross-generational sharing of skills, knowledge and insight.

Opportunities to present to the partners in the firm, or attend a conference, are side projects that help young talent to feel more involved. Today's accountancy talent also wants to share in the success of their chosen organisation. Initiatives that allow them to become shareholders, or profit sharing programmes, will keep them engaged for longer.

Firms need to know where to find fresh talent, and two of the best sources are schools and colleges, and those returning to the workplace. Firms are forging partnerships, not just with colleges, but also with individuals on the teaching staff, and talking to their accounting students or offering intern-type programmes. By establishing this connection, any star talent coming through will be on that firm's radar.

Returners - women who've raised a family, veterans returning after serving - represent a huge opportunity for firms. They are dedicated, and driven, but often lack recent work experience, so will need training and support.

By providing a motivational environment, the right technology, prospects for advancement, and a sense of ownership, your talent will be engaged and your firm shares in their success as well.

Discover more: sage-exchange.co.uk/news/industry-news



The majority of business was (and continues to be) outspoken about the risks that came with the Brexit vote. In the US, not one of the Fortune 100 is apparently endorsing Trump. The majority of businesses were against Scottish independence. I'm sure you can see the trend.

Yet in each case, almost half the population ignore these risks. Indeed many speak out about their frustration with these "so-called experts". I remember a time when business, politicians, and leaders were respected, trusted and listened to.

There is a substantial (maybe fundamental) breakdown in trust between business and the broader public. You can argue that business must reap what it has sown. You can argue that there are far bigger problems to worry about. But you can't escape the fact that business employs millions of people in this country, pays billions of pounds in tax, and in the vast majority of cases tries to do the right thing for itself, its employees, its local community, its shareholders and the UK.

And who speaks on its behalf? Almost no-one. The press seems to write the stories its readers want to read - a good commercial argument but a poor journalistic one. Politicians know the voting

Career clinic

Mark Freebairn on how business could, and should, take the opportunity to present itself in a more positive light

public don't want to hear that business is good so only say it behind closed doors. Business can't speak out on its own behalf.

Business is too important to this country. I've had the luck to meet many business leaders - it's one of the privileges afforded to me in my job. I have found those running business, in the main, to be decent, fair, principled, insanely hard-working, honest and moral. Of course some are not. 'Twas ever thus. But the vast majority do exactly what we would all hope they would do.

So what can I do? Well, write this for a start. And there's more. We launched a new programme in the UK called CEO for the Day. The concept is simple - persuade CEOs to spend a day with an undergraduate we have put through a rigorous selection process. This will give the student the chance to see what the job entails and be inspired by the challenge; give the CEO the chance to spend time with a Millennial who is not part of their family; and help a small group of undergraduates realise that CEOs are good and decent people. Hopefully that will help to start rebuilding trust brick by brick. ■



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COST OF THE CAR - P11D VALUE	£38,899	£32,125	£40,210	£39,805	£37,675
GOVERNMENT GRANT REDUCTION	£2,500	£0	£0	£0	£0
ADJUSTED FINAL PRICE	£36,399 ¹⁰	£32,125	£40,210	£39,805	£37,675
CO ₂ EMISSIONS G/KM	42	179	156	157	147
BENEFIT IN KIND RATE	7%	32%	31%	31%	26%
VEHICLE BENEFIT CHARGE WITHOUT FUEL PROVIDED	£1,089	£4,112	£4,986	£4,936	£3,918
THE EXTRA TAX YOU PAY VS PHEV (40% TAXPAYER)	–	£3,023	£3,897	£3,847	£2,829
VEHICLE BENEFIT CHARGE WITH FUEL PROVIDED	£1,711	£6,954	£7,739	£7,689	£6,227
THE EXTRA TAX YOU PAY VS PHEV (40% TAXPAYER)	–	£5,243	£6,028	£5,978	£4,516

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1. Outlander PHEV GX4h compared with Honda CR-V, BMW X3, Audi Q5 and Mercedes E-Class – average saving £5,665 for a 40% taxpayer. The savings for business drivers with a company fuel card are higher.

2. Official EU MPG test figure shown as a guide for comparative purposes and is based on the vehicle being charged from mains electricity. This may not reflect real driving results.

3. Outlander PHEV qualifies as low CO₂ emissions vehicle for the purpose of Capital Allowances. 8% write down allowance used for comparison. 4. Savings achieved due to lower Profits Chargeable to Corporation Tax (PCTCT). 5. Class 1a NI only payable on 7% of list price compared to 25%+ average. 6. 7% BIK rate for the 2016/17 tax year. 7. Congestion Charge application required, subject to administrative fee. 8. Domestic plug charge: 5 hours, 16 Amp home charge point: 3.5 hours, 80% rapid charge: 30mins. 9. For more information, visit mitsubishi-cars.co.uk/chargepoint 10. Prices shown include the Government Plug-in Car Grant and VAT (at 20%), but exclude First Registration Fee. Model shown is an Outlander PHEV GX4h at £38,499 including the Government Plug-in Car Grant. On The Road prices range from £31,804 to £43,054 and include VED, First Registration Fee and the Government Plug-in Car Grant. Metallic/pearlescent paint extra. Prices correct at time of going to print. For more information about the Government Plug-in Car Grant please visit www.gov.uk/plug-in-car-van-grants. The Government Plug-in Car Grant is subject to change at any time, without prior notice.

Outlander PHEV range fuel consumption in mpg (ltrs/100km): Full Battery Charge: no fuel used, Depleted Battery Charge: 51.4mpg (5.5), Weighted Average: 156.9mpg (1.8), CO₂ emissions: 42 g/km

★ NO, PRIME MINISTER
ICAEW chief executive Michael Izza has taken prime minister Theresa May to task for including accountants in a list of advisers she accused of helping individuals and businesses evade their responsibilities to society.

In her speech to the Conservative Party conference last month, she said: "If you're an accountant, a financial adviser or a middleman who helps people to avoid what they owe to society, we're coming after you too."

In his blog, Izza said ICAEW members are expected to uphold the highest ethical and professional standards on tax advice, in line with both the ethical code and the professional code in relation to tax, an updated version of which was awaiting ministerial approval. He also pointed out that without professionally qualified tax agents,

State for International Trade Liam Fox was presented with the findings of ICAEW research, which showed just how badly the government was letting down businesses by failing to encourage them to export.

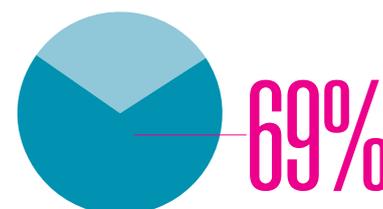
The survey found 69% of businesses had never exported and had no plans to start, nearly three quarters (73%) of those that currently export (11%) had been selling their goods or services overseas for more than 10 years, and 66% of all businesses had not heard of the government-sponsored UK Trade & Investment. Of the few that had, 87% did not use any of its services. And all this in spite of the government's multimillion-pound export campaign.

"The government's export drive has had very little impact on the export activity of UK businesses," said Stephen Ibbotson, ICAEW director, commercial and business. "It is clear Brexit is not to blame for UK businesses having no ambitions to explore the international markets. It is the key responsibility of policymakers to encourage the UK to be a more export-driven economy following its impending withdrawal from the EU."

★ ONE MEMBER, ONE VOTE
ICAEW members who live overseas will be able to vote directly for their own representatives on the ICAEW council, following changes agreed earlier this year.

In the past, international council members were either co-opted by council or elected through electoral colleges in the relevant region. In the future, each ICAEW member will have an individual vote provided they have a registered address in the constituency. Members will also be able to stand for council if they have the requisite number of nominations.

The first direct regional elections will take place next year in two new constituencies: Cyprus, which has one seat; and Europe & Eurasia, which has two. The period for nominations will run from late January to early March 2017 and the ballot will take place in April. Successful candidates will take up their places at the council meeting in June. ■



The number of UK businesses that don't export and have no plans to do so

ICAEW news and events

Theresa May and Liam Fox on the end of sharp criticism from ICAEW, plus a change in voting rights for overseas members

the tax system would fall apart.

"So I would say to the prime minister, it is time for you to stop attacking all accountants but instead acknowledge the contribution that the vast majority make to the tax system and to our economy.

"When it comes to aggressive tax avoidance and evasion, turn the spotlight on to those individuals who are not members of a professional body and on to those professions, such as the legal profession, who have yet to put in place the guidance and measures the accountancy profession is putting in place."

★ THE LOW-IMPACT DRIVE
The PM wasn't the only senior politician to be taken to task by ICAEW last month. Secretary of

EVENTS

■ 8 NOVEMBER THE RECKONING: FINANCIAL ACCOUNTABILITY AND THE RISE AND FALL OF NATIONS

Guest speaker at this networking event is Jacob Soll, award winning author and historian. Singapore

■ 11 NOVEMBER ACCOUNTING FOR INTERNATIONAL DEVELOPMENT

A workshop for accountants looking to volunteer overseas and those considering a permanent move to the sector. London

■ 10, 17, 28, 30 NOVEMBER AUDIT AND ASSURANCE FACULTY AUTUMN ROADSHOW

All the recent changes either already on stream or in the pipeline for auditors driven by standard-setters and company law, plus audit quality and efficiency and the use of IT. High Wycombe, Exeter, Leeds/Wakefield, Southampton

■ 17, 18 NOVEMBER PRACTICE 2016 CONFERENCE

Two-days of technical updates on issues such as tax, regulation and accounting standards. There are also sessions designed to challenge the way practitioners think about running their business. London

■ 17, 28 NOVEMBER FINANCIAL REPORTING FACULTY AUTUMN ROADSHOW

The latest UK GAAP developments, such as the impact of the new EU accounting directive, the new regime for small and micro-entities and the new guidance on distributable profits, as well as new and emerging issues. Exeter, Leeds/Wakefield

From the top

You will be aware professional inclusiveness is a subject close to my heart, which is why I chose it as the theme for my year as ICAEW president. I wanted to make sure members feel they belong to this institute and are part of this great professional community. So I have been making sure that I meet as many of you as possible.

So far, I've met members in the US, Australia, all over the UK, and Botswana, where last month I welcomed Whitney Kalaote, the first member to join ICAEW under our reciprocal membership scheme with the Botswana Institute of Chartered Accountants (the development of which we supported) - and the first graduate to gain BICA's qualification.

Since June I've met well over 1,000 members - a long way short of the total membership of 147,000, but not for want of trying. I have been meeting up with groups, rather than visiting individual firms, in order to reach as many of you as I can, at whatever career stage you have reached and in as wide a range of businesses as possible.

It's been a fascinating few months but what stands out clearly is the value you place on the chartered accountancy qualification. You view it as a "phenomenal" qualification that attracts national and international recognition that ICAEW chartered accountants are technically expert, strategic thinkers who act with integrity and are good communicators.

But you also welcome the fact it's a really tough and demanding process, studying and passing the exams while working at the same time; qualifying gives you a real sense of achievement. "Gruelling but worth it" was how one member summed it up. Another told me he reckoned doing the case study had given him skills that had set him up for his so far successful career. He saw it as the kingpin of the qualification that held everything

else together. And many of you see the ACA as a flexible passport to working in different countries, different industries and different roles.

Having the qualification also opens doors to different communities like the ICAEW faculties, ICAEW's special interest groups and its regional infrastructure. And a number of you said how much you enjoyed acting as mentors to the sixth formers competing in BASE, our national business game.

At this time of year, when the request to renew the ICAEW subscription arrives and thoughts turn to the benefits of being a member, I find it enormously heartening that so many of you value your ICAEW membership as much as I do. ■



Have your say:
email Hilary
at president@icaew.com

The chartered accountancy qualification is highly valued by members across the world, says ICAEW president Hilary Lindsay



PHOTOGRAPHY: BILL MORTON

It's a beautiful
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Michael Izza



“Listen to dissenting voices and understand why they feel disenfranchised”

This month we will finally find out who is to be the next resident of the White House. Both candidates have been using anti free trade rhetoric to win over the voters, and it seems likely that the new president will keep the political focus firmly on domestic issues in the short to medium term. In other words, the US will be withdrawing for a while from its role as force for good on the world stage.

This reaction against increasing globalisation is being repeated in Europe, and not just in the UK with its decision to go it alone. There have been demonstrations against the Trans-Atlantic Trade and Investment Partnership in Germany, Belgium, Spain, Finland, Poland and the Czech Republic, and then there's the continuing backlash against big business. It's a trend I find deeply concerning because while globalisation may have its flaws, these are far outweighed by the benefits it brings. You only have to look at how expanding world trade in the past 70 years has improved the living standards of many of the world's poorest people.

Figures from the OECD show that between 1970 and 2000, manufacturing workers in open economies benefited from pay rates that were between three and nine times greater than those in closed economies, depending on the region. An important part of the gains from trade, the research finds, comes from a country's own liberalisation. But these are magnified when access to others' markets is opened. A 10% increase in trade is associated with a 4% rise in per capita income.

The OECD has also studied the pros and cons of protectionism and concluded that it has an adverse impact on domestic firms' competitiveness, it undermines a country's overall domestic production and leads to a fall in world exports and world income. A recent Columbia University study emphasised that it's the poorest people who benefit the most from international trade because they buy more imported goods; if borders are closed, the richest 10% would lose on average 28% of their purchasing power while the poorest 10% would lose 63%.

We need to listen to the dissenting voices and understand why they feel disenfranchised. For the first time in my business lifetime, I've heard people talking about revolution. However far-fetched that sounds, we have to take it seriously. Prime minister Theresa May has announced her intention to shake up British business and ensure that governance and investment are more aligned with the broader public interest. As business people and professionals, we should be the first to ask whether there is something in our organisational behaviours and values we should be reconsidering.

Michael Izza
ICAEW chief executive

Your feedback

TOP 5 MOST READ STORIES ONLINE

1

Deloitte overtakes PwC as largest firm

2

BDO and PwC best for interviews

3

Accountants leaving over automation fears

4

Allardyce blasts HMRC

5

Stanley Gibbons accounting "errors"

Snort of derision

I found the comment amusing that the cocaine index fell out of favour because those providing the numbers could not be trusted (*Sign of the times, economia* September).

No doubt any index based on information provided by the government and the banks should also be quietly dropped.

Andrew R Doble

Justifiable costs?

I would be interested to know what the estimated costs have been to the profession for firms transferring to FRS 102, and do we expect that these costs will be justified in future by better comprehension of accounts by their readers?

Robert J Shafto FCA

Plane sailing

Hilary Lindsay wrote in October's issue on the work of the Chartered Accountants Benevolent Association (CABA). Those of us who wanted to go to the International Congress of Accountants in New York in 1962 will remember that, for technical reasons, it was CABA that chartered a plane to take members to New York for the event.

We each had to become life members of CABA to entitle us to go on the flight. We were able to avoid the difficulties, and the cost, of commercial flights at that time, while CABA benefitted from life members' subscriptions from the plane-load of members.

Dennis Milstone, FCA

Online comment on profile of David Sproul

David Sproul made some very good points in the interview, a



particularly important one, given the poor conduct of many business leaders, being: “It always goes back to doing the right thing”.

However, he then tried to justify the high pay of top executives, which is counter to “doing the right thing” when executive pay has consistently increased ahead of that of the workers in their companies.

When, in exceptional cases, CEOs ask to forego the bonuses to which they are contractually entitled after a terrible year for their company, it shows they must be decent people, but such an odd situation also shows pay is not linked to performance so remuneration committees are not doing their jobs properly.

The growth of executive pay shows that corporate governance is for those below the board level only.

D James

Online comments about relations between the UK and the EU

And all this because some fanatics misrepresented the facts to gullible British, or rather, English and Welsh voters. While Britain fiddles, Europe grapples with refugees from North Africa and the problems of Ukraine and Crimea. In the European press, the UK has completely disappeared. While the English press is full of an interminable negotiation with ourselves while insulting our future negotiating partners. As a nation, how did we sink so low?

Anonymous

Your article was completely wrong to say access to the single market was hampered by a decision to take back control of our country, immigration included. Readers will

be aware that businesses from all countries have access to the single market under WTO rules and will know the single market doesn't cover services.

The description of the referendum decision as “popular and frenzied demands” shows a lack of respect for the voting public.

Epping Blogger

Online comment on *Apple, Brussels and Ireland's bruised sovereignty*

Global finance can't be effectively regulated at present. Transient national politics are allowed too much leeway. As a result some states take advantage of others.

There is an opportunity for the EU to instil some cross-border discipline. But we saw another example of warnings to the audit profession; the head of statistics in Greece was criminally charged with treason for supplying accurate figures to the EU that reduced Athens's bailout from international public funds. Apparently, there is a history of Greece providing inaccurate figures to the EU.

Moreover, Western companies are suffering from unilateral penalties of billions. Ireland is just one of many victims. How to improve the system? The IMF couldn't, so now it seems to be up to the G20.

Anonymous

Either email us at economia@icaew.com, comment online, or write to us at *economia*, Progressive Content, 71-73 Carter Lane, London EC4V 5EQ.

Letters and comments may be edited for clarity and space. Views expressed by letter writers are not necessarily shared by ICAEW or *economia*.

In the next issue...



Member profile

Kreston Reeves chairman (and *economia* editorial advisory board member) Clive Stevens explains how he has put his heart, soul and career into the Kentish practice, as well as its local community.

Plus

CORPORATE STRUCTURES

Are traditional business structures still relevant in the age of Uber and Airbnb?

FOCUS ON: IRAN

With most financial and economic sanctions now lifted, where do trade opportunities lie?

THE TAX DEBATE

From the EC Apple decision and US corporate tax rates to low-tax jurisdictions and the ethics of tax

Kevin Phillips



“Come the drought, the finance department is given centre stage”

Earlier this year, FNB became South Africa’s first bank to offer its customers a branded smartphone - it has been selling branded airtime and data for some time. All of a sudden, it owned its customers from both a banking and a communications point of view. Good news for FNB, but bad news for other banks and the cellphone companies who have been suddenly excluded from the party.

Although the typical roll call of digital disruptors includes Facebook, Airbnb, Uber and Alibaba, traditional businesses are also edging into new territory thanks to the power of technology. These are clear signs we are entering the most disruptive period the world has experienced since the Industrial Revolution. And, coupled with the global economic crisis and its fall-out, this is a mixed blessing for those of us in finance roles.

On the one hand, cautious boards and investors, still reeling from the 2008 meltdown, concerned about the slow recovery and nervous about a volatile global economy, are asking the finance function to batten down the hatches and cut spend.

On the other, the role of the financial director has expanded dramatically, and is far more strategic. The FD has out of necessity entered into a tag team with the CEO and now has the chance to drive change and strategy.

These shifts are hardly surprising. When money flows, the sales department is king and the scrutiny of spend is more relaxed. But come the drought, the finance department is given centre stage.

This is an awkward, but exciting, position. Pressure to innovate, digitalise, automate and disrupt is coming from all sides. More than ever, it costs money to make money, from experimenting to prototyping, to making mistakes and figuring out what works. This innovation needs to be internal as well as external: rebuilding core infrastructure, systems and processes to enable new ways of working.

Take cloud computing. The initial work and investment is critical to enable, for instance, true omnichannel retail services, or converged communications. Ultimately, these show returns

thanks to increased sales, enhanced productivity, staying relevant in the market, and reduced costs in the long term. So cutting back spend too dramatically today will be disastrous in the long term, especially in today’s disrupted world.

How do you navigate this? One thing is for sure, you need to exit the counting house. Instead, focus on enabling and empowering your managers to take ownership of their business units at all points of the finance cycle. Get this right, and you’ll hit your financial goals and free up your time and resources to focus on more strategic activities.

Let’s start with the budget.

Typically the budget resetting process would look like this: finance takes a red pen to budgets and slashes by the required percentage. Instead, include the business units when resetting budgets for leaner times. Let the people at the coalface fine tune their budgets, making cuts where they can afford to without reducing their ability to do their jobs. This way, you will achieve the necessary budget cuts, retain buy-in and have less impact on coalface performance. Plus, an added bonus: this level of transparency, collaboration and trust will break down siloes, setting up your organisation to succeed in a disrupted world.

How do you do this? Just like businesses are being told to disrupt themselves before they get disrupted, we professionals need to disrupt our own roles. We need to automate systems and devolve centralised control to empower business unit managers to run their own businesses - from budgeting to reporting - empowering them to add value to the business from the grass roots up.

Does this sound scary? If you hand over this much financial responsibility, where does this leave you? Remember that wider, strategic role available for the finance function? Where we can think creatively and disruptively? Where we can really add value?

Freeing up capacity by shifting day-to-day operations elsewhere gives you the time to run the analytics, smooth the processes, and peek around the corner to shape the future of your organisation. But this is a topic for another day.

Kevin Phillips is a chartered accountant and CEO at idu Software, South Africa



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Total amount of credit	£37,655.25
Interest charges	£5,663.58
Total amount payable	£50,991.58
Duration of agreement (months)	37
Fixed rate of interest (per annum)	3.04%
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*Finance subject to status. Retail sales only. Subject to availability at participating dealers only on vehicles registered by 31st December 2016. At the end of the agreement there are 3 options: (i) Part exchange the vehicle, (ii) Pay the Optional Final Payment to own the vehicle or (iii) Return the vehicle. Further charges may be made subject to the condition or mileage of the vehicle. Terms and conditions apply. Applicants must be 18 or over. Guarantee/Indemnity may be required. Volvo Car Credit, RH1 1SR. The service offer is only applicable when purchasing on Volvo Advantage Personal Contract Purchase on vehicles ordered between 1st October 2016 and 31st December 2016. Services must be carried out at a Volvo Authorised Repairer. Retail offer only. Excludes fleet operators and business users. See volvocars.co.uk for full terms and conditions.

Get up and go

Sportswear firm Huub has a record level of pre-orders from distributors and wholesalers and an expected turnover of £2m. Its founder Dean Jackson explains how a Growth Capital Loan and information from Santander helped him scale the business.



When Dean Jackson spotted a gap in the market for a wetsuit that could enhance the performance of triathletes, he took the plunge and set up his business, Huub Design, to fill it. That was in 2011. Today the Derby-based firm is a global leader in innovative triathlon swimming products, with over 100,000 customers worldwide, and top triathletes, Great Britain's Olympic medallists the Brownlee brothers among them, wearing the Huub brand.

Using his sales and marketing sports brand industry experience and the help of scientists, he started developing a product that delivers performance improvement to athletes of all abilities, and complies with the sport's governing body FINA. He also needed finance, and having secured initial funding from local private investors for product research and development, Jackson sought the backing of a bank to help take his business to the next stage of growth.

"The challenge for a start-up is getting people to take you seriously," he says. "I had the pedigree, but no bank support, until a firm of financial advisers introduced me to Santander. They were willing to listen. Yes, they wanted to see detailed business plans and forecasts, but what they were really interested in was working with me, making it a team effort, which also helps reduce the risk."

Santander provided Jackson with a Growth Capital Loan, and equally vital to his growth plans, sound suggestions. He says: "They told me to get a fantastic 'co-driver', a finance director. This was outside my business comfort zone, and although I felt I was taking a risk, I took their guidance and hired my FD David Lamb; the best move I ever made."

As Jon Bennett, Santander's relationship director, points out, this is a crucial stage in becoming "investment ready". He says: "Having a great finance director demonstrates to a funder that you know your business inside out, and understand the levels of cash and working capital required to scale up as much as you understand your product offering and marketplace."

Jackson was also exploring overseas markets, and in 2014 joined a Santander subsidised Trade Mission, in partnership with UKTI, to Brazil. He says: "South America was a territory we needed to investigate, especially with the 2016 Rio Olympics looming. I spent every day meeting retailers, potential distributors and magazine editors. It was a great opportunity to learn about the market, understand the barriers to trading with Brazil, and make some valuable contacts."

In extending their brand's global reach, however, business owners mustn't overlook their domestic market, warns Bennett. "It is about risk and opportunity, and it's important to balance the two," he says. "Businesses that trade globally aren't dependent on one market, which helps de-risk negative impacts on any one single revenue stream. For the right offerings, huge global opportunities exist that can see a business rapidly scale up its operation. But don't neglect your domestic market; that's what gave you the opportunity to scale up. It should be looked after and seen as a safe landing area in case things don't go to plan elsewhere."

Huub's global brand recognition is translating into financial success, starting the 2016 season with a record level of pre-orders from distributors and wholesalers, and anticipating a turnover of £2m for 2015.

"I knew I had a strong business idea, but a lot of this success is due to Santander having the vision to help me get my business get off the ground and supporting my ambitions for growth," says Jackson.

Huub's story should inspire other scale-ups, especially those with a strong USP or developing brand that offer something different; key qualities that Santander looks for in a business.

Bennett says: "We want to see strong and dynamic management; entrepreneurial yet able to control itself, with a clear understanding of where it is going, and what it needs to do to get there." His recommendation to scale-ups seeking finance is to engage with a funder early. "Many businesses see the opportunity and run towards it before they realise they're not prepared in terms of funding it," he says. "As a result the opportunity is probably gone forever."

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Ching Liu



“Reliance on technology has the potential to expose a business and lead to messy, complicated and expensive investigations”

No company wants to find itself subject to a fraud or corruption investigation. Yet, as businesses continue to venture into unfamiliar markets that bring new suppliers, partners and clients as well as operating environments, this naturally increases the risk of scrutiny. The reliance on technology and the massive data volumes produced and stored by organisations presents challenges if not properly mapped and managed. It has the potential to significantly expose a business and lead to messy, complicated and expensive investigations.

At the outset of an investigation, we are almost always presented with a huge amount of data. Not just unstructured data such as emails and documents, but also database information such as accounting and banking records, communication recordings and social media interactions. As the amount of data produced by a business continues to grow, these are typically stored in a variety of locations and formats, including the cloud.

But when it comes to a fraud or corruption case, this makes it more difficult to quickly identify the issues. It can also be costly, both in monetary and reputational terms. When a fraud is uncovered, swiftly finding its source and addressing any vulnerability in the company's processes and systems is essential to stem losses. When it comes to shutting down a fraud, time really is money.

The data explosion has had considerable implications for the roles of lawyers, digital forensics analysts and forensic accountants. Huge data volumes often make it difficult, time-consuming and expensive to identify the evidence required to commence legal or disciplinary proceedings. Data analytical tools enable experts to identify and focus on the transactions, correspondence or other evidence that shows what occurred. Forensic accountants can also identify any weaknesses or vulnerabilities in internal systems and controls that allowed the fraud or other misconduct to take place.

Legal advice is also vital to ensure the investigation is handled correctly to ensure evidential integrity. With data protection and

privacy rules varying from country to country, it can sometimes be a criminal offence to move data beyond its borders or recover information from employees' devices without a court order. The new legal framework, the EU General Data Protection Regulation (GDPR), is due to come into effect on the 25 May 2018.

However, Brexit may mean that all businesses will need to review and reconsider their legal standing. Once Britain leaves the EU, it will still be necessary for international businesses to consider and prepare for both GDPR and the UK Data Protection Act in order to do business digitally. And so any compliance or regulatory investigation process involving data also has to be baked-in to these review processes.

It does pay to be prepared and ensure that any future investigations can be conducted efficiently, limiting both professional costs as well as reputational and regulatory implications.

Know where your information is held, and by whom, and ensure good data mapping and accounting practices. This includes knowing how and where new data is generated and how historical data is handled. For example, using Excel spreadsheets to document employee expenses is a frequent vulnerability when it comes to corruption prosecution.

Have clear policies on how employees store data and what they can and can't do with their devices. It is not only important that these policies are in place, but that employees are aware of them and have consciously agreed to them. For multinational businesses, these policies need to comply with the data protection, privacy and employment laws of each of the jurisdictions in which they operate and in many cases need to cover the use of personal devices for business.

By treating information governance and data hygiene as a potential crisis management issue, the reputational and financial damage of fraud and corruption can be considerably reduced. A happy side effect of keeping on top of your data is that good information governance will significantly reduce your exposure to fraud. ■

Ching Liu is director of forensics at Control Risks



A life in pictures

Alison Cornwell has worked on some of the highest-grossing movies in history. She tells Chris Evans about her role in making them financially, and creatively, successful

PHOTOGRAPHY: DAN BURN-FORTI

I walked into the room and noticed Philip Seymour Hoffman sitting by himself at the bar. So I went over and we got chatting. He was fascinating and engaging, talking about his theatre work in New York, and although he was repeatedly pulled away for photographs, he always came back to continue the conversation.”

These are the kind of circles Alison Cornwell, chief financial officer at Vue International, moves in. Conversation with the Scottish film and TV finance guru is littered with big names she’s crossed paths with. There’s Bob Iger, chief executive of The Walt Disney Company, director Tim Burton, actors George Clooney and Colin Firth, and former director general of the BBC Greg Dyke, to name but a few.

THE MATRIX

Mixing with the great and the good is just one of the perks for Cornwell, who has made a name for herself in the entertainment industry through an impressive track record of understanding and

driving business growth using a structured “matrix”. Not creating an alternative reality, as in the Wachowski brothers’ *Matrix* films, but with rigorous and clear financial analyses that break down how business and film processes work.

The first of these was created when Cornwell joined Disney in 1995 as head of finance for its international TV distribution business. She wanted to establish a standardised way of valuing film and TV titles for distribution. She explains: “I thought there must be a way of streamlining it. So we came up with a matrix of continents, countries, and release windows (theatrical, pay per view, pay TV, free TV, library value). I sat down with a meter-high stack of contracts and read each one to understand how historical deals had been done, what had been paid for movies in the past, and I developed a pricing grid based on the history.

“I then spoke to the sales executives to get their input and my matrix, which I referred to as the Ult (ultimate) Range, was created. For each of the territories it projected the value you’d expect to get for a small, medium-sized or blockbuster movie, across about 25 different box office pricing bandings. That became institutionalised within Disney. As far as I’m aware they still use it today.”

Cornwell’s work at the studio soon spread to

include the Disney Channel and a portfolio of investments in third party businesses. She was dealing with all aspects of broadcasting, including identifying which territories to enter, negotiating deals with international pay TV platforms, hiring management teams, and assisting with the launch plans for new channels.

When Cornwell joined there was one Disney Channel in the UK - by the time she left 10 years later there were 40 around the world. "I was getting exposure to the likes of Michael Eisner (former chairman and CEO of Disney) and Bob Iger, who took over in 2005," recalls Cornwell. "We had a rigorous corporate planning cycle at Disney and so I used to go to Burbank, Los Angeles, to present our international television business plan." This meant she got to see what most children (and some adults) only dream about - Disney films being made by animators busily drawing the latest characters, from Mickey Mouse to Tarzan. She even got to watch a Hollywood blockbuster action scene being filmed:

"I was lucky enough to be invited to the sound stage when they were shooting an explosion scene for Armageddon. They were trying to drill a hole in a huge asteroid. That was great fun."

She says she got to know Iger - who was chairman of the Disney-owned ABC Group - particularly well. Dealing with broadcasting strands at the time, he has since overseen some of the biggest acquisitions in film history, including Pixar, LucasFilm and Marvel.

"He is very charismatic and personable and he remembers everyone's names," says Cornwell, recounting a story about when her twins were born. "My doorbell was ringing constantly with flowers from the various Disney offices worldwide. Then one day the doorbell rang and I was greeted by a FedEx man with an enormous box. I opened it and inside were two wooden rocking horses and a lovely handwritten note from Bob. That's the kind of guy he is."

When Cornwell decided she'd like to take a more entrepreneurial route, she joined up with five others to set up a management team under the name Sparrowhawk, with backing from Provident Equity Partners and 3i, and bought the Hallmark Channel to transform the way it was being run.

"Over a period of two and a half years, we delivered on our plan to expand the channel's distribution, increase subscription rates, reconfigure the feeds to introduce advertising and

to launch a number of new channels," explains Cornwell. "The acquisition gave us offices in Sydney, Hong Kong, London, Denver, Buenos Aires and Miami, which was important to me because I love working in international organisations."

They looked to expand with further acquisitions, including International Universal Channels, which had been up for sale in 2004. However, a change of management at Universal meant it was looking to expand its own business and so Cornwell and her team did a flip and sold Sparrowhawk to NBC Universal in October 2007.

This triggered an unexpected call from headhunters Skillcapital to see what Cornwell's plans were next. She told them she would be interested in another entrepreneurial, private equity CFO role with an investor like Goldman Sachs. Two weeks later, Skillcapital called back with a CFO role at Canada-based film distribution giant, Alliance Films, backed by Goldman Sachs Capital Partners. That was in 2008.

Six years of handling the distribution of some major films followed, including *The Lord of the Rings* trilogy, *Pulp Fiction* and later *The Hunger Games*. "We secured the rights to *The Hunger Games* in Canada before it was released. We had a feeling it would be big, but were stunned by its success [\$695m worldwide]," says Cornwell.

She also got the opportunity to be directly involved in the entire filmmaking process, including, surprisingly, reading scripts. "Most of our film buyers were men and so occasionally they'd say 'what do you think of this?'" says Cornwell. "One of these scripts was for a film called *Suite Française*, which we ended up co-producing and financing."

FROM SCRIPT TO SCREEN

All through the year, Alliance acquisition executives would track producers, scripts and projects at various stages, as well as set up output deals with producers to ensure a constant supply of films in the pipeline.

"A distributor is only as good as the movies it's due to release," explains Cornwell. "Library values are very low. If your film is not on the first page of iTunes it gets lost. It's not like in the old days of going into high street stores to browse through a catalogue of films on DVD."

The financial crisis also had a huge impact. When Cornwell joined Alliance, it was able to take advantage of the turmoil in the markets to refinance the debt structure that had been put in place when Goldman bought it six months earlier. "We managed to reduce our third party debt at a significant discount because people just wanted

**CAREER IN
A NUTSHELL**

2014 CFO, Vue International

2013 Governor, and audit risk and governance committee chair, British Film Institute

2008 CFO, Alliance Films Inc

2005 CFO, Sparrowhawk

1995 CFO, Walt Disney TV International

1990 Senior manager, Coopers & Lybrand Corporate Finance

1987 Supervisor, Coopers & Lybrand



cash. That was one positive. But there was less cash going into hedge funds and film financing, so the supply of quality independent films reduced. As a consequence, in 2010 we decided to team up with producer Jason Blum (who worked on the hit horror *Paranormal Activity*) and put up 100% of the financing to produce *Insidious*.”

“We handled the finances from start to finish and took our own territories (UK, Canada and Spain) for distribution,” adds Cornwell. “It was all very logical. We produced the film as cheaply as possible, because the people involved worked for very little. Then, in return, if the movie was successful they’d get a share of the returns.”

It went on to make just shy of \$100m box office worldwide. “Everybody did well from that movie,” Cornwell confirms. They went on to finance a slate of Blum’s films, including *Dark Skies*, *The Bay*, *Sinister 1* and *2*, and *Insidious 2*.

“There’s a huge feeling of satisfaction when you go to a little editing suite in Soho to see a rough cut of the film, after countless weeks and months of late night calls with people in LA to get the financing together on a film. That’s when it becomes real.”

One of the films Alliance helped to fruition was Oscar winner *The King’s Speech*. “I was given the script early on and loved it,” Cornwell says. “Geoffrey Rush was involved and I listened to conversations about casting the role of Bertie - King George VI. Fortunately it went to Colin Firth, who was magnificent.”

OSCARS AND BAFTAS

Cornwell attended the film’s premiere at the Toronto Film Festival in 2010 and got to attend the Oscars where the film picked up four honours, but wasn’t wholly impressed with the ceremony. “The Oscars were held at the Kodak Theatre, which is an enormous venue and I had to constantly get off my seat to let people through to the bar,” she recalls. The BAFTAs proved more cosy and enjoyable, and she got to share a table with Tim Burton, Helena Bonham Carter and the actress’s mum and aunt, among others. “Tim and I spoke about an exhibition of his artwork I had attended in Toronto a few months earlier, including sketches from his student days that went on to become major films.”

In 2013 came another unexpected call; this time from the British Film Institute to see if Cornwell would like to join its board of governors. “The interview was with the then chair, Greg Dyke. He was very direct and engaging. As I got up to go, he said, ‘Just one more thing, I notice you’re a chartered accountant, I’m sure it wouldn’t be a problem for you to chair the BFI’s audit, risk and

governance committee too’. I laughed and said: ‘Greg, it would be a pleasure.’”

At her first governors meeting, she was asked to present the financial statements for the year just ended. The room was full of board members, including Oscar-winning director Tom Hooper. Cornwell called up the finance director of the BFI to get up to speed, spent time with the auditors and reviewed the financial statements with a fine-tooth comb. The board, which now includes Jonathan Ross and Peter Czernin, producer of *The Best Exotic Marigold Hotel*, were impressed.

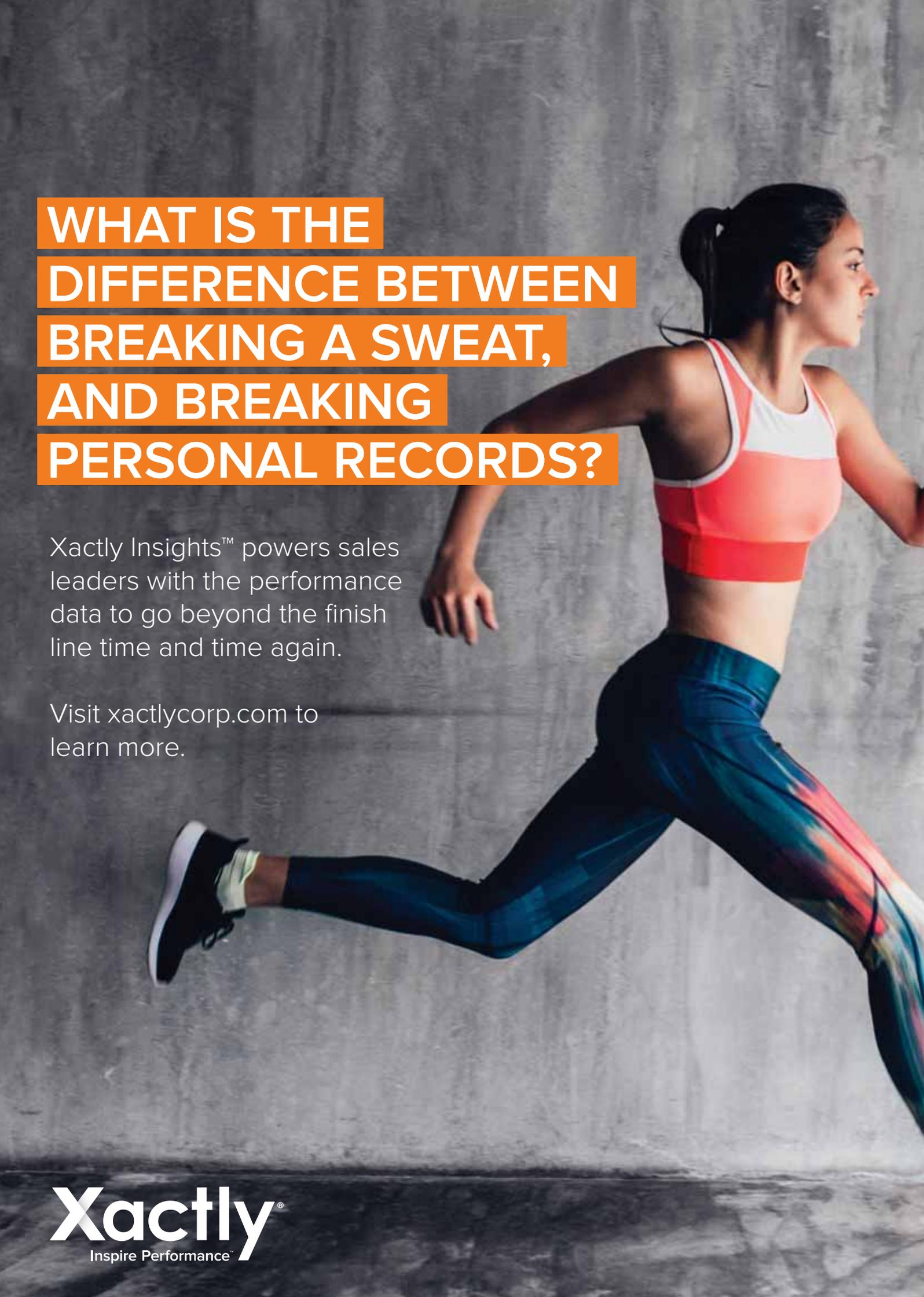
And her current role at Vue International came through her connection to the BFI. The rapidly expanding cinema company is led by its founder Tim Richards, a fellow BFI board member. “It’s an international business with so many exciting opportunities. We have grown organically, opening new cinema sites across Europe, and by business acquisitions,” says Cornwell.

In the past four years, Vue has acquired CinemaxX in Germany and Denmark, Multikino in Poland and the Baltics, Space Cinemas in Italy, and most recently JT Bioscopen in the Netherlands. Cornwell says:

“We’ve created a great communication network that runs across the organisation, rather than just from head office down to the territories and up again.”

A key focus is customer experience. Vue is in the process of rolling out a new website and customer apps, trialling premium food offerings for its cinemas, and installing recliner and VIP seats. “In Cambridge we replaced every seat in every screen with recliner seats. When you see them you get the wow factor,” claims Cornwell. “At our Eindhoven site, we have a special Dolby cocoon laser projection system where the screen is completely black and the sound is stunning.”

Despite spending more than 20 years in industry, Cornwell is keen to stress the importance of her initial years in practice at Coopers & Lybrand, where she qualified. “That time taught me so much: prioritisation; understanding the importance of cashflow and the drivers of value; being able to take a series of complex facts and create clear information on which to act,” she says. “A partner once told me that a great piece of analysis should be on one piece of paper. You should never have to reach for a calculator, but just look at the page and see the five key things you need to know at a glance. That’s set me in good stead throughout my career.” ■

A woman with dark hair in a ponytail is running from left to right against a grey, textured wall. She is wearing a red and white sports bra and colorful leggings with a blue, green, and red pattern. Her right leg is forward in a running stride, and her left leg is pushing off. She is wearing black sneakers with white soles and white socks.

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Should corporation tax be axed?



Diego Zuluaga, financial services research fellow, Institute of Economic Affairs

DIEGO ZULUAGA OPENING STATEMENT

Louis XIV's finance minister Jean-Baptiste Colbert once quipped that the art of taxation consists in plucking the goose so as to obtain the largest number of feathers with the least amount of hissing. It is evident that corporation tax does not meet Colbert's definition of a good tax.

Taxing corporate profits is an inefficient way to raise government revenue. It leads firms to reduce capital investment, which in turn makes workers less productive because output per hour worked increases the more capital there is per worker. Because rising wages necessitate rising productivity, corporation tax depresses employee remuneration. It has been calculated that as much as 57% of the burden of corporation tax falls on workers, not rich capitalists as we are sometimes led to believe.

Further, the prospect of taxation leads firms to seek ways to minimise their overall tax bill. They do this by locating assets in low-tax jurisdictions and by lobbying governments to give them special breaks and to introduce loopholes into the system. Tax administrations then expend considerable resources auditing companies in a bid to raise their payable taxes. Recent controversies in the UK and Europe revolving around some large American multinationals illustrate this wasteful process.

Britain would be better off abolishing corporation tax and replacing it with a tax on distributed profits - dividends - levied at the shareholder level. Inheritance tax and capital gains tax should also be axed, as both tax income, which has previously been sifted through by the taxman.



Alex Cobham, director of research, Tax Justice Network

ALEX COBHAM OPENING STATEMENT

Corporation tax raises essential revenue for public services and infrastructure, and for the institutions that guarantee the rule of law and effective political representation. It is relatively cheaply collected, relatively progressive in its incidence, and its efficient collection is relatively likely to support tax compliance more broadly. There's also a political reason to retain corporation tax. We've just seen the biggest collaborative process in this field for decades, as major economies revised the OECD's rules for international tax. This process took place because of the powerful public pressure for corporation tax to be made more effective - not less so.

Does the prospect of Brexit somehow make this a good time for the UK to go against the evidence? Evidence which, incidentally, is clear for the UK. The government and the independent Office for Budget Responsibility have forecast zero impact on the base - ie no rise in taxable profits - from the recent rate cuts. The government's best guess is that this means they have simply given away public revenue, for no benefit.

Perhaps there's a view that Brexit means the UK will need less revenue? The reverse is true. There is near-unanimity among economists and forecasting institutions that there will be non-trivial revenue losses due to the combination of prolonged uncertainty followed by loss of market access and/or productive labour. Such an extreme policy as abolishing corporation tax would not only suggest panic in the UK government. It would reduce revenues significantly and would do little or nothing to retain international business.

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“If tax systems were perfect and all wealth and income transparently owned, a simpler structure without corporation tax is imaginable. But to do so in the real world would lock in revenue losses and higher inequality”

DZ FIRST REBUTTAL

On almost every dimension, corporation tax has been shown to be inefficient. According to HMRC, it is one of the costlier taxes to levy, at 0.76 pence per pound collected. Research from PwC has shown that firms in the UK spend 37 hours each year complying with it, out of a total of 110 hours spent on compliance with all taxes. Britain’s compliance burden is greater than even red tape-heavy France.

Corporation tax is unfair to poor countries. That is because the complex rules of the global tax system are designed to benefit rich countries with more sophisticated tax bureaucracies. The OECD recommendations will worsen this problem by making the rules even more complex.

In any accounting of the costs and benefits of tax rate cuts, it is essential to take account of their impact on private investment. Lowering corporate tax rates will attract more capital to the UK, making workers more productive and thus lifting wages.

Prosperous economies tend to have low and falling rates of corporation tax - stagnant economies have high and rising ones. This is no coincidence.

DZ SECOND REBUTTAL

There are dozens of studies showing significant incidence of corporation tax on employee wages. Indeed, the 57% figure I cited comes from a comprehensive amalgamation of research in various countries. Cross-country data also shows an adverse impact on economic growth, a finding corroborated by the OECD.

An interesting result from my own research is that declining tax rates have not meant declining revenues from corporation tax. In America, Germany and the UK, the share of corporate tax in all taxation remains at levels similar to 1980, while as a share of GDP corporation tax revenues have grown by a third in the last 35 years.

The new government has decided to maintain the current downward trajectory of the tax rate. This is an acknowledgement of the importance of creating a favourable investment climate post-Brexit, and of the damage that can be wrought by high marginal tax rates. It is a fallacy that companies pay corporation tax - workers and investors do. We should therefore abolish it and put something more efficient in its place.

AC FIRST REBUTTAL

Diego’s opening statement includes two causal claims for which evidence is weak or absent. First, our research shows that lower effective tax rates have been accompanied by more rather than less profit-shifting. Cutting rates does not stop this behaviour; it has simply added to the tax losses.

Second, the incidence claims are at best questionable - as one leading US economist puts it, “there is simply no persuasive evidence of a link between corporate taxation and wages”. Econometrics aside, would multinationals lobby so hard against effective international tax rules if senior executives and shareholders did not bear much of the incidence?

If tax systems were perfect and all wealth and income transparently owned, a simpler structure without corporation tax is imaginable. But to do so in the real world would be to lock in revenue losses and higher inequality, with no expectation of higher investment or growth. For these reasons, it is no surprise that the UK government has just recently confirmed that it will not pursue further cuts to corporation tax.

AC SECOND REBUTTAL

Typically, the argument has been made that taxing capital deters investment and growth. The implied trade-off is used to lobby for tax cuts. (And of course, the corporate goose can pay to hiss more loudly than taxpaying citizens.)

But the evidence on this point, such as it ever was, has now been overturned. For example, the claimed sensitivity of multinational profit location to the effective tax rate only applies, it turns out, for those like Luxembourg that are “competing” at a near-zero rate. As the OECD’s head of tax put it last month in *The Wall Street Journal*, “this argument is dead”.

The previous World Bank chief economist, Kaushik Basu, once remarked that to abolish tax on unearned, inherited income and assets was equivalent to the caste system - because it ensures that major inequalities persist from one generation to the next.

More generally, direct taxes are the key component of efforts to curtail the inequalities that further undermine human social cohesion, development and economic growth. Taxes are, indeed, the price we pay for civilisation. ■

An illustration in shades of purple and pink. In the top right corner, a hand is shown holding a pen, writing on a document. A large, bright beam of light from a lighthouse, located in the bottom left corner, illuminates the scene, creating a large, light-colored triangular area that tapers towards the top right. Within this illuminated area, two pens are shown lying on the surface. The background is a dark purple gradient.

NEW WORLD ORDERS

The UK's decision to leave the EU has called into question the nature of its trading relationships with its nearest neighbours. But it has also shone a spotlight on the opportunities other countries offer, says **Nick Martindale**

ILLUSTRATION: MATT MURPHY

One of the most surprising elements of the UK's vote to leave the European Union is just how woefully underprepared anyone - in the UK or the EU - was for such an outcome.

As the dust begins to settle, the UK and other countries are looking at what Brexit, when it finally happens, means for them, and particularly the potential for trading arrangements. There are significant challenges around the practicalities but there are also opportunities, both at a country level and for businesses seeking new markets.

According to a survey by the Economist Intelligence Unit on behalf of American Express, 82% of British companies see the US as their main trading partner, with the same number expecting an increase in trade over the next five years.

Emanuel Adam, director of policy and trade at British American Business, believes the two countries are natural partners when it comes to trade. "The US is very sad to see the UK leave the EU, because it makes thinking a lot more complex, and trade is a very good example," he says. "But in the end it will think practically. The US is interested in its companies growing and exporting and attracting investment and will look at all the options in order to foster that." Its preferred option is likely to be a trade agreement with the EU to which the UK also has access, he adds, although if this is not possible then a less formal UK-US deal may also be feasible.

At the moment, the biggest challenge is the uncertainty, says Rob Mulligan, senior vice president, policy and government affairs, at the United States Council for International Business. "Until they can actually separate, the UK can't really go and negotiate new trade agreements," he says. "It looks like it will take quite a long time for the UK to officially come out of the EU, and then you go into a negotiation process, so you're looking three or four years down the road. From a business standpoint that's a bit long to know what it's going to mean in terms of tariffs or regulatory co-ordination. It just makes it difficult to assess what the opportunities are going to be."

In China, there is certainly a desire to trade more with the UK, and hopes of a trade

agreement, says David Martin, director of the China Britain Business Council. "Some parallels can be drawn with China's agreements with Switzerland, Iceland, Australia and New Zealand, but it will take some time," he says. There's a good match too, in that the areas at which the UK excels - such as financial and professional services, education, healthcare and advanced engineering manufacturing - are those in demand from China.

Smaller businesses in particular, though, need a degree of certainty before they commit to any new opportunities, says Martin. "Uncertainty in stock markets and equities are very headline-grabbing but small companies are wondering whether they need to adjust their prices or change their order for next year," he says. "From our perspective we want to remove the China uncertainty around that, and get them to think about China now. If the EU is going to change direction around how it engages internationally then maybe it's time to look at trade with China."

Brexit could be good news for African countries too, believes David Smith, chairman of the British African Business Alliance, both in terms of UK businesses seeking new markets and African enterprises looking for new sources of supply. "The Chinese experience has left mixed feelings in Africa; everybody wants to buy at a good price but they don't really want to compromise on quality," he says. "I'm beginning to detect that people are starting to talk about not buying from China, if they can buy from the UK."

Often the goods will be made in China anyway, he adds, but there is a growing recognition that the after-sales support and customer service that comes from a UK business is worth paying for.

Smith already sees examples of UK businesses seeking to enter African markets, particularly Nigeria, Ghana and Kenya. "We're working with one business in Birmingham that makes a manually operated breeze block-making machine so you can build a two or three-storey house," he says. "That machine costs £7,000, so that's a relatively easy export decision given the need for houses in Africa. So there are pockets like that which we think could be much larger. It's not without its challenges but Brexit very much opens the door."

“IT IS UP TO THE UK TO DECIDE HOW IT WANTS TO POSITION ITSELF. THE BARRIERS IT REMOVES OR ESTABLISHES WILL BE A SIGNAL”

Not everyone is so positive, however. Australia's economic relationships tend to be more weighted towards the Asian economies, says James Pearson, CEO of the Australian Chamber of Commerce and Industry, so the UK will need to work to re-establish itself as a key trading partner. “The hardest issue will be to identify what are British products and services,” he says. “Supply chains have become so entrenched with EU business that truly ‘British’ identification will be hard to do and could be pretty limited.

“It is up to the UK to decide how it wants to position itself after Brexit,” he warns. “The barriers it removes - or establishes - will be a signal to the world about how it wants to do business. Many businesses from abroad use the UK as the English-language base for Europe. This may now change and Ireland could be the beneficiary as the only English-speaking country in Europe.”

Mexico, too, is concerned. “When the UK leaves the EU and the Mexico-EU free trade agreement ceases to apply between Mexico and the UK, so preferential trade between both countries will stop and this could translate into a decrease in bilateral trade,” says Hugo Perezcano, president of the international trade and investment policy committee at ICC Mexico. But there are signs that both countries would be keen to create a formal trade agreement which could help reverse any impact, he says, and have obvious benefits for both sides.

“Both economies are attractive to each other given their size, their expected future growth and their role in the world economy,” he adds. “The UK was the fifth most important economy and Mexico the 15th in 2015.” The existing deal between Mexico and the EU would be an obvious form of reference for any arrangement, he adds, as could its model with Canada.

Perhaps unsurprisingly, things are also less rosy within the EU itself. According to a survey of EU businesses conducted by law firm King & Wood Mallesons, 62% are now less inclined to do business with the UK as a result of Brexit.

There are some real risks, says Tomasz Michalski, professor of economics at HEC Paris

Business School. “Geography here is destiny,” he says. “For the UK, the EU is its largest and closest market so it would be silly not to prioritise continuing business with them. And, for the EU, the UK is still the fifth largest economy in the world and an attractive market where global businesses have been present for decades. It is in both of their best interests to cooperate closely.” The danger, though, comes from the extent to which the UK deviates from EU standards and business law, which could cause issues for those looking to sell into both markets.

Indeed, for small and medium-sized businesses in particular, the day-to-day issues are more important than the wider political and economic situation. “Free trade deals are a very important element for smaller companies in the long run, but right now they’re more concerned with fluctuation of currencies or the general economic environment,” says Adam. “If both governments are able to address these concerns and increase the support because they see each other as a priority market, that will end up helping small companies over the next few months and years.”

Some small businesses are already looking to move into new markets following the referendum result. Joe Hepworth, CEO of British Centres for Business, based in Dubai, says his organisation has never been busier.

“We help particularly small and medium-sized companies access the UAE, and in July and August we had our busiest time ever,” he says. “Normally it’s quiet because it’s holiday time in both places. We feel this is a pragmatic response to Brexit, and the Middle East takes on greater relevance because it’s almost a hedge against what may or may not happen with European exports.”

The region has a number of advantages as an export destination, he says, including the predominance of the English language and the relative closeness of major population centres. “There are probably similar opportunities available in the UAE to those in India or China but they’re within a two-hour drive,” he says. There’s also a growing need for new infrastructure services and projects across the region, he adds, which has been made more prominent by the



realisation that the Middle Eastern economy cannot rely on oil in the way it once did.

Yet while there may be opportunities for both trade agreements and business deals, there is also a dark cloud over Brexit, as seen in the recent intervention from the Japan government, warning its firms based in the UK could move away should business conditions not be favourable, including both the free movement of workers between the EU and UK and access to the single market.

Nigel Driffield, professor of international business at Warwick Business School, says there are four main reasons why businesses choose to base themselves in the UK: language and cultural similarities; a flexible labour market; a favourable tax regime; and, finally, as an entry point into the EU.

“If you take that away, the question becomes, what sort of trade deal will we have, and if there are going to be even 10% tariffs on car exports, that means a top-of-the-range Nissan which is £30,000 is now £33,000,” he says. “It’s quite a big difference. Companies are not going to move overnight but they are saying they invest in the UK to be part of the single market. It will be a general drift away.”

But any such move may be countered by other organisations which could be attracted to a UK freed up from some of the bureaucracy that affects the EU, suggests Mulligan. “You may lose some of those companies which now have to find somewhere else to be their EU base, but depending on how the regulations in the UK are shaped they might be able to provide some incentives they couldn’t provide before,” he says. “That might facilitate inward investment.”

Martin is equally buoyant, even in the face of rising tension between the US and China. “There will be some level of uncertainty,” he says. “But so much of the investment from China into the UK has been about investing strategically to help China’s companies move up the value chain. If you’re buying a 20% stake in a West Midlands engineering company because you want to sell the technology to the rest of the world, that shouldn’t necessarily change. If it was the right company on 22 June it should still be today.” ■

ACCOUNTING OPPORTUNITIES

Like a number of other industries, the UK’s accountancy skills and services are regularly exported to other countries, both in the UK and further afield.

The decision to leave the EU is something of a double-edged sword, suggests Stephen Ibbotson, director, commercial and business at ICAEW.

“A lot of Brexiteers were saying they would reduce regulation and if that’s done in a smart way then that could help,” he says. “You could get the same governance and control but without the time-consuming bureaucracy and restriction.”

It could also shine a light on just what regulation is generated by the EU, and what comes from our own government, he adds, and potentially free up the UK to act more independently in developing markets such as China, Brazil, Turkey and Mexico.

“But there’s a counter argument the EU uses all the time, which is that the scale of 27 countries gives it benefits a country couldn’t get on its own,” he says. There’s also a risk the EU could put in place rules which would make it more difficult for UK firms to audit EU businesses, he adds.

In the short-term, at least, the UK will still be well positioned to serve its European neighbours. “The UK will have lots of advantages in terms of language, time zones, the rule of law, a good education and a strong profession,” says Ibbotson. “All those things will be unchanged.”

Personal wealth management for CFOs and accountants

Private clients should carefully review their wealth management service says Charlotte Ransom, former Goldman Sachs partner and CEO of Netwealth

AFTER A 20 YEAR CAREER

at Goldman Sachs, the last five as a partner in private wealth for EMEA and Asia, I found myself in a state of paralysis when it came to my own finances. I knew I did not want to manage my own money, yet I could not find an acceptable discretionary wealth management service elsewhere. I was dismayed by the lack of transparency, the very high fee levels, the often poor performance after charges and generally an inadequate service for what is nevertheless something that is much needed.

After all, how many of us are really interested in, or perhaps capable of, managing our own money?

As a result, my co-founder, Thomas Salter, and I decided it was time to create the solution ourselves. With the launch of Netwealth, we deliberately address the most important features we feel are missing from the private wealth management market, which is currently under-serving many thousands of professionals: transparency, cost and accessibility.

Netwealth combines the best aspects of traditional discretionary management with the enhancements of a technology-enabled service. We provide a deeply experienced team, a robust approach to investing, high level of security for client assets and access to advisers if desired. These key aspects are coupled with much lower costs, full transparency, an ability to customise according to individual goals and access to the Netwealth Network. We believe that by combining these elements, our clients have a proposition which is genuinely different from and



Taking a £500,000 investment in Netwealth's balanced portfolio we compare the values over 20 years based on Netwealth fees and the average fee of traditional wealth managers.*

*FORWARD LOOKING EXPECTED RETURN FOR NETWEALTH PORTFOLIO: 5.3%. TRADITIONAL WEALTH MANAGER FEE IS CALCULATED AS THE AVERAGE TOTAL EXPENSE RATIO (TER) OF THE WEALTH MANAGERS LISTED IN RESEARCH BY NUMIS AND CITYWIRE (FEB 2015)

an improvement upon the discretionary wealth management services currently available, whether they decide to work with Netwealth entirely online or with our advisers.

OUR DIFFERENCE

Seasoned Leadership Team Together we bring a very significant level of maturity and know-how to wealth management.

Cost Effective Netwealth makes use of the latest technology, allowing the total fee charges to be between a quarter to one third that of the industry average.

Comprehensive Offering Our powerful investment tools help you to plan for a variety of financial goals, including regular income, significant outgoings and pension drawdown. Investments can also be set up with the full suite of pension/SIPP, ISA and JISA wrappers in addition to general investment accounts, with the ability to automate future tax efficient investing.

Professional Advice Our qualified investment advisers can provide you with advice on how best to invest should you wish to speak with them.

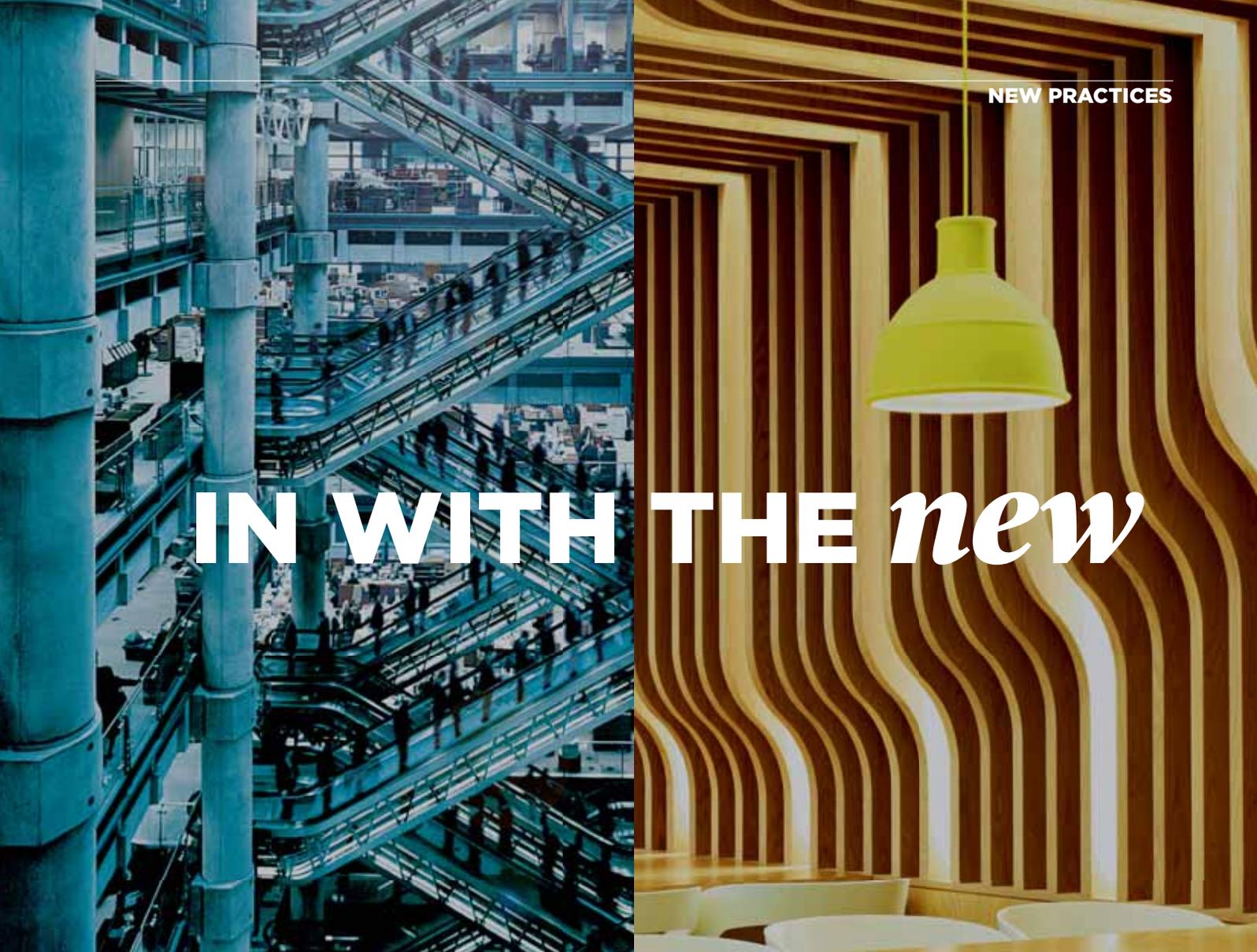
Network Benefits The Netwealth Network allows clients to share the benefits of the service with their family and friends, with fee rates based on the combined amounts invested within the Network.

Security Security is a critical part of the Netwealth service. All client assets are separately held in custody and ring fenced, and clients access their data via a dual factor authentication process.

Find out how we can help with your pension and investments at netwealth.com or call **020 3795 4784** to book a free consultation.

Remember that when investing the value of your investments may go down as well as up and that your capital is at risk.





IN WITH THE *new*

Leaving an established practice to set up a new firm is by no means a recent trend, but some start-ups are now looking to break the mould and provide something completely different for their clients. **Annie Makoff** profiles three fledgling firms who have done just that

**START-UP BRIGHT HORIZON
ACCOUNTANCY**

**LOCATION BOURNEMOUTH
LAUNCH DATE MARCH 2015
MODUS OPERANDI**

Ultra-modern, cloud-based accountants with an informal, approachable focus.

INDUSTRY CONTEXT

Frustrated by the “out of touch” legacies of established accountancy practices, Emily Hyland set up a vibrant new firm that she thought would challenge accountancy stereotypes as well as put customer service at the heart of its approach.

Having worked previously at Menzies LLP followed by an eye-opening stint at cosmetics retailer Lush as internal auditor, Hyland decided not to return to a large firm, although she recognised that working in practice was much more varied. “I enjoyed working with lots of different businesses rather than just one,” she recalls. “But accountancy and law firms are

still very traditional and I find them inefficient. Customer service in many accountancy firms I think is actually pretty poor because of their systems, so I decided to set up a firm that gave a better service to clients.”

CHANGE AND INNOVATION

The culture clash between Menzies and Lush was the inspiration for Hyland’s new company. Having previously worked in a formal atmosphere it was quite a shock when, on her first day at Lush, a staff member turned up to work dressed as a Harry Potter character.

“Coming from a practice background, wearing suits is seen as imperative, it puts you in business mode, but working at Lush I realised there is no difference. If staff feel more relaxed, they’ll be happier and work harder. Lush was the beginning of a big change for me.”

Hyland followed this principle to create a new breed of digital accountant, which broke the mould



“Britain continues to be highly competitive and open for business”

PHILIP HAMMOND, CHANCELLOR



of established practices. Bright Horizon prides itself on its entirely paperless, cloud-based approach. Staff work a six-hour day, Macs are used instead of Windows PCs and desktop software is non-existent. And no one in the office wears a suit. “Suits look unapproachable,” she claims. “We work with web designers and advertising agencies whose staff wear shorts and flip-flops, so dressing formally and using PCs would make us look like we don’t understand their industry.”

Bournemouth was named the UK’s fastest-growing digital economy in 2015 in a report by Tech City UK - there are 400 digital agencies based in the area, which is fondly referred to as Silicon Beach - so it made sense for Hyland to work predominantly with the creative industries. While most of her clients are based around the south and south-east, there are plans to expand, particularly as cloud accounting makes geographical location irrelevant.

Central to Bright Horizon’s offering is dedication towards customer service through cloud accounting. Although the use of cloud accounting is not unique in itself - Hyland knows a lot of

start-ups who use cloud software - she insists that her approach is radically different. “You have to innovate to make it better,” she says. “Our bookkeeping is done on a weekly rather than monthly basis. Cash flow is super important to businesses, so while it makes no difference to us to do it weekly or monthly, it makes a massive difference for our clients. That’s something I don’t think many accountancy firms do - it’s a legacy issue. They visit clients once a month, but because we use cloud technology, we can do it wherever we are.”

DISTINGUISHING FEATURES

Hyland refuses clients who use Sage or any other desktop software package. Cloud software is a no-brainer - it gives clients a better service. Through the cloud, Bright Horizons can check compliance at any point; can see if clients are about to breach VAT thresholds; and if in need of support, the client can look at the same screen from anywhere in the world and receive instant advice.

Currently, Bright Horizon is working on bespoke cloud software packages to include an end-of-year pack that pulls out data and statistics in a format and context relevant to the client’s business and industry.

“Clients often receive end-of-year accounts that are absolutely meaningless to them because it’s presented in statutory format,” Hyland explains. “It isn’t good enough to use other people’s technology, so we’re in the early to medium stages of creating our own.”

Hyland describes the Bright Horizon team as “outliers”: they are proud to be different, not just because of their refusal to work with anything other than cloud software, but because they are determined to obliterate the stereotypical image of the accountant. “That makes us much more approachable,” she says.

**START-UP HONEYCOMB
FORENSIC ACCOUNTING
LOCATION LONDON
LAUNCH DATE SEPTEMBER 2015
MODUS OPERANDI**

Small, influential specialist forensic firm with a big market presence.

INDUSTRY CONTEXT

Forensic accounting specialist Jeffrey Davidson left his partnership role at Crowe Clark Whitehill LLP to set up a small firm specialising in forensic accounting. "I wanted my specialist field to be the prime focus of the firm rather than an add-on," he says. "Forensic accounting is a very profitable, niche area. While Honeycomb is a small firm - there are 16 of us - we're still larger than the forensic teams in the top six."

CHANGE AND INNOVATION

Unlike most start-ups, which spend too long "waiting for the telephone to ring" before slowly building up a modest client base, Davidson was determined Honeycomb would be a big presence right from the start.

"We wanted to hit the ground running and make a big noise from day one," he says. "We're constantly pitching ourselves at a much higher level - we're a big firm in a small firm's clothing."

Honeycomb's target audience is large corporations and public authorities - the type that larger accountancy practices would generally be working with: big law firms; big banks; law enforcement and regulatory authorities. Indeed, as well as working alongside the Serious Fraud Office, Honeycomb recently won two big tenders with the Financial Conduct Authority.

What makes Honeycomb unique is its complete coverage of forensic accounting activities, which includes criminal, civil, investigative and expert. A range of litigation support services is also offered: "Very few accounting firms have made the investment and commitment to provide this entire range of services, it's only the Big Four. So for a small practice to do this is completely

unique," claims Davidson. He has big plans for Honeycomb. Despite being barely a year old, the firm is expected to go international within the next three to six months, becoming a "global network" with equivalent expert and quality forensic firms across the globe.

DISTINGUISHING FEATURES:

According to Davidson, Honeycomb is at the forefront of a new trend: client demand is moving away from generalist firms and moving towards specialist, niche businesses. "There are so many generalist firms these days there isn't much to distinguish one from the other - they have great difficulty creating a unique identity."

Because of the nature of its client

base - there are no repeat clients - it is entirely transactional, operating on a purely market-driven, entrepreneurial basis. And central to Honeycomb's key proposition is something even larger firms are unable to boast about: there is no conflict of interest.

"Clients come to us because we are a specialist area and completely independent. There are frequent conflicts of interest within big firms that may have acted for their client's competitors or even client's clients. So it's a real relief for those who want to work with us - we aren't tangled in conflict of interest."

It's because of this specialism and experience base that Honeycomb can justifiably say it is able to sell itself purely on credentials. For Davidson, who says it will soon be expanding to other areas such as risk and compliance, it's all part of the fun of running a specialist firm.

"General practice has no margin - it's not very attractive, it's repetitive and everyone does it," he says. "But what we do is exciting, every case is different. It's profitable and it's tremendous fun. We're doing things completely differently and it absolutely works."

**70%
of Londoners
dream of starting
their own business**

**ACCORDING TO A NEW SURVEY
FROM THE BRITISH LIBRARY'S
BUSINESS AND IP CENTRE**



START-UP TALLY ACCOUNTING
LOCATION STAFFORD
LAUNCH DATE OCTOBER 2016
MODUS OPERANDI

IRIS-driven start-up offering a fully supported digital service with minimal user input.

INDUSTRY CONTEXT

Richard Stonier, a partner at Deans Accounting, set up Tally Accounting in response to the rapid pace of change in the profession. Recognising that change was inevitable, he says: “Practices are now faced with a clear choice. We can either wait for change to happen or take it as an opportunity and lead by example.”

Stonier took the latter route and used IRIS software to roll out an online service to appeal to a larger, tech-savvy client base across the UK.

CHANGE AND INNOVATION

Tally is an entirely separate entity. It neither competes with Deans’ clients nor replicates its services. It’s a conglomeration of several of Deans Accounting clients who, according to Stonier, “share the wealth”.

“One client does website development, another manages the social media and PR and another is responsible for marketing,” he says. “They’ve all helped Tally develop. And the social media coming out is going to have an interesting edge.”

Cloud-based with an emphasis on “instantaneous data”, Stonier is keen to distance the Tally brand from established accountancy firms he claims are “stuck in their ways”.

“Many traditional firms only adopt technology when it’s forced on them,” he says. “And because we’re cloud-based, we’re breaking down the barrier of local accountancy - there are no geographical boundaries to it.”

Tally utilises IRIS-driven technology to offer clients a complete end-to-end digital service through a single portal. According to Stonier, this portal can be accessed from any device, anywhere in the world. While clients can make



use of up to 100 apps such as scanning invoices with an iPhone or tracking mileage using GPS, Tally’s technology provides instantaneous reporting and electronic checks without the need to manually submit documents such as passports or driving licences.

DISTINGUISHING FEATURES

Tally’s promise to clients, “full support with minimal input from business owners”, is due in part to its white-labelled IRIS cash flow and Tally Exchange products.

“Our on-demand technology differentiates us,” Stonier insists. It frees up business owners to focus on the day-to-day running of their businesses. And as an added bonus for clients, Tally’s pricing structure is “ultra-competitive” for clients anywhere in the UK, Stonier claims. “But above all, there are two things underpinning us which makes us stand out from other start-up firms,” he adds. “Tally’s foundations are built from a long, established chartered firm and all our software is IRIS-driven, so we’re backed by one of the biggest software houses in the UK.” ■

“Supporting an entrepreneurial environment that encourages our young people to establish, grow and scale their businesses will ensure the UK continues to be competitive on the world stage into the future”

BJORN CONWAY, HEAD OF UK GOVERNMENT AND PUBLIC SECTOR, EY

Avoid the top three interview mistakes

Most of us struggle with interviews. We all want to progress to the next level of our career and whether this is for an internal promotion or an external career move, we can all improve our technique. The following are the three most common interview mistakes you should avoid.

1. USING THE TERM “WE” INSTEAD OF “I”

In a modern workplace, most of us work in team environments and tend to refer to the collective contribution of the team rather than ourselves as individuals. However, when speaking to a prospective employer about yourself, it is essential to talk about your personal achievements.

Think about: Were you a driving force behind the project? What were the outcomes and what part did you play?

2. UNDERSELLING OR CHOOSING WRONG EXAMPLES TO SELL YOURSELF

Many people select their greatest achievements as things they are personally very proud of, such as passing their ACA exams, but these may not be the best examples to persuade an employer you are the right person for the role. Read the role profile and think about examples that demonstrate the greatest impact for the particular skill or competency.

Think about: Use real world examples of how you work and what you have achieved. Did you uncover a control deficiency or revenue leak for a client? Did you write a new strategy? What was your contribution to an outcome?

3. LACK OF PREPARATION OR RESEARCH

Research is critical to interview success. Knowing the company and the people you are meeting will demonstrate knowledge and help you to build rapport. You probably do extensive preparation for the role you really want



but little research for roles you are less interested in. This can lead to interview anxiety for the role you have focused on while leaving you underprepared for the one you underestimated.

Think about: Prepare for all your interviews in the same rigorous way to train your mind to view all interviews with the same level of importance. This way you should remain calm under pressure, enabling you to perform at your best and improve your chances of getting the job you really want.

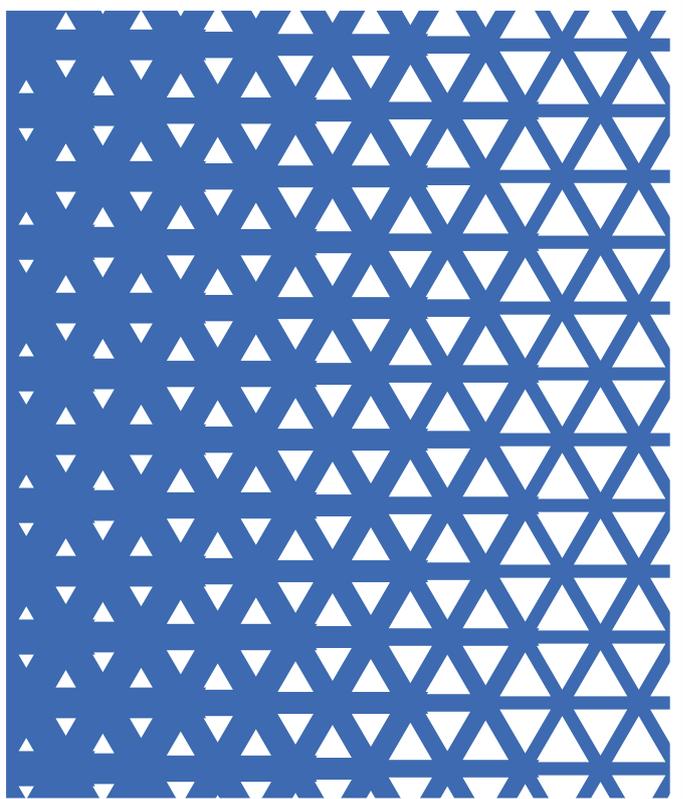
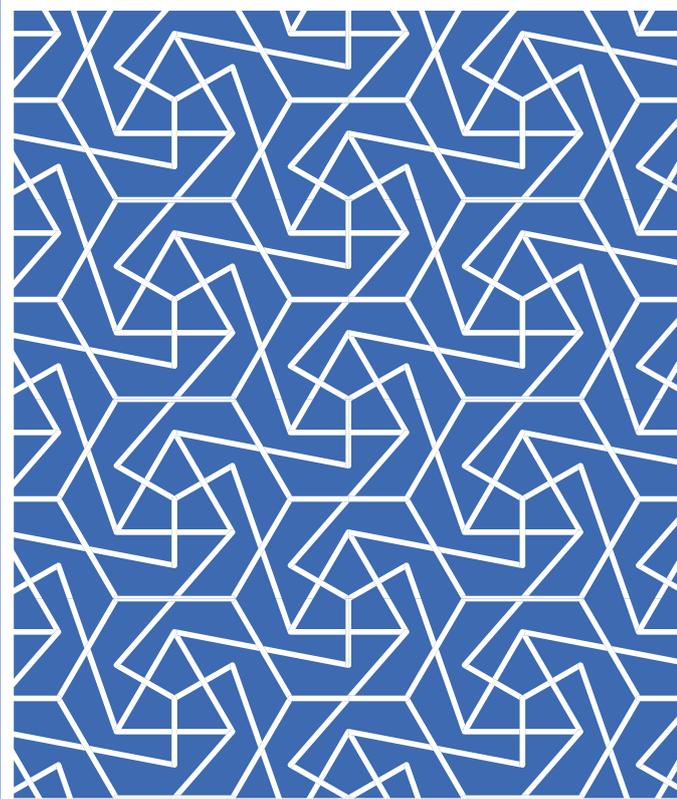
Rory McDermott
Head of Talent Acquisition Solutions,
ICAEW

ACA PROSPECTS: WHAT'S NEXT?

This free evening event, taking place on 15 November from 17:30, has been designed to help recently qualified chartered accountants to achieve their next career goals. Register your place today to find out how to build your career brand, handle tough interviews and develop your career through economic uncertainty.

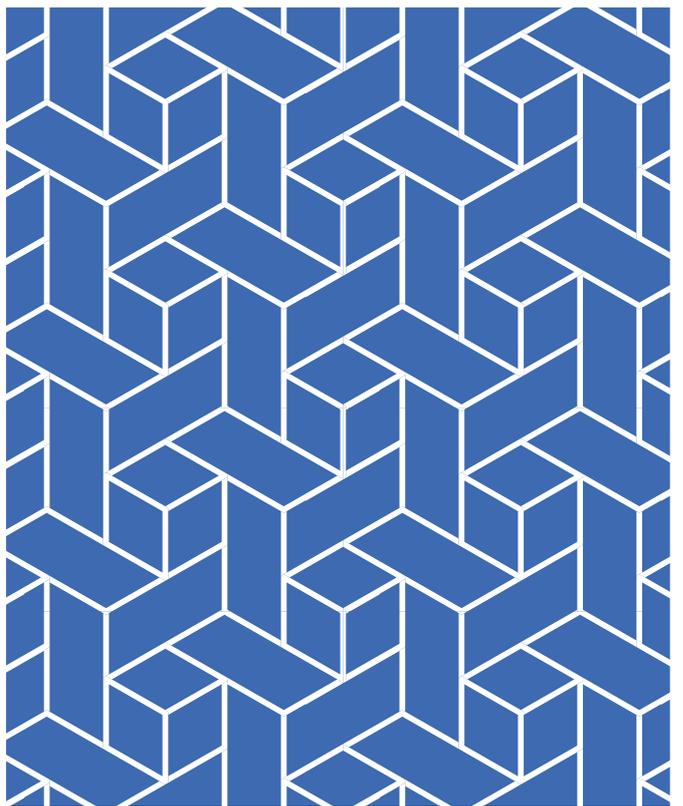
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MULTI -



**“WHEN YOU’RE
AN ACCOUNTANT
IN PRACTICE,
EVERYONE
KNOWS WHAT
YOU DO**

**- OR AT LEAST
THINKS THEY DO”**



TASKING

Why have one job when you can have many? **Sandra Haurant** explores the rise of the portfolio career and the challenges it presents for professionals

“So, what do you do?” It’s a classic conversation starter. But for people with a portfolio career, it’s a tricky question. There is no one answer - and rarely a simple one.

For many in finance, the idea of a portfolio career conjures up thoughts of a collection of non-executive director (NED) roles, perhaps built up towards the end of a career. But the term is more often used to describe a multi-faceted employment, where more than one kind of part-time role makes up a bigger working picture. In other words, the kind of career where one job title doesn’t quite seem to cover it.

“When you’re an accountant in practice, everyone knows what you do - or at least thinks they do. But when you have a portfolio career and are putting yourself out there as a consultant of some sort, people don’t know what that means,” explains Mark Lee, who has developed his own personal brand to create a many-stringed career based around the world of accountancy.

It is an increasingly appealing choice says Jordan Marshall, policy development manager at the Association of Independent Professionals and the Self-Employed (IPSE). “People want greater variety and control in how and where they work. Portfolio working enables you to build your career and focus on the issues and sectors that really matter to you,” he says.

It certainly works for Lee; a decade ago he chose to eschew a one-track role as a tax adviser in favour of a varied work life, and he hasn’t looked back. Lee qualified as a chartered accountant in 1982 and built up a very solid position in the profession. In common with many others, though, he experienced the lows as well as the highs.

His career had been forging ahead, he had been a partner at BDO and had been headhunted several times, but he had also found himself made redundant twice. The second time, in 2006, brought to a close his role in a joint venture and left him thinking very seriously about his next move.

“I had become chairman of ICAEW’s Tax Faculty and I was building my profile, so I sat back

and thought ‘what do I really enjoy, out of all the things I enjoy doing?’ and continuing as a tax consultant was not in the top five, or even 10 things I wanted to do.”

Lee decided to take his career in a different direction. He had previously thought of turning one of his main interests, keynote speaking, into a full-time job and began to research the possibility. But, he says: “I didn’t have the credibility, audience, or content for standing on a stage speaking right then.” Instead, he set about creating a variety of different roles he could develop into a cohesive self-employed career.

He set up the Tax Advice Network nine years ago, which, he says, has been described as “a tax dating agency”. As well as this, he now offers consultancy and training services to software companies who work with accountants, mentoring for sole practitioners. He also maintains a range of online e-learning materials for smaller practices.

But, above all, he is a professional speaker. “None of my activities brings in more than 50% of my income, but probably my main job is keynote speaking,” he says.

Jane Cody, also a chartered accountant, has built a career that allows her to simultaneously pursue several key interests. These days Cody is mainly a writer, specialising in travel, trail writing and marinas, but she is also a NED for a theatre lighting company. Her qualifications have allowed her to travel, working remotely from overseas locations but have also allowed her to try out different avenues within her own portfolio career.

“I was a chartered accountant in a practice for about 11 years, and then I joined my favourite client, who was in the theatre industry,” she explains. She began as financial controller, then later moved into the consultancy role she still holds. She decided to move abroad, and lived in Croatia, returning one week a month for her job and for family commitments.

Alongside this, she set up her own practice working for a number of clients, including a theatre production company, while also carrying out research for companies looking to invest in Croatia.

Before long she was attracted back into full-time work. “I got a call from *Mamma Mia!*, the musical, who wanted me to be the finance director. It was just as it was going global, and I went full time. It was an incredibly busy time, just when it was opening on Broadway.” After an intense year

with the company, Cody decided it was time to move on, heading back to Croatia to take stock.

She decided she wanted a real change, and looked into retraining as a journalist. A distance learning course along with some well timed opportunities allowed her to add another string to her professional bow. *Time Out* magazine was looking for writers with detailed, specialist knowledge of Croatia, and she and her husband, a sailor, were asked to write a travel guide to the country's coastlines too.

"I got very lucky," she says. "I had 10 years there [in Croatia], mostly writing but still continuing to act as a consultant for my old company." Cody is now back in the UK, where she continues to balance writing with consultancy as well as managing the accounts of various charities.

For Matt Quinn, having one job at a time never seemed quite enough, either. Quinn worked at PwC for three and a half years, but after the first year he was already working on outside projects. "I started doing consultancy work alongside my day job, more digital-based and marketing-based work, work that wasn't relevant to PwC. That allowed me to segue out into starting my own company," he says. He set up a tech business working on ecommerce, and more recently launched a new start-up, Flex.tv, which offers live-streamed fitness classes.

Since the credit crunch, a lot of people have been asking themselves what life is all about," says Rachel Brushfield, a careers coach with a portfolio career, specialising in helping people build their own. "A lot of my clients are wanting to do something with meaning and purpose, something where they can make a difference. They want to have better work/life balance. I love the variety, I love learning, doing something different - it comes down to matching my values."

For some, of course, building variety into a career is born of necessity. "Technology is replacing many jobs, middle layers of management are being cut out to save money and there is an overall lean trend in business," says Brushfield. "There is a lot of disruption in different markets. In accountancy, as in the legal profession, and publishing, for example, there are a lot of redundancies. People are living longer, pensions are uncertain. There is a lot of uncertainty in general."

For those with an accountancy background, having a skill which is very much in demand helps to alleviate some of those risks. Building a flexible career can allow people to work more when they need or want to, and less when they don't. But it is not right for everybody.

"People need to ask themselves what their attitude to risk is," says Brushfield. "What are their financial security thresholds? Most people

"I GOT A CALL FROM MAMMA MIA!, THE MUSICAL, WHO WANTED ME TO BE THE FINANCE DIRECTOR.

IT WAS JUST AS IT WAS GOING GLOBAL"

need a certain amount of security. How much is that? Two weeks' money in the bank? Or two years'? That is a really important thing to put in place and it gives them the chance to work out what they need in terms of work. It might be some regular freelance work where they know they can cover their mortgage, or a couple of days work a month."

Professional development courses will teach you how to deal with tough situations in a business environment. It takes patience, hard work and a whole lot of research and planning. "It took me 10 years," says Lee, who researched heavily before making the leap. "You can jump in with both feet, but you will probably sink, unless you are well connected and have a clear story."

Connections are essential. Starting self-employed work is easier if you have built up contacts and created a name for yourself within your chosen field - and it is all the more important if you want to be trusted in more than one area of work. Mark Freebairn, partner and head of the CFO practice at Odgers Berndtson, says: "One of the main challenges is that you need to have built up enough experience to become credible."



*Claire's story,
Assurance leader*



*2016
Promoted to
Assurance leader
in Scotland*



*2012
Promoted
to Partner*



*2008
Promoted
to Director*



*2005
Promoted to
Senior Manager*



*Travelled to clients
in Hong Kong,
South Africa, USA*



*2001
Promoted to
Senior Associate*



*2000
Moved to Silicon Valley
during dotcom boom*



*1998
Joined PwC Risk
Assurance, Glasgow*

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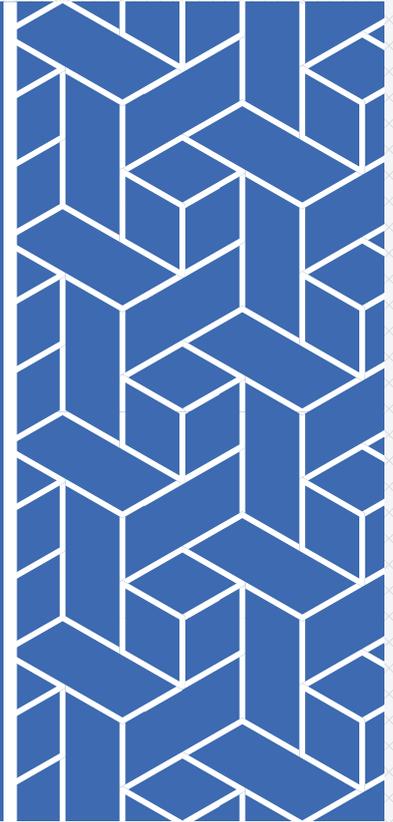
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“A LOT OF MY CLIENTS ARE WANTING TO DO SOMETHING WITH MEANING AND PURPOSE, SOMETHING WHERE THEY CAN MAKE A DIFFERENCE...

...THEY WANT TO HAVE A BETTER BALANCE”



But you don't need to be at the end of your career to make it work. While traditional collections of NED roles tend to belong to those in their 50s, who have built up the necessary skills, experience and a network of contacts, portfolio careers encompassing different types of roles can work at different career stages.

“We often see people who are returning from a career break choosing a more flexible career path,” says Sharron Gunn, executive director, commercial at ICAEW. “It offers a lot of flexibility if you have young children, or if you are a carer.”

It also lends itself to certain sectors of work particularly well, she adds. “I see a lot of people in training who have several different jobs at the same time. Similarly, a lot of our members are passionate about coaching and will combine careers as coaches with accountancy roles.”

Of course, it is not always easy to keep several balls in the air at once. “Having a portfolio career can be incredibly rewarding, but it is hard work, and you can often face challenges full-time employees don't experience,” says IPSE's Marshall. “This can include managing your time effectively, working with reduced employee benefits, having to account for multiple sources of income and defining yourself as a professional to potential clients.”

You also need to be particularly disciplined: “You have to be incredibly organised, otherwise you are toast,” cautions Freebairn. Which is, say

Lee and Brushfield, why it helps to learn to delegate. “The biggest mistake I made at the start was trying to do everything myself,” says Lee. “I have a couple of virtual assistants who I pay on an hourly basis for the support they provide.”

Brushfield takes the same approach. “I would go insane without one,” she says. “I mainly use my virtual PA to source information, which I create or curate, for help in writing articles, planning ahead, researching and booking conferences and events. And all the things where you should be doing something else, like sitting in a customer care line on hold when you have other things to do. It's worth every single penny.”

But perhaps the biggest challenge for people with a portfolio career is to ensure they are seen as an expert in their chosen field. To find the right answer to that question, “what do you do?”

“You have to learn how to explain it in a sentence or two so that your compelling story is repeatable by the people you meet,” says Lee. “And very few accountants naturally have these skills - though it is all learnable.” You need, says Brushfield, a personal brand, or what she calls a “verbal business card”.

Lee explains: “I help accountants who want to build more successful practices, and I help organisations who want to better engage with accountants, and depending on who I am talking to I will say one of those things.”

The answer to the question, then, really is: it depends on who's asking. ■

What's in store at Tesco

Kate Koch, Group Head of Finance & Performance at Tesco, shares her thoughts on career opportunities at the UK's biggest retailer and offers her tips for getting ahead professionally



After gaining a Bachelor of Commerce in her native Australia, **KATE KOCH** went on to train at Deloitte & Touche in Sydney, qualifying as a chartered accountant in 1993. She started her career working for Qantas before a desire to see the world took her to London and a financial controller role with the *Financial Times*. What was supposed to be a six-week contract with the *FT* turned into a 17-year career with publisher Pearson spanning a range of financial roles and geographies. Koch joined Tesco Plc, one of the world's largest retailers, in December 2015 as Group Head of Finance & Performance. She is responsible for a team of around 1,200 people globally.

WHAT HAS YOUR CAREER TAUGHT YOU ABOUT FINANCE?

Business now operates in a truly global marketplace and you have got to have

the ability to recognise that if something happens in your smallest market it can have broad, far-reaching consequences across your entire business. Having the ability to think in this way is invaluable to companies today who are facing such complex challenges.

WHAT IS IT LIKE WORKING FOR A HOUSEHOLD NAME ?

Fun, you don't have to explain what Tesco does and everyone has an opinion about the business! Tesco is fast-paced and operates 24/7. The customer is at the heart of everything we do. As colleagues we are constantly challenging ourselves to make improvements for customers and the finance function needs to complement and support this. In addition to this we're focusing on differentiating our brand, innovating, reducing costs, generating cash and maximising value from property. We want to achieve great things, but it has to be done in the right way.

WHAT ARE THE CAREER OPPORTUNITIES IN FINANCE AT TESCO?

Our finance team has one of the broadest perspectives in the business – influencing every part of Tesco. We have a variety of departments including tax, treasury and retail finance. So we are looking for a broad range of people from tax experts to auditors to analysts.

We believe in broadening roles so you can move across the business developing the range of skills you want. This can be achieved by moving around the finance department or expanding into management and operational roles. Tesco offers the opportunity to manage your own career and development, based on your interests, goals and life needs.

WHY IS DIVERSITY AND INCLUSION SO IMPORTANT?

We need to be as diverse as the communities we serve. That includes gender, disability, ethnicity, age and sexual orientation, but for us it doesn't

stop there. It's also about cognitive diversity. Having people who think in different ways can reduce risks and improve performance. To make sure we have as diverse a workforce as possible, we are very open to flexible working. It's about trying to break down some of the perceptions that exist, for example, you can't lead a team if you're not in the office full-time. That's not just women, it's anyone who's trying to balance work and a family, or dependents or other interests. Having senior role models within Tesco that show how this can be achieved is really important to us.

WHAT ELSE DO PEOPLE GET FROM A CAREER AT TESCO?

We are able to offer colleagues fantastic benefits such as a 10% discount on your Tesco shopping, onsite childcare facilities at our Welwyn Garden City office as well as access to our share ownership, bonus and pension schemes. I think people also have a desire to work for companies with strong social aspirations. We are working hard to tackle some of the big social issues we face, from reducing food waste, to making it easier for our customers to live healthier and happier lifestyles, to ensuring we are delivering quality, affordable and sustainable products.

WHAT ADVICE WOULD YOU PASS ON TO AMBITIOUS FINANCE PROFESSIONALS LOOKING TO GET AHEAD?

Be open-minded to all opportunities. Sometimes you can learn more from moving sideways rather than just staying in one place as it gives you a broader range of sector experience. Also, remember that everyone has something to say: you just have to listen for long enough to hear it. Take the time to engage with all colleagues, from the most junior to the most senior, as they all have something valuable to offer.

TESCO
Every little helps
www.tesco-careers.com

Who's your practice inspiration?

Whether you're considering setting up in practice for the first time or contemplating how your practice might look in the future, where do you look for inspiration?



ICAEW HAS OVER 12,500 member firms ranging from the Big Four to sole practitioners. Some have a heritage passed down through the generations while others are still finding their feet, making the diversity represented across member firms incredible, particularly when you consider how many members describe themselves as “general practitioners”. So if you're looking to set up in practice for the first time or are just considering how your practice might look in the future it's important to think carefully about who you look to for inspiration.

PERSONAL INSPIRATION

For some people, close to home will always be the first port of call. That may mean checking out the local competition to see what services are, or perhaps more importantly, are not being offered by those in your catchment area. Perhaps the increasing

use of web-based communications means you no longer have a “local” area. Practitioners can now operate from anywhere in the country (or world for that matter); wherever your clients need them to be. In this case your inspiration could come from the development of new technology and changes to the way we work in a new digital age.

On the other hand, perhaps you are someone who likes to look outside your immediate profession to well-known industry and global leaders; someone who likes to start their day by reading blogs by LinkedIn Influencers or turning straight to the opinion section of the newspaper, keen to find new and thought-provoking ideas.

INSPIRING DEVELOPMENT

Being an ICAEW Chartered Accountant means having to be aware of your own personal development needs. It is this

understanding that keeps members at the forefront of their profession and the reason why ICAEW offers a curriculum of CPD courses through its Academy of Professional Development. For some practitioners, the desire to keep learning inspires their work; a detailed knowledge of changing regulation allows them to look for creative solutions to clients' problems. For these practitioners, CPD opportunities are likely to be key in planning their annual events attendance – who am I going to learn most from, what will keep me “in the know”?

PRACTICE 2016

This year's ICAEW annual practice conference, Practice 2016, has 25 different speakers, all of whom will bring their own unique look at the world we work in today. We have a number of practitioners, such as Jan McDermott and Simon Kallu, who will be discussing their personal journeys in setting up a new practice and the lessons they learnt along the way. As well as from those who are dedicated to making their firm stand out from the crowd, such as Stephen Fenton and Stewart Pope.

Paul Johnson from the Institute for Fiscal Studies (IFS) will be sharing his thoughts on the economy and how the current political situation in the UK might affect it. And for those who want to make sure they are getting to grips with any changes to tax and reporting, Rebecca Benneyworth and Adrian Gibbons will be tackling issues such as Making Tax Digital and FRS102. The “pick and mix” programme will allow you to choose the session and speaker that speak most to you and, hopefully, create a little inspiration.

For more information on the full programme and to book your place visit icaew.com/practice2016

Practice 2016: Conference and Expo

Taking place this month on 17-18 November 2016
at etc.venues St Paul's in London.



From FRS 102 to Making Tax Digital

In a constantly evolving world, how do practitioners stay abreast of changes so that they remain compliant with regulation while continuing to offer the best service to their clients?

ICAEW's annual conference and expo has been designed specifically to support accountants in practice to steer their firm through the political and economic uncertainty ahead, support their clients through the latest tax changes and streamline their implementation of new financial reporting requirements.

Practice 2016 offers:

- a two-day conference programme with topical content delivered by leading speakers to provide you with your annual round-up of updates;
- a selection of 'one to one' sessions with specialist advisers to help you to tackle specific issues such as cyber security and succession planning;
- the chance to network with sole practitioners and partners running practices around the country; and
- an opportunity to meet the ICAEW Practice Committee and a range of handpicked suppliers and organisations who offer products and services to support members in practice.

To book your place visit icaew.com/prac16economia or call +44(0) 1908 248 159





RIISING TO THE
CHALLENGE

Out of the ashes of the 2008 financial crisis rose a new breed of bank, focused on customer need rather than greed. **Jane Simms** asks whether the challenger banks' models are fit for purpose, and what the future holds for them

Sir Mervyn King, the former governor of the Bank of England, described “the indiscriminate withdrawal of lending” to small and medium-sized enterprises (SMEs) as one of the worst effects of the 2008 banking crisis. Some big banks reduced their lending dramatically and some withdrew from market segments as they sought to rebuild their balance sheets and reputations, and their much-vaunted relationships with long-standing customers were revealed as hollow constructs as they pulled in loans and terminated overdraft facilities.

However, the withdrawal of the traditional banks from the SME lending market provided a golden opportunity for a wave of “challenger banks”, which swept in to fill the niche. “It was a revolution waiting to happen,” says Dave McCarthy, chartered accountant and CFO at Atom, which was approved as “the UK’s first digital” bank in 2015 and opened for business to SMEs in April this year. “The industry had become sluggish, bloated and inward looking. Banking still rests on 300-year-old models that revolve around branches; one of the last industries to embrace digital. So we [he and fellow founders Mark Mullen, now CEO, and Anthony Thompson, chairman] thought ‘let’s have a go’.”

But there’s more than one way to skin a cat. Another challenger, Metro Bank, launched to great razzamatazz in 2009 as “the first new high street bank in over 100 years” and bases its service proposition on its network of “stores” and relationship managers. There are currently 42 stores, mainly in “commuter London”, but five more will open by the end of the year. There are plans to launch in cities including Leicester, Bristol and Northampton next year, and within the next 10 years Metro aims to have up to 250 across England and Wales. Aldermore, meanwhile, “an SME-focused bank” that opened in 2009, is something of a hybrid. Its offering is primarily digital, but while it has no branches, it also speaks to its customers by phone or face to face at one of its 11 offices, or wherever they are based.

Despite their different models, the challengers are united in their desire to offer great service to their SME customers. By this they mean a set of products aimed squarely at them, including asset finance, invoice finance, commercial mortgages, buy-to-let mortgages and savings accounts; no tricks or hidden penalties; and ultra-quick decisions on loan applications.

“Big banks can offer cheaper products because their cost of funds is lower, but we can give someone an answer in two hours

rather than four weeks,” claims Aldermore CFO James Mack, also a chartered accountant.

And they can do this, he continues, because whereas the big banks have such huge volumes of business that they need automated processes, at Aldermore the decision about whether to grant or decline loans is “underwritten” by human beings. “It’s not that we’re taking on riskier propositions; it’s just that we take time to review what the big banks don’t have time to, or doesn’t fit into their mould, and we make it work.”

Metro Bank prides itself on being able to open a current account for a customer, complete with cards, PINs and personalised cheque books, within 15 minutes. “We enable everything through the stores,” says CFO Mike Brierley FCA. “Last week, for instance, a small business came into one of our stores because their point-of-sale machine had failed and their bank had told them it would take two weeks to replace it. We sorted it out for them in 40 minutes.”

However, despite their strong service ethic, the challenger banks have very different views about relationships. For Metro, relationships are absolutely core to its model. “We want to build relationships with trading businesses, who have felt neglected or unwanted by the big banks. Each store has a director and business managers who get out and about with local businesses and the local accountants, lawyers and so on who are a conduit,” says Brierley. “Every one of our customers has a local dedicated relationship manager. They may hand a customer off to a specialist team - healthcare, franchise - but the main relationship stays with them, and decisions are made close to the customer. We like to look people in the eyes.”

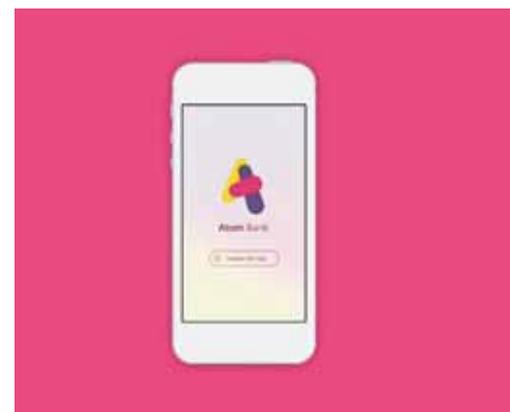
However, others believe that advocates of relationship banking see it through rose-tinted spectacles.

“We did lots of research about what customers want and ‘relationship banking’ as such wasn’t on the list,” says Atom’s McCarthy. “Customers were a bit negative about the relationship model on the grounds that people change regularly and you don’t actually see them that often - they tend to turn up at the end of the year when they have something to sell. People can get hold of us very quickly, but we don’t go knocking on doors.”

Aldermore’s Mack takes a similar view. “Relationship banking is not part of our model,” he says. “Our customers come to us via accountants and solicitors and we provide them with the particular expertise and products they are looking for. With other banks, people can try to set up a business account and talk to a business adviser, and find that the earliest appointment is six weeks ahead. In any case,” he asserts, “relationship managers in branches have been deskilled so they are not much use to customers anyway - they are little more than glorified diary keepers.”

Atom’s research found what customers actually wanted was something straightforward, transparent, honest and convenient - and, above all, good value. “They saw traditional banking as a bit like a tax - they pay for a service but aren’t quite sure what they get in return,” claims McCarthy. To date, Atom has launched only secured loan products for its SME customers, but other products are in the pipeline, including one, which is in test phase, that helps improve customers’ clarity about their own financial situation and highlights areas they may need to address.

“It looks at their own accounting systems and sees patterns - like their debtor days might be increasing, for example. That helps them, and it helps us too because it gives us the data that allows us to suggest targeted products and removes the need for us to do an extensive annual review,” says McCarthy. “Providing more and more added value is our direction of travel.”





An obvious potential differentiator of the challenger banks is a more ethical approach than the one that became manifest in some of the bigger banks after the 2008 crisis. Mack says he wasn't the only one who joined Aldermore from the bigger banks "because we were tired of the mud-slinging and wanted to challenge the status quo in terms of customer service". He continues: "Transparency is critical for us, and our four founding principles - reliable, expert, dynamic and straightforward - drive us still."

Atom's McCarthy believes a more ethical approach should be a hygiene factor: "People have to believe that you are ethical, but actions speak louder than words." Atom has designed some fundamental things into its model that underpin a more ethical approach. For example, no one gets a cash bonus, but everyone gets a share bonus at the end of the year. "The key is to build a business in which people have a long-term stake - it creates an entrepreneurial feel and sense of ownership." This, as he says, drives behaviour.

Similarly, simplicity and transparency are enshrined in product design. "We don't try to capture value from inertia, which is where the banks have traditionally created a lot of profit; we don't launch attractive products and then reduce the interest rates on them. Our view is, 'this is what we do, if you like the sound of it, come to us'."

One of the biggest challenges the challengers face is overcoming inertia among customers, who are more likely to change their partner than their current account. However, they don't see their lack of marketing budgets as a particular problem, united in their belief that no-one believes banking advertising anyway.

"Our brand recognition was 80% in London last year, and for ABCIs and those in employment it was 85%, and we achieved that on a marketing spend of £50,000," claims Brierley, adding that the Metro stores, which are in prime sites, often near transport hubs, do a lot to market themselves.

Aldermore and Atom, meanwhile, have been building their customer bases through referrals from intermediaries, but are increasingly gaining business directly through word-of-mouth recommendation and social media.

"If you can show that you are different, you can persuade them to move," says McCarthy. "Yes, we have to earn our stripes, but some of the intrinsic attitudes and barriers are starting to change."

Setting up a new business is not easy, but setting up a new bank - particularly a new model of bank - brings a whole different level of complexity, and the challengers have had to jump through endless regulatory hoops and, in some cases, help the regulators grapple with what is for them new territory too, in order to secure their licences. Raising capital from high-quality backers is an important component, but, for Atom at least, the systems and processes side continues to be the toughest nut to crack, says McCarthy, "because we need different solutions from what's been done before".

In *A New Landscape*, its report on challenger banks published in May this year, KPMG suggested that what some have described as the "golden age" of the challenger banks may be over now that the traditional banks have returned to growth and regulators and politicians seem less inclined to give the new pretenders "special treatment".

The challengers themselves don't believe they have been treated any more leniently than any other bank - in fact, in some ways, it's been quite the opposite. "The same rules apply to us as apply to the big banks, and we have to meet the same

CENTER PICTURE: ATOM CHARIMAN ANTHONY THOMPSON (LEFT) AND CEO MARK MULLEN

standards - quite rightly," says Mack. "The only exception is on capital requirements: the bigger banks use the internal-ratings-based (IRB) approach [to assess credit risk], which is much more difficult for smaller banks to do because it is such an arduous and lengthy process, so we have to use a standardised approach. This means we have to hold 15 times more capital than a larger bank does to offer the same-sized loan."

A long-awaited report from the Competition and Markets Authority in May did nothing to level the playing field, concluding that older and larger banks do not have to compete hard enough for customers' business. "That capital imbalance is the principal thing that prevents us providing the lending we would like to, and compromises the economic impact the challengers can make," adds Mack. And the 8% corporation tax surcharge imposed on all banks by then chancellor George Osborne last year is "not helpful", says Brierley, particularly as it is perceived as a way to subsidise bigger banks.

"We've had no great leg-ups," agrees Atom's McCarthy. "We've done well because the big boys were so inwardly focused."

But they are pragmatic, and believe that their transparent, good value products, combined with convenience and excellent service, will continue to attract customers from their larger rivals.

The innovation, choice, increased competition and ethical approach that the challengers bring is not only good for customers, it's good for society too, says Richard Iferenta, partner and head of challenger banking at KPMG. "The opportunity for them is huge. The UK market is big and the bigger banks still have challenges. The new banks have no legacy issues - like PPI - and they have cutting-edge technology rather than creaking infrastructure, so there is no drag on their cost/income ratio."

But while everything's to play for - and foreign entrants are joining in too - there will inevitably be consolidation, although it's difficult to predict what form this will take. For example, might fintechs (financial technology businesses) steal a march over both traditional and challenger banks? Even Atom, digital player that it is, is not sure.

"The big advantage of traditional banks is that they have big balance sheets, lots of capital and the systems to manage that effectively," says McCarthy. "Fintechs are more nimble and put customers in touch with different products. Atom, at the moment, is actually a bit of both. We are not sure how or when it will break, so we are keeping a foot in both camps. There is a logic that suggests that banking can develop in both ways, which is good for customers, because it will lead to the idea of the 'one stop shop', which is how traditional banks have operated, being replaced by a more transparent approach towards finding 'best value solutions'."

McCarthy believes that banks will become "quasi platform providers" that help customers find the best products for their financial needs. "This is certainly the direction of travel for us, and though we can determine the best solution through the analytics we do, we won't necessarily provide all the solutions ourselves."

KPMG's report suggested that the challenger banks' future success will come either from a massive increase in the rate of account switching in the UK or by their creating new markets for themselves through radical disruption of traditional financial services products. Either way, concluded Warren Mead, global co-head of fintech at the firm: "If these new kids can successfully combat customer inertia at scale, they could blow the incumbents out of the water." ■



GETTY

Do businesses understand the lending options open to them?

No, say the challenger bank CFOs. "We find that our small business customers rely on advisers, local accountants or a good relationship manager at the bank to point out the best options for them," says Metro Bank's McCarthy.

The good news is that ICAEW, in conjunction with the British Business Bank, has just relaunched its *Business Finance Guide*, which provides a comprehensive view of the financing options available. As David Petrie, head of the Corporate Finance Faculty at ICAEW says: "Many small businesses feel they lack the time to explore funding options, or are nervous about taking on additional debt against a backdrop of uncertainty. Equally, lots of companies are holding onto cash and not investing it."

"The Guide is an easy way for them to look at the options and the new challenger banks, with their offerings targeted squarely at SMEs and a strong service proposition, could represent valuable solutions."



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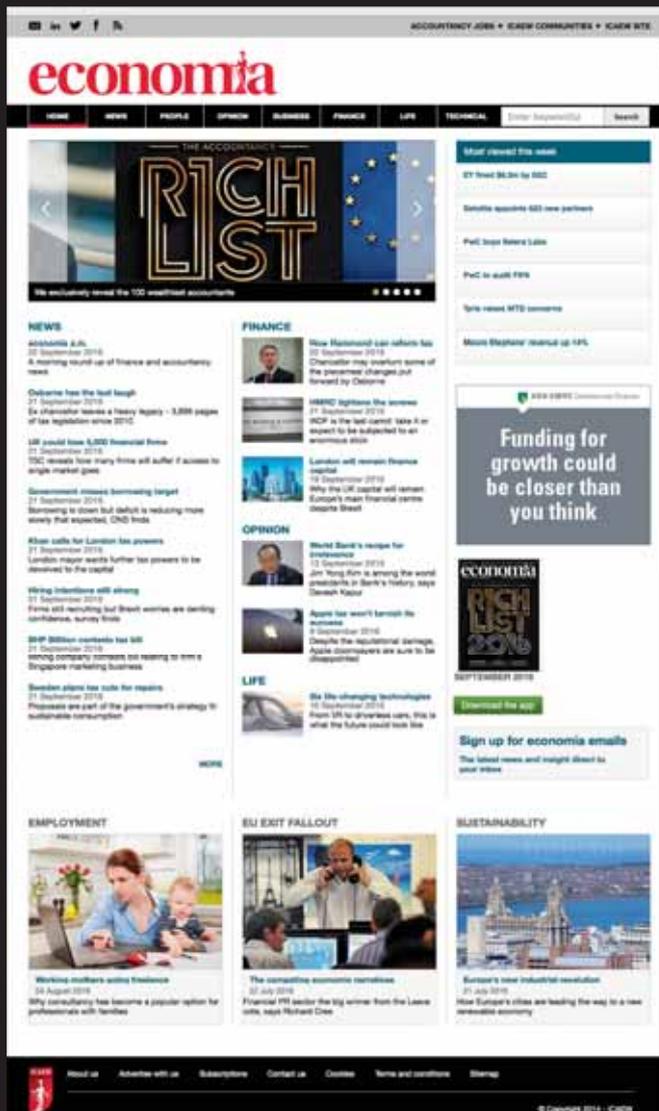
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Saturday

Sunday

Monday

Tuesday

Wednesday

Thursday

Friday

A DAY IN THE LIFE

Alistair Clarke, founder and managing director of eConnect cars, tells Julia Irvine why his fascination for sustainable transport means he now owns a fleet of chauffeur-driven electric taxis

PHOTOGRAPHY: TOM CAMPBELL





Alistair Clarke has a long commute from Marlow to London but it's worth it



HOW I CHANGED CAREER

I'm from a long line of accountants - my father, my sister, my best mate from university. So when I came back from travelling and working with Operation Raleigh after university and NGOs turned me down because I had nothing to offer apart from manual labouring skills, I bowed to the inevitable and followed in my sister's footsteps to Coopers & Lybrand in Maidstone. I still feel bad for my mum about all those boring conversations we had over the dinner table...

I wasn't interested in spending the rest of my life in a professional firm. So after a few years, including three in Sydney, I got a job with BG Group in Reading. The 10 years I spent in the oil and gas world were interesting - my work ranged from organising BG's commercial entry into Tanzania to mergers and acquisitions - but I came to realise that, if we are to continue to thrive, we have to wean ourselves off this carbon-based economy. Going to places like Tanzania made me aware of how far the industry is pushing the boundaries technically, environmentally and socially to find and produce these hydrocarbons.

At the same time, there was a lot in the press about car companies such as Renault, Nissan, BMW and Tesla coming out with attractive and

functional electric cars. It occurred to me that if you could mix renewable energy with electric vehicles (EVs), then you would be moving towards more sustainable transport. What really interested me was the level of disruption EVs were creating in an industry that has been static for the past 110 years, thanks to the dominance of the petrol and diesel combustion engine. You had this very stable industry with centralised refuelling - quite expensive but very infrequent - potentially moving to a different model which is cheaper but with more frequent fuelling and a lot more dispersed.

I started eConnect cars because of a perfect storm. You'd got EV technology, which I found interesting; the disruption in the car industry, which I found fascinating; my concerns about the oil and gas industry; plus the fact I was heading for 40 and a midlife crisis. It was perfect timing for me because setting up on my own was something I'd wanted to do for a while.

MY RESPONSIBILITIES

I spend much of my time on strategy, finance, looking at vehicle acquisition - whether to lease or buy - and HR. I talk a lot to Ken James, our operations manager, about the day-to-day running of the business. Ken has 30-plus years in the industry, he organised pretty much the whole of the ground transport at the London Olympics and I am very fortunate in finding him. I treat him more as a business partner than an employee. The two of us have built the business up.

I have a mentor - my godfather - who was chief executive of GrandMet and a founder of the Covent Garden Soup Company. He has a very good business brain and is a straight talker. One of the things he told me was that as CEO you are at the bottom of the business, supporting the people in front of you. Our drivers are the most important people because they are our front line. Ken and the control room support them, and in turn I support the control room. I am also conscious to never expect someone else to do something that I am not prepared to do myself.

MY TYPICAL DAY

Living in Marlow and having an office in Canary Wharf is a bit challenging but the place, location and cost was too good an opportunity to give up. So I wake at 5.30am and am on the road before

“Our drivers are our most important people because they are our front line”



The control room is the heart of operations



6am. At that time it takes about an hour and 15 minutes. Because I have an electric car, I can drive through town without paying the congestion charge. It costs me £2 in electricity rather than £36 on the train. I work longer hours than I have ever done before but the motivation is there. I always try to get home in time to read my two girls a bedtime story, but then I'll be in the study with my wife, Sarah, who is a teacher. She'll be marking and I'll be working; weekends as well. When people start discussing box sets of TV shows, I've no idea what they are talking about.

MY RITUALS

As well as leaving work when I can to get home to see the girls, I do try to work from home on a Friday. It means I can do the school run, see the girls a bit more and walk the dog. Lucy is a rescue dog from Cyprus, very cute and a wonderful personality.

THE CHALLENGES I HAVE OVERCOME

The first challenge I faced was persuading people to invest in eConnect. This business is capital intensive: not only do we have to ensure that the infrastructure is in place to provide access to rapid charging points (20 minutes instead of the more usual three to four hours) but the technology is moving so fast you could be left with a bunch of assets that nobody wants to use any more. So we switch our cars every two to three years and are already seeing the new models of the Nissan Leaf come in.

My own access to capital was limited. I managed to get voluntary redundancy from BG so I put any savings we had into the business. But Sarah and I set out the ground rules about how far we were prepared to go, which was important. So the house is not really at risk.

Otherwise, initially it was the three Fs - friends, family and fools. I have an incredibly supportive family and both my sister and sister-in-law are non-executive directors on the board. Then I was introduced to corporate lawyer Magnus Swanson, who is now our chairman, who introduced me to a number of private investors including David Shearer, a former senior partner at Deloitte.

Together we raised enough to keep going until the end of last year and then we raised £460,000 through crowdfunding. Since then we've done



“In a cab office you could write a soap opera about the goings on. It’s great, it’s lively, but it does have its challenges”

another £250,000 rights issue, so we’ve raised around £1.5m in total.

Another challenge I had to overcome was the change in the people I work with. My previous working life was spent with professional people in accountancy firms or at BG who were all graduates. In a cab office you could write a soap opera about the goings-on. It’s great, it’s lively, it’s interesting, but it does have its challenges.

Your preconceived ideas of work ethics may not be the same as theirs. So staff management has been a learning curve for me. HR is hard, particularly for a fledgling business. My worst moment was dealing with a long-term sickness case. So stressful. You are paying someone who is not there, you don’t know when they’ll be back, and you are putting a lot of stress on other team members because they are having to cover that work and you can’t do a long-term fix. Related to

that, we had a situation in the office that almost came to blows. But in a small team you just have got to get on. Trying to create the right environment is difficult. Sometimes I think great, everyone’s on fire, the banter’s good. Then the next day people are shouting at each other and I’m thinking it’s all going wrong. It’s about having the confidence that what you are doing is creating the right results. I’m learning.

HOW THE ACA HELPED MY CAREER

Being an accountant helped me learn the right language when talking to investors. I can compile forecasts and plans without the need to hire expensive consultants. Being in audit allows you to look at so many different businesses and identify how people make money out of doing such a broad variety of work. That fed my desire to innovate and become an entrepreneur and I hope to be able to do other things as eConnect grows and gives me the opportunity to spin off parts or get involved in other relevant sectors.

The other thing it taught me was the need to understand the fundamentals of the business, what are the levers to push to change and make things different. That’s easier to say than do.

THE HABITS OF AN ACCOUNTANT

The good work ethic. You do learn to work hard. You accept that as part of business, part of life. You put the hours in and get the rewards. ■



As the business grows, Clarke says there will be opportunities to diversify

Ask the expert

Chaman Salhan, chief executive of legal specialists 2ndOpinionNow, explains the positives, pitfalls and preparation required for accountants looking to enter the world of probate work



WHY SHOULD ACCOUNTANTS GET INVOLVED IN PROBATE?

An increasing number are looking to get into probate work from start to finish. It can be very lucrative and potentially straightforward. In its basic form it involves the collation, realisation and distribution of assets to relevant parties when someone dies.

HOW CAN ACCOUNTANTS BREAK INTO THIS AREA?

Accountants need to be proactive and get clients who haven't prepared wills to do so, and offer to assist them. However, they need to be fully aware of what they're getting into. The reality of handling wills and testaments is that a great number of problems can arise.

WHAT SORT OF PROBLEMS?

Business interests... Invariably, firms are going to be handling the probate work of business clients, so there's a lot to consider. This includes the client's own business interests, the good will in the business, whether it can continue, how the money will be released. If it's a small business and the client is senior, will there be enough funds to sustain paying the employees if he/she passes away? Are the remaining partners or directors going to be able to continue payments of that individual's interests

in the estate? These are just some of the complicated issues that could occur and will need addressing.

Last will and testament... Another key issue is whether you're handling the client's last will and testament, and if it's a proper reflection of their interests. Invariably you get someone who springs up with another will claiming it's the last will and testament of Mr X. So how do you authenticate the right will? You don't want to act in accordance with the wrong will because then you've dissipated the assets and technically you're liable. You've got a professional obligation to the beneficiaries of the will.

Interpreters... If the client has needed an interpreter, has there been a proper interpreter's clause put in place? Who has witnessed the will? Is it someone who's a beneficiary? If so, has that person applied undue influence on the individual's estate interests? This is vital to ascertain.

Incomplete and foreign interests... It is quite common to encounter incomplete wills in relation to the way they're drafted. So you need to establish

whether it will hold up as valid. You've also got people who leave wills with assets in different countries, including foreign properties, which opens up a whole new list of factors to consider.

In their right mind... Does the client have the requisite capacity to authorise the will? Look at the advent of Alzheimer's. Were they in their right mind at the time of completing the will? This often brings in the potentially complicated issue of power of attorney being implemented.

Bank accounts... It's worth also checking the client's bank accounts, going back at least six years, to identify if there have been any gifts over those years because they might carry inheritance tax obligations. Plus, there could be evidence of theft, even from family members tied to the estate, or possible money laundering. You don't want to be assisting in the retention or disposal of ill-gotten gains.

WHAT SHOULD ACCOUNTANTS DO TO BE FULLY PREPARED?

Accountants are perfectly suited to probate work as they will no doubt give due care and consideration to it, but they've got to be wise to the problems mentioned (plus many more) and get guidance. As executors they are perfectly entitled to appoint expert help in particular areas to clarify the law. We are one of the leading litigation practices in the country and we've got access to some of the most highly influential professionals in probate matters. It's also important to stress that we work closely with accountants on issues of probate. Some solicitors in this area might see accountants as the competition, but we believe there's plenty of work out there for everyone.

To find out more about Chaman Salhan's business, visit 2ndopinionnow.co.uk or call 020 7936 3177

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REPUTATION ISN'T WHAT IT WAS

45 **PAULA GARDNER**

looks at building trust in a world of spin, scepticism and self-interest

Once upon a time we could believe in political leaders. We may not have agreed with them, or even liked them, but we trusted they were working with the country's best interests at heart. Once upon a time we trusted those people who looked after our money: the bankers and our employers that held the keys to our pensions and security in our old age. The past 10 years of global financial uncertainty, the collapse of reliable household names, and a political landscape where everyone looks as though they are auditioning for a role in the latest Shakespearean production of *Julius Caesar* has put a huge question mark over our blind faith.

My inbuilt optimism compels me to hope that there are still honourable men and women, but most of us are not sure any more. Career appears to come before duty, those who shout the loudest seem to get the most votes - or clients. This cannot be sustained. Just as we are looking for political leaders who have the level-headedness to take us through the next few years and our separation from Europe, we are looking for financial experts to guide us through the maelstrom, delivering something more than just puffery and rote PR.

So, what does this mean for businesses and individuals that want to stand out against the backdrop of disappointment, disillusionment and wariness? I think the answer lies in authenticity. As Polonius says to Laertes: *"This above all: to thine own self be true/ And it must follow, as the night the day/ Thou canst not then be false to any man."*

WHAT DO YOU STAND FOR?

"Corporate values" are such common buzzwords at the moment they mean almost nothing. And yet they also mean everything. The phrase means standing for something, not trying to appeal to everyone. Identifying our own personal values and trying to live by them will steer us through life-changing events.

From a reputational point of view, they act as a shining beacon to draw those who identify with those values. To some extent, it doesn't matter what you stand for. It could be globalism and international business. It could be a solid, traditional way of working, or it could just as easily be about partnership and collaboration with your clients rather than merely serving them.

As an individual, identifying your values can take anything from a thoughtful half an hour with a notebook and pen, pondering what issues matter most to you, and which you will not concede, to a few sessions with a professional.

Take heed, however, as you may uncover more than you bargained for, as some of my clients have found when they realised they were working with organisations that actually held opposing values to their own.

As a business, distilling values is a longer process. Identifying who you want to work with and what aspects of your company culture lie deep within the people that make up your business takes time. This is not a pure PR exercise, however. There is solid business sense beneath.

ALIGNING YOUR MESSAGE

Taking stock of everything from company culture to promotional material in the light of those values is the next step. This is where you need the courage of your convictions. I've met businesses and individuals who are so concerned about putting out information that can be misconstrued or misused that they fall into analysis paralysis and nothing happens. This is a mistake but one that holding tight to your values can prevent.

Your message should not only exist within PR, marketing and advertising activity and materials, but should also be conveyed throughout the organisation. Everyone should know what you stand for. You can do this via company intranet, talks and workshops or inspiring notes on the back of toilet cubicle doors, but again, the mode should be consistent with your message.

Choosing what you stand for isn't set in stone. Both businesses and people evolve, and as a result corporate values will also change. If the company is in a period of rapid growth this is even more likely to happen. This is totally fine. You are not committing yourself for a lifetime here. Indeed, if you were, everyone would get bored.

BE SELECTIVE

A recent study by SimilarWeb concluded that people are spending less time on their social media apps than previously. Nevertheless, as businesses and individuals we often feel pressured to be seen on every platform. I love seeing my clients' faces as I tell them this just isn't necessary. Even if you have a whole department dedicated to PR and marketing, it's a momentous task to do every channel well.

Instead, be choosy. Go back to your values and the people with whom you are connecting. Think about what matters to them. A rule of thumb I tend to use is that people like reading about other people. Yes, the financial analysis and news updates are vital for building credibility, but a human face will bring connection. Each of the

CEOs, business owners and executives that I work with will do this in their own way, but knowing they can concentrate on a small number of platforms and build a body of excellence there frees them to bring vision and inspiration to building their profile.

THE COMPANY YOU KEEP

We've long known that working with charities is a win-win solution for both charity and organisation (or individual). But organisations can go way beyond encouraging participants in the annual fun run or setting aside some space for a charity coffee morning. I've worked with some who give their staff paid time off to work with charities, or bring some element of social responsibility into their learning and development. Not only does this build up deep links with the local community, but can also be seen as a form of staff training, fantastic PR and, what I feel is most important, builds a company culture of kindness, something that money cannot buy. Reputation-wise, I can't think of anything that will serve you better.

ETHICAL LEADERSHIP

There have been a lot of academic studies around the subject of ethical leadership, many of which trace the link between ethical leadership and a positive, harmonious and inspired work culture. Ethical leadership has been identified by Brown and Trevino (2005) as that which has a legitimate and credible role model as a leader who not only explicitly emphasises the importance of ethics but also reinforces ethical behaviour and considers the ethical consequences of any decisions.

An additional but important point is they also discipline those that do not work by these standards of ethical behaviour. Studies have pointed to the positive correlation between ethical leadership and employees' commitment, work engagement, psychological ownership, safety consciousness and conscientiousness. It is a rousing body of research and one that provokes me to wonder if employees respond so positively to this type of leadership, then why not clients, contractors, suppliers and anyone else we come into contact with? The trickle-down effect could be huge.

So, how to create an ethically-led organisation? It's not done overnight, but here are some of the key points:

1. Create cultural expectations - clear standards that everyone upholds and can be seen to be upholding by clients and connections too;
2. Management are doubly aware that they are

role models for everyone's eyes and to behave accordingly;

3. Offering thoughtful rewards for the right behaviour and consequences for the wrong behaviour;
4. Continuous education, support and feedback. Creating a buy-in is vital and it is important to help everyone going through the process understand that this is not just a superficial PR exercise.

Please note, I am not talking about one lone leader paving the way here, unless of course that's appropriate in your situation. I am talking about a top-down cultural change.

STORYTELLING OR STORY MAKING?

Another buzzword is "storytelling". Each of us apparently has a story to tell, which savvy marketers are encouraging us to use to raise our own or our company's profile. First, and from a purely practical PR point, while everyone has a story in them, not everyone has a compelling story. Frankly, it is uncomfortable listening to someone's tale and having to fight to stay awake. If you've got a story to tell, it had better be good. If it seems generic and could be any other business's story, or any other person's, then reconsider.

If you don't have an enthralling story, my preferred alternative is the vision - and we're back to those values again. Where are those values going to take the company? How will they determine how you work with clients? What kind of leadership will you offer your clients in the light of your values and the political and financial uncertainty ahead?

THE TIDE IS TURNING

Things are changing and some of the biggest names on the planet are now committing themselves to this new way of working. But as Bill Gates has pointed out, the world needs creative capitalism, not just philanthropy. Authenticity, transparency, ethical leadership and careful use of our resources are some of the hallmarks of creative capitalism. These are values for which the newer generations of Millennials and Centennials are clamouring. If we don't adopt this new, more expansive, values-driven way of working and living, it's possible we may get left behind, hanging on to a reputation from a bygone age. ■

Career coach and profile consultant Paula Gardner, MABP, of Scarlet Thinking works with CEOs, business owners and high-flying professionals on raising profile and career reinvention.

At first glance Joan Parry does not look like a trail-blazer. A small, frail, white-haired figure, she is almost enveloped by the sturdy high-backed armchair in which she sits, nibbling a morsel of chocolate biscuit.

A uniformed carer explains the *economia* interview is today and she'd like to get Parry out of the chair and into a private lounge, away from the bustle of the main sitting room where her fellow residents are variously dozing, doing puzzles or watching television. She agrees, asking if she can take the biscuit with her.

But a trail-blazer she certainly was - and still is. At 100 years old, Parry is ICAEW's oldest member. Born in Nottingham on 2 June 1916, she entered the profession when "girls just didn't do that sort of thing", and over a 65-year career became her employer's first female partner, the first woman to chair the Nottinghamshire Society of Chartered Accountants and the founder of her

member by examination and the second female member, Ethel Watts. There is a spark of fire in Parry's eyes when I ask what her first clients thought about being looked after by a teenage girl.

"Why should it make any difference?" she says, with more than a hint of steel. But she concedes: "It was unusual for girls to do accountancy. I think perhaps sometimes they may have been careful not to mention to clients that they would send a girl. Although no one refused to work with me. Not that I know of, anyway."

Parry's memory is forgivably hazy and she struggles with some names and dates. Yet she remembers being hugely influenced by Watts, and recalls with clarity her early days at Rogers, Son & Co in Cheapside, Nottingham. "I was articled to Mr ACW Rogers. The son was called Maurice, who" - she breaks into a laugh - "was a puzzle to Mr Rogers because he really struggled to pass his exams! I didn't." Parry spent five years there "but I hardly ever saw Mr Rogers. I was actually trained

A life in accountancy

Joan Parry, who turned 100 this year, enjoyed a long and illustrious career in a time when female accountants were few and far between. Peter Taylor-Whiffen hears her story

own practice. She also became a famously feisty sparring partner of the local Inland Revenue commissioners. But Parry is matter-of-fact about her progress in what was very much a man's world.

"When I left school most of my friends went into teaching, but I didn't think I'd be any good at that and, anyway, I wanted to work in an office," she says. "Although I wasn't that good at maths, my mother encouraged me into accountancy and paid for my articles. There was never any question for her as to whether it was the "right job" for a girl. She was a strong-willed woman and she wouldn't be taken for a fool."

The same, I sense, is true of her daughter. When we were arranging the interview, she was fondly described by her family as a woman who "knows her own mind" and who "you have to catch on the right day". But she smiles as she recalls highlights of her career - such as her first day in the job as a 16-year-old in 1932, only eight years after ICAEW had admitted its first female



1950s Lincoln cathedral towers over the city where Parry was in practice with Herbert Brooke

by Mr Spencer, who used to take me round to the different clients to see how their businesses worked. One morning in the week we visited laundries. You had to understand their business to understand their accounts."

She broke new ground again by becoming the first female chair of the Nottingham Society of Chartered Accountants (a society that was formed in 1901 and now serves more than 3,000 members). Then, with articles complete, Parry applied for other jobs. "But no one was interested," she says. "Most didn't even reply."

She managed to get a post with Alexis Jacob at Birmingham firm Jacob, Cavenagh & Skeet in 1938 and when war broke out, found herself suddenly very much in demand. "Lady accountants weren't so popular when the men were about, but then the young men went to war and women could get any job they wanted. Then all those companies I'd written to suddenly wrote back offering me jobs. Of course," she adds with a supremely satisfied

grin, “I didn’t reply! I never felt I had to prove myself because I was a woman,” she maintains. “Either you could do the job or you couldn’t.”

She felt gender was no barrier, either, to serving her country. But while Parry’s brothers both joined up, her parents prevented her from doing so - a decision that clearly still rankles, nearly 80 years on. “I was extremely keen to do my bit. But they wouldn’t let me join up so I became a voluntary nurse and spent my Sundays treating injured soldiers in hospitals in Birmingham.”

During the week Parry, who lived in a Cadbury house in Bournville, to the south of Birmingham, specialised in tax work with Mr Jacob - with a dedication that almost cost her her life. “I was working late one night at home and when the air raid siren sounded I couldn’t be bothered to go to the shelter so I took my work to bed with me. Later that night I was woken by a brick falling on me!” Even that didn’t faze her. “I had to be presentable for the clients so first thing next

Streets in Lincoln, where she remained until her retirement. There, too, she earned a reputation. “I went to the tax commissioners meetings to ask for extensions because no-one else wanted to,” she says. “But I enjoyed them. They threw out a lot of requests from other people but that was because they gave silly reasons and made ridiculous suggestions about when they could get it done. I always had proper reasons and argued my case. I can’t be the judge of whether I was any good at it,” - she gazes out of the window and smiles coyly - “but I did always get what I wanted.”

Her eyes light up when I ask for her favourite part of the job. “Tax work!” she beams. “I loved it.

“Lady accountants weren’t so popular when men were about, but then the young men went to war. Then all those companies I’d written to suddenly wrote back offering jobs”



1964 Left to right: Parry’s parents Arthur and Olive, and a guest, with Parry (far right) at the wedding of a niece



2010 Receiving a long service award from Lincoln and District Soroptimists, who promote women in the professions



2016 Parry with her telegram from Her Majesty The Queen on her 100th birthday

morning I went to the manicurists to sort my nails out before I went to work.”

After the war Parry’s professionalism caught the attention of fellow accountant Samuel Whittle, who invited her to set up a practice with him - Whittle and Parry - in Corporation Street, Lincoln. In 1955, the pair were joined by London-based Herbert Brooke but within two years Whittle had departed and the firm’s name changed to Parry and Brooke. “He wanted to call it Brooke and Parry,” she recalls, “but I told him my father wouldn’t like that. I usually got what I wanted.”

She recalls Brooke as a somewhat distant figure who communicated with staff by leaving notes on their typewriters, while she was seen as the more engaging partner by the clients. “I actually don’t think he liked me that much,” Parry recalls of Brooke. “Or indeed anyone very much.”

Though successful, the partnership dissolved when Brooke returned to London - “he didn’t like Lincoln, either” - and Parry was invited to join

I enjoyed going round the countryside, meeting people, talking to them. I met a lot of very nice, country-living men.” But the novelty for her clients of meeting a female accountant never led to romance, as she explains. “I got to know some of them well but it was all about their work and their business. I was lucky, maybe - my mother didn’t put any pressure on me at all to find a man, or to get married. It’s been quite an interesting life and I could have got married, a couple of times - but I didn’t because, actually, I didn’t like them enough,” she smiles.

It’s clear that, as well as a century of memories, Parry retains the independence of spirit that forged such a successful career. As I prepare to leave the Lincoln retirement home so she can have her lunch, she thanks me for “being so nice” to her, adding: “I think if you make it clear what you want, people listen to you. And if you do anything at all, it’s essential to be accurate. I’m 100 now, and I still pride myself on being right.” ■

Technical Key developments

Our at-a-glance guide to the latest measures members need to know

AUDIT AND ASSURANCE

FRC THEMATIC REVIEW ON RCA

The Financial Reporting Council (FRC) has carried out a thematic review of the six largest audit firms' root cause analysis (RCA) procedures relating to audit inspection findings. It says that RCA is a developing area in the audit profession, where it typically relates to understanding why deficiencies have occurred on audits, and is based on the idea that just putting out fires for problems that develop does not add up to effective management.

In the past, it adds, audit firms have frequently responded to adverse inspection results with similar types of actions to previous years but these have not always proved successful in addressing underlying causes. The firms are now using RCA on a more regular basis and planning to make further changes to their procedures.

The FRC suggests six recommendations:

- Prepare a formal plan and timetable at the start of the RCA process;
- Issue guidance and provide training to those taking part in the process;
- Consider using external people, such as behavioural specialists, to give additional support in performing interviews;
- Improve the consistency of processes for investigating internal and external inspection results;
- Focus more on behavioural related training to address related root causes;
- Communicate RCA details in the firms' transparency reports.

The thematic review also reveals examples of good practices and how RCA has made a difference. ICAEW's RCA guidance is now available.

frc.org.uk

PROVISION OF NAS TO NON-EU SUBSIDIARIES

The FRC has made it clear that although the EU prohibition on certain non-audit services (NAS) only applies to entities

within the EU boundaries, the 70% cap is global in its application. As a result, the group auditor will need to ensure that the provision of NAS does not result in a breach of the cap.

In its staff guidance note (01/2016), *Provision of Non-audit Services to Non-EU Subsidiaries*, the regulator adds that the group auditor will also need to ensure that each of its network firms whose work is used to support the group audit engagement, complies with the NAS rules.

PLAYING A PART IN MANAGEMENT DECISIONS

The FRC has issued a staff guidance note (02/2016) advising audit firms to make it clear in their engagement letter to audit clients that the audit engagement partner must always be satisfied that the audited entity's management makes all judgements and decisions that are the responsibility of management. This is to avoid the risk that the auditor may be seen to be involved in decision-making in breach of the International Ethics Standards Board for Accountants (IESBA) code (Art 5) and the US Securities and Exchange Commission rules.

The note says that in the context of providing a service that is not banned by Art 5, as well as not taking any part in making decisions, the auditor should avoid activities that involve overseeing, directing or supervising the personnel of an audited entity, and approval on behalf of management during the course of the engagement.

NEED FOR ACTION ON AUDIT SKILLS

The audit profession is in danger of becoming increasingly less relevant, the FRC and the Institute of Chartered Accountants of Scotland believe. In a joint research report, *Auditor Skills in a Changing Business World*, they warn that, unless it takes prompt action, it could find itself unable to attract and keep the best talent and consequently to deliver

the requisite skills and meet the demand of complex company audit.

Since the corporate scandals of the noughties and the financial crisis, the profession has focused on changing the audit and its role in the corporate governance structure. It has also looked to new technologies to increase the effectiveness and efficiency of audit. At the same time though, it has failed to pay attention to the skills that auditors will need in order to use the new technology, provide the audit of the future and make the assessments expected of them.

"Waiting for the audit to change before developing the skill base will be just too late, given the time-lag involved in recruiting, developing and training staff," the report says.

It identifies three skills that must be developed - advanced business acumen skills, technology and data interrogation skills and soft skills. There are recruitment and development issues. Then there is the problem of standardisation where the requirement for an auditor to follow a firm's methodology through its audit software risks inhibiting the exercise of professional judgement and therefore audit quality.

A third barrier is the lack of attractiveness of a career in audit, which is increasingly seen as a regulatory compliance function.

icas.com

BUSINESS

IMPLEMENTATION OF THE FOURTH MONEY LAUNDERING DIRECTIVE

HM Treasury has published a consultation document on implementation of the Fourth Anti-Money Laundering Directive and relevant parts of the Fund Transfer Regulation (FTR). The directive gives effect to the intergovernmental Financial Action Task Force's updated anti-money laundering and counter-financing of terrorism standards, while the related FTR updates

the rules on information on payers and payees, accompanying transfers of funds in any currency, for the purposes of preventing, detecting and investigating money laundering and terrorist financing where at least one of the payment service providers involved in the transfer of funds is established in the EU.

The directive is in the process of being strengthened, following the Paris attacks and the Panama papers leak, but changes have yet to be agreed by EU member states. This consultation therefore only refers to the original legislation, which was approved in June 2015.

The Treasury says that it is looking to ensure that the directive and FTR are implemented in a way that balances the need for a proportionate approach to the burden on business with the need for business actively to discourage money-laundering and terrorist financing activities. It says it will also only “gold-plate” the legislation where there is strong evidence a material risk exists.

One change over which the UK has no choice will see the threshold for eligible transactions in cash (or a series of transactions that appear to be linked) reduced from £12,544 (€15,000) to £8,361 (€10,000). This will be extended to receiving, as well as making, payments in cash.

There are enhanced rules relating to due diligence, including removing the default simplified due diligence option for listed clients. There is a tougher approach to risk assessment and employees’ training. The legislation will also extend the application of enhanced due diligence for a politically exposed person (previously defined as those with prominent public functions in a state other than the UK, an EU institution or an international body) to PEPs in the UK.

The deadline for comments is 10 November. The new provisions will come into operation by 26 June 2017.

gov.uk

CANLLAW CYLLID BUSNES PUBLISHED

On the back of the success of its *Business Finance Guide*, published earlier this year, ICAEW and the British Business Bank (BBB) have now published a Welsh language version, *Canllaw Cyllid Busnes - Siwrnai o'r dechrau hyd at dwf*.

Led by the Corporate Finance Faculty, the guide - aimed at small businesses - draws on the expertise of more than 20 other business organisations, including the London Stock Exchange, Innovate UK, the Forum of Small Businesses and the CBI, which together represent more than five million UK businesses.

Currently, the majority of SMEs contact just one provider - their main bank - when seeking finance, despite growing frustration with banks’ unhelpfulness. A recent survey from Amicus Finance showed 16% of 400 SME business owners were turned down by a mainstream lender, while 31% said their inability to secure finance terms meant they lost out on an opportunity. Yet there is a wide range of alternative finance sources available that are now more mainstream and would lend a more sympathetic ear to the finance needs of SMEs.

The business organisations have all contributed to the guide, which sets out to explain the different sources of investment and professional advice available to businesses.

thebusinessfinanceguide.co.uk

CORPORATE GOVERNANCE - A FRESH LOOK

ICAEW has launched a new series of corporate governance papers that challenge companies to tackle controversial issues and show a positive corporate culture.

It says that the change in approach of society in general towards business means that now, more than ever, the business community needs to ensure it connects with and reflects society.

Thanks to new technology and today’s lack of deference towards institutions, old style corporate positioning and news management are now dated and ineffective. This means that companies will have to learn new ways to adapt if they are to influence attitudes.

The first paper in the series, *Connect and Reflect*, says the way in which companies can improve their relationship with different parts of the community has to come from them, rather than be imposed from the outside. “A key determinant of the success of connect and reflect will be the willingness of companies to address challenging areas and make operational changes to change their behaviour,” it says. “Companies that fully embrace connect and reflect will be in a position to demonstrate a positive corporate culture.”

Connecting is a two-way process: businesses need to become more accessible by providing open channels of communication but members of the public must be prepared to interact and respond to genuine requests from them before they make decisions or take positions. Similarly, reflecting involves a dialogue between companies and the public, with companies reflecting on the feedback they receive in a consistent and transparent way and taking corrective action where necessary, and the public responding to their explanations with an open mind.

“Connect and reflect should help foster new norms of behaviour for public discussion about business which in turn will help to overcome mutual hostility between business and society,” the paper adds.

Other subjects for the series will include how companies thrive on social media, how whistleblowing helps companies, how employee directors add value, how to end excessive pay and how to mark governance out of 10.

icaew.com

PRACTICE

LEGAL SERVICES CODE OF PRACTICE PROPOSED

ICAEW has stressed the importance of proposals from the Solicitors' Regulation Authority for ensuring protection for the public in the legal services market. In its response to the SRA's consultation, *Looking to the Future - Flexibility and Future Protection* (REP 141/16), it describes them as "a positive move towards establishing a code of practice fit for the 21st century and the changing legal services market".

However, it is concerned that there are no minimum regulatory protections in place for consumers of legal services provided by solicitors working in unregulated firms. It suggests that at the very least they should be entitled to minimal protection imposed on the employing organisation, including compensation, professional indemnity insurance and requirements for integrity.

ICAEW also warns against regulatory changes that might put alternative business structures at a disadvantage, especially as they have been most agile in responding to market conditions and so have been a key driver in opening up the legal services market. "We think it would be unfortunate if the number of applicants for ABS status were to dry up, in favour of unregulated entities employing solicitors to provide unreserved services to the general public under reduced regulatory protection."

REPORTING

MISUNDERSTANDING OF SMALL COMPANY ACCOUNTS RULES

Companies House is rejecting a number of accounts filed by small companies because they do not comply with recent changes in UK company law. As a result, ICAEW has produced Frequently Asked Questions guidance, with background information on the new rules, to help small businesses get it right.

Under the new regime, small companies

can no longer choose to submit abbreviated accounts for periods beginning on or after 1 January 2016. They are able to take advantage of some filing options though, including "simplified accounts" where they elect not to file a copy of the profit and loss account and/or the directors' report with Companies House, or a new process which involves preparing and filing an abridged balance sheet and/or an abridged profit and loss account.

The guidance identifies a number of different scenarios for small companies and explains the requirements in each case. It also offers tips on how to minimise the risk of accounts being rejected.

The FAQs, *Small Company Filing Options*, were prepared by the ICAEW Financial Reporting Faculty after consultation with Companies House and member firms. They are available to all on the ICAEW website.

COMMENTS ON UPDATING FRS 102

As part of its triennial review of FRS 102, the FRC is seeking comments about its proposed approach to updating the UK standard to reflect changes in IFRS.

The regulator says that in considering any updates it has sought to balance improvement with stability. "As a result we are proposing changes to FRS 102 when this is expected to improve financial reporting, and are giving entities plenty of time to prepare for the more significant changes."

Significant proposed amendments include incorporating the expected loss model for impairment of financial assets based on IFRS 9, Financial Instruments, and updating lease accounting by lessees for consistency with IFRS 16, Leases.

The FRC said that incremental improvements and clarifications to FRS 102 would come into effect on 1 January 2019 while more significant amendments are expected to be effective from 1 January 2022, giving entities more time to prepare and learn from the implementation

experience of others.

Nigel Sleigh-Johnson, head of ICAEW's Financial Reporting Faculty, said: "The introduction of FRS 102 was the biggest change in UK financial reporting for non-listed companies for a generation. Companies and their advisers are still getting to grips with its requirements. Most small companies have yet to make the transition to the new standard.

"The separate issue of to what extent, and to what timetable, the quite fundamental changes made recently to IFRS should be incorporated into FRS 102 raises some important questions about the future development of the standard and the costs and benefits involved to UK GAAP reporters."

The deadline for comments is 31 December.

GENDER PAY GAP REPORTING

ICAEW strongly supports the government's goal of closing the gender pay gap and welcomes the initiative to require both private sector and public sector employers to publish related information on their websites, it has told the Government Equalities Office (GEO).

However, it raised a number of concerns about the detail of the draft regulations earlier in the year when the GEO was consulting about the requirements for the private sector (REP 53/16), which it has now been forced to reiterate in response to the more recent consultation on the requirements for public sector employers. These concerns are "significant", it says, and the GEO needs to address them "before we can be confident that the new regime will be proportionate and provide meaningful information on a cost-effective basis".

Among ICAEW's particular worries is the proposed methodology for measuring pay and bonuses. "A major concern is that the proposed elements of pay required for the gender pay gap report will be on a different basis to the pay data collected

and disclosed in departmental accounts. The different basis may make the production of the new report more costly and burdensome than necessary.”

It points out that employers will find themselves spending unnecessary time and effort trying to explain the differences in numbers between the pay gap report and the pay disclosures in annual reports.

ICAEW thinks the GEO may have underestimated the complexity of the work that would be required by both private and public sector employers to comply with the regulations in the short space between the commencement date and the date the information would first have to be disclosed (currently 5 April 2017).

In the earlier response on the private sector requirements, ICAEW suggested the government allowed a period of experimentation by employers before tightening up the rules, and that the implementation date for those organisations with between 250 and 499 employees should be deferred to a later date.

TAX

SETTING TAX DIGITALISATION IN AN INTERNATIONAL CONTEXT

HMRC would do well to take note of a major new report from ICAEW on the key lessons that any tax administration should consider when planning the next stages of their tax digitalisation projects.

The report, *Digitalisation of Tax: International Perspectives*, has come up with four major conclusions following extensive research into seven case study countries - including the UK - and working out the most significant influencing factors, aims, tools, change strategies and barriers to creating a modern digital tax administration.

Chief among the conclusions is that simplicity drives success and the older and more complex a tax system is, the harder it will be to create an

understandable and reliable digital version of it. This has ramifications for HMRC because, as ICAEW points out, the UK tax system is among the world’s most complex and the proposed simplification measures - such as widening the availability to small entities of using the cash basis or introducing a nil rate band for dividends - may not be sufficient to make the process viable.

Other issues include the added complication of not having a national ID scheme or reliable cross-service identifiers for taxpayers (currently, references range from unique taxpayer references to National Insurance numbers and company ID numbers).

The report raises the question of costs, particularly for businesses, which will be required to report figures quarterly. Acquiring hardware and software to support it, training needs or time investment will be expensive. “It is not clear to what extent this cost has been considered when assessing the benefit of the Making Tax Digital (MTD) programme: transferring administrative costs from HMRC to the taxpayers would not create a new benefit for the economy.”

In addition, the timetable is very tight, which will inevitably increase the cost for taxpayers and the roll-out is being done so that it affects individuals and VAT ahead of corporation tax. This, ICAEW says, puts the greatest strain on the smallest taxpayers.

Nevertheless, if HMRC’s ambitious project is carried off successfully, the report believes it will bring the UK up to one of the world’s leading digital tax systems. But it must “take care to make the transition carefully and correctly and not rush into making mistakes”.

Other key conclusions to bear in mind are that pre-population of returns can provide substantial benefits but does need extensive collaboration with third parties and will effect a change in the relationship with the agent, the authority

and the taxpayer.

Tax authorities must not ignore the fact that not everybody wants or is able to use digital methods and they must be properly catered for. And finally there are key factors that make different tax systems harder or easier to digitalise.

NOT ENOUGH BENEFITS OF LOOKTHROUGH TAXATION

The potential benefits of lookthrough taxation for small companies are not sufficiently redundant enough to warrant the introduction of a new model, says ICAEW. In its response (REP 136/16) to a discussion paper from the Office of Tax Simplification (OTS), it says that a better option would be simplification of the two rather complicated systems currently in use (one for unincorporated businesses, the other for corporate bodies).

A third lookthrough model would add to the already significant amount of confusion among small business owners who have incorporated their business but are unaware of their legal obligations.

ICAEW suggests that a more appropriate simplification would be to make it easier for small companies to disincorporate.

“We understand that disincorporation relief was introduced for a five-year period and believe it would be appropriate to extend the relief and increase awareness of its availability.”

Lookthrough was first proposed in the OTS review of small company taxation, published in March, as a way of abolishing corporation tax for small non-growth companies. In its place, shareholders would pay income tax and NIC on their share of the company’s profits. ■

Making insolvency work

Recent UK and European consultations are a reminder of the challenge of creating a structure that treats all stakeholders in the insolvency regime equitably, as Paul Golden discovers

At first glance, the UK insolvency regime has considerable scope for improvement. The World Bank's Doing Business project ranks the UK 13th globally for resolving insolvency, with low scores for reorganisation proceedings and creditor participation pushing it below several other European countries.

In May, the Insolvency Service published a consultation on options for reform. While it sought comment on proposals to help businesses trade through the restructuring process, develop a flexible restructuring plan and explore options for rescue financing, the most widely discussed option has been the creation of a moratorium to enable companies to consider the best approach for rescuing the business, free from enforcement and legal action by creditors.

The government published responses to the consultation recently - over 650 pages in total - although it is unlikely to reveal its direction of travel much before December. Some of the proposals may even get sidelined in the post-Brexit focus.

The European Commission has also opened a consultation seeking views on common principles and standards that could increase the efficiency of national insolvency frameworks, especially in a cross-border context. This consultation closed on 14 June, although it is not clear when any response might be published.

So what should be done to produce a UK insolvency regime that works for all stakeholders? Andrew Tate, president of R3 (the association of business recovery professionals) observes that while a moratorium could be helpful, the

government should review and improve existing tools such as the company voluntary arrangement (CVA). He says there is a feeling among some of R3's members that liaison between insolvency practitioners and creditors in the CVA could work better.

RSM's head of London restructuring Phillip Sykes notes that the UK has a tradition of businesses working on an informal moratorium basis with their bank and other key stakeholders, a point taken up by Nick Edwards, head of UK restructuring services at Deloitte.

"The global marketplace requires us to work outside the formal insolvency regime, unravelling complex corporate structures and dealing with multiple layers of secured debt on a consensual basis, utilising the Companies Act 2006 scheme of arrangement as the vehicle for change," says Edwards, who suggests that while the proposal for a statutory moratorium has merit in principle, it is potentially "too broad in terms of eligibility".

According to Bob Pinder, ICAEW regional director for professional standards, there is a conflict between employment law requirements on consultation for collective redundancies and insolvency law, which risks bringing this aspect of the regime into disrepute.

"The government has consulted on this, but has so far failed to take appropriate steps to resolve the issue," he explains. "The CVA regime does not bind secured or preferential creditors and it would be more useful as a business rescue tool if it were to do so, subject to appropriate thresholds for consent of affected creditors."

It is important to note that a pro-debtor regime is not necessarily

a pro-business regime, adds ICAEW business law manager Charles Worth. "In particular, if creditor protections are eroded too far, the supply of credit on which business often depends may dry up. Also, creditors may be businesses such as suppliers, so a regime that protects a debtor business may damage a creditor one."

Pinder says the UK consultation proposed a moratorium regime with safeguards relying heavily on the courts, but did not provide any assurance that the courts would be sufficiently resourced to handle the work involved.

A matter of this importance might usefully have been determined before the proposal was made, he continues. "If it has since been established that the courts will be resourced to perform this role, then consideration can move on to other matters, such as how long court processes will take and how much they will cost. If they are too slow or too expensive, they will not be much used in practice and the intended safeguards would be largely illusory."

Tyrone Courtman - who leads PKF Cooper Parry's business restructuring practice and is a past president of both the Turnaround Management Association in the UK and the European Association of Certified Turnaround Professionals - highlights the rights afforded to a floating charge holder to appoint (or sanction the appointment of) administrators as a shortcoming of the existing regime.

"Administration is supposed to be an all-inclusive procedure, designed to protect the interests of all creditors, and that should be the basis upon which administrators act," he says. "All too often,

administrators are appointed and act in the best interests of the floating charge holders only, which may be adversely prejudicial to the interests of the wider stakeholder group and of the enterprise's value. This is brought into even sharper focus where the appointed administrator is a member of a floating charge holder's preferred supplier panel."

Affordability for micro-, small- and medium-sized enterprises should also be reviewed, according to Ashurst partner Olga Galazoula. "Because our regime contains high levels of protection for creditors, it can be quite expensive compared to less regulated jurisdictions. It is a policy decision as to how far you can simplify the regime to reduce

the cost (and increase creditor returns) while maintaining adequate creditor protection."

Jo Windsor, a restructuring and insolvency partner at Linklaters, describes the Insolvency Service proposals as further evidence of de facto harmonisation, with the UK wanting to keep its market-leading position compared to other jurisdictions (such as the Netherlands) that are reforming their insolvency legislation.

She suggests that if changes were to be made to the existing UK insolvency regime, a good argument could be made for introducing a statutory mechanism that permitted the cramming-down of or imposition of a restructuring plan on out of the money (junior

creditors without their consent. This would prevent junior secured creditors who no longer have an economic interest from holding up the process.

"Another area not touched on in the consultation is the administration regime," says Windsor. "This process is intended to rescue companies as a going concern but, in reality, very few companies survive after going into administration. The process has proved successful in leading to the rescue of businesses following their transfer to new companies but not in achieving the rescue of the company that goes into the administration process. "Further consideration as to why this has proved to be the case would be beneficial."

UK practitioners are also concerned about the impact of the EU exit, given that sizeable restructurings and insolvencies are often multinational. Michael Fiddy, global co-chair of the restructuring practice at DLA Piper, observes that the recognition that has been afforded throughout Europe (excluding Denmark) by the Regulation on Insolvency Proceedings has greatly assisted the coordination and recovery of assets in cross border insolvencies.

"The understanding that UK schemes of arrangement would be recognised throughout Europe under the European Judgments regulation is an important feature of their attraction for overseas companies," he concludes. "The UK must take early action to negotiate and decide how it will approach cross-border insolvency in the future - if we cannot negotiate continued enjoyment of the benefits provided by the regulation we must start, in earnest, to negotiate other recognition arrangements." ■

IT'S NOT WHAT YOU DO, IT'S THE WAY THAT YOU DO IT

Has there been too much emphasis on the potential of insolvency as a "turnaround" mechanism for failing businesses rather than a means of winding up such businesses in an orderly fashion?

"The UK insolvency regime is often utilised as the turnaround tool of last resort because other options were either not explored or incapable of delivering the desired result for stakeholders," says Tyrone Courtman. "There is a growing 'rescue culture' in response to an increasing realisation that formal insolvency procedures are massively value destructive."

Companies attempting a turnaround don't want to get into a formal process because that also damages goodwill, although if they have to go down that route there are some very effective processes in the UK, such as pre-pack administration, observes Phillip Sykes.

"There was a time when insolvency meant liquidation, but it is now very much seen as a restructuring tool," he explains. "In an ideal world you might opt for a scheme of arrangement, but if there isn't enough money to go round and/or it is impossible to get all

the stakeholders to agree on a solution, insolvency can be very useful."

The impact on employees is now front of mind for most insolvency practitioners, which possibly reflects some of the priorities of the Companies Act, where the director is not just responsible to shareholders but also has to take account of other stakeholders, including employees and suppliers, adds Sykes.

According to Olga Galazoula, any misplaced emphasis has been largely well-intentioned. "Some pre-packaged administration sales to connected persons fail because the underlying business is not sound and there is less incentive to go down the winding up route than the pre-pack route. However, it is difficult to get the balance right - pre-pack administrations can provide swift and cost-effective solutions and better outcomes for creditors."

Chasing shadows

Following the introduction of the People with Significant Control regulations, Peter Bartram asks whether they are shining a light on corporate wrongdoing – or merely creating more paperwork for legitimate traders

The People with Significant Control (PSC) regulations, which came into effect on 1 July, aim to shine a light into the darker corners of the corporate world. In the words of Baroness Neville-Rolfe, minister of state at the Department for Business, Energy and Industrial Strategy, they will provide “much greater transparency about who owns UK companies and LLPs. This will boost trust in UK businesses and reduce the risk of UK companies and LLPs being used for corrupt purposes.”

But will the regulations really put corporate ne'er-do-wells in the spotlight? Worse, could reputable business people and investors, who have previously relied on the legitimate discretion of an honestly run private company, find PSCs a disincentive to future engagement?

No one doubts that money laundering and other corrupt practices are a problem - more so for some countries than others. But, says Charles Worth, ICAEW's manager for business law, regulations should be proportionate to the risk and should not harm legitimate businesses.

“When the PSC register was proposed we suggested that there might be better ways to strengthen the anti-money laundering regime,” he says. “A PSC regime of the kind envisaged would inevitably have its limitations for controlling money laundering, so that there was a risk it would not be proportionate.”

It is certainly true that the PSC regulations hand all UK companies - including small family firms and anyone with a relevant indirect interest in the shares - a new admin burden. These companies now need to keep a PSC register alongside the directors' and shareholders'



registers and file the information with Companies House. This will not be a new burden for LSE main board and Aim companies as they already provide such information.

But it may be an unwelcome revelation to significant shareholders - more than 25% - in smaller companies who previously thought they could sit on their shares and keep their heads down. “Those who have specifically avoided public company ownership and adopted private company and trust structures may therefore be surprised to find additional ownership details being tracked in a public register,” notes David Hicks, a partner at law firm Charles Russell Speechlys.

Many of those people - as well as the directors of the companies concerned - may not even realise what is happening. Dave Roberts, business support director at chartered accountants Chiene & Tait, says he finds few businesses

compliant with or even aware of the new rules. “Given the fact there was relatively little fanfare when these regulations were launched, this is hardly surprising,” he says.

But many smaller companies with simple share structures - such as a proprietary company with one person owning all the shares - simply don't think the rules apply to them, says chartered accountant Howard Graham, who founded companiesmadesimple.com. They are in for a rude awakening. The rules are complex - and there are also 87 pages of “non-statutory guidance”, some of which may leave readers more confused than ever.

Even seemingly straightforward requests for the information needed for the PSC register may leave some directors or shareholders struggling to understand what they should provide. Ian Saunders, a partner at chartered accountants Wilder Coe, says that he's been making

telephone calls lasting more than half an hour just to clarify the position with some clients.

A key area for confusion is where shares are jointly held or where corporations - especially from overseas - hold shares in a company, says Saunders. This is especially true where there is a chain of overseas companies with variable levels of holdings in shares or in rights. "The legislation has resulted in increased costs and confusion for very small owner-managed organisations that, in my opinion, outweighs the suggested benefits of such increased transparency," he adds.

So what exactly does a company have to do? An "officer of the company" must identify people with significant control, record their details in the PSC register, provide the information to Companies House as part of the annual confirmation statement (previously the annual return), and update the information in the company's own PSC register when it changes.

In most cases, PSCs will meet one or more of three criteria - they hold more than 25% of shares in the company, or more than 25% of voting rights, or the right to appoint or remove a majority of the board of directors. There are some other less common conditions such as where people exercise control over the company even where they don't satisfy the three common criteria. And where a trust would satisfy any of those conditions if it were an individual, it also qualifies as a PSC.

Much of this looks like routine form filling. And for most companies that may be the case. But there is plenty of room in the rules for confusion and misunderstandings - hence the need for 87 pages of advice, some of which is, itself,

confusing, according to lawyers and accountants who have studied it.

"The legislation as a whole is difficult to interpret because the drafting is so complex, particularly as regards indirect holdings," says Worth. "It will definitely pay those involved to read the guidance first to help them navigate the detailed provisions." But Worth warns that although the guidance is helpful for relatively straightforward cases, "more complex cases will often turn upon the detailed facts where it will be necessary for those involved to reach their own views".

Another area that could cause difficulties is where a PSC fails to provide necessary information for the register. The rules give a company the right to apply sanctions - including suspending voting rights - where "repeated" requests for information are ignored. But, as Graham points out: "That may lead to costly legal battles."

There could be more confusion where trusts are involved. The rules have been drafted to frustrate people who create artificial structures in order that they can stay in the shadows. As a result, the rules about trust arrangements could be difficult to apply.

Says David Webster, a partner in the corporate and commercial team at law firm Russell-Cooke: "To take trusts as an example, there is no simple rule stating exactly who needs to be registered, and each arrangement will need to be scrutinised carefully. Depending on the exact nature of the particular trust and company, the rules could lead to trustees, settlors or beneficiaries - or a combination of them - needing to be registered."

As with most regulations, the devil is in the detail. One detail

many companies may overlook is that if they file their PSC register at Companies House, instead of their registered office, the date of birth of all its PSCs will be published. Some accountants worry that crooks might use this information to commit identity fraud.

So what advice should chartered accountants be giving their clients about the regulations? "It is difficult to generalise because the nature and scope of a chartered accountant's role will depend on what is agreed between the accountant and client," says Worth.

"In some cases chartered accountants will provide information and general guidance about the regime to their clients. Where they provide company secretarial services, they will typically need to provide more detailed advice on what is required to comply. They will also need to consider whether or not advice on any given aspect of the regime is best addressed by the chartered accountant or by a lawyer."

Yet for all the good intentions, there are plenty who believe that the PSC rules will have only a limited impact in the fight against money laundering and corruption. "While the idea is good and should encourage an improved culture of openness, the opportunity to hide behind a no PSC declaration could mean that practical improvements are harder to deliver," says Roberts.

Worth is even gloomier about PSC being an effective war on corporate crime. "The rules are unlikely to reveal the involvement of individuals using companies for criminal purposes such as money laundering, who might be expected to disregard these legal requirements for self-reporting," he adds. ■

Credit predictions

With just over a year to go before IFRS 9 comes into play, Caroline Biebuyck looks at the effect the new standard will have on banks

Listed companies breathed a collective sigh of relief after converting from UK GAAP to IFRS a decade ago. But the story is far from over for banks. With the introduction of IFRS 9, on financial instruments, just over a year away, they are gearing up for a change that's causing more upheaval than the entire IFRS project did.

The main reason for the headaches is the new standard's conditions for loan loss provisions. Out goes the current incurred loss model, in which banks could only recognise a provision against a loan once the loss had been incurred. Now banks will have to follow an expected loss model, which focuses on the credit risk attached to the loan.

Under the new model, loans fall into three stages, with the staging depending on the change in credit risk. Stage 1 loans are those for which there has been no significant increase in credit risk since initial recognition. Banks have to make a 12-month expected loss provision against these loans.

However, this 12-month expected loss provision is not the same as the losses the bank expects in the next 12 months, explains Alan Chapman, head of financial instruments reporting at Grant Thornton. "The 12-month expected credit losses are a portion of the lifetime expected credit losses. They are typically calculated by multiplying the probability of a default occurring in the next 12 months by the total loss that would result from that default."

The loan moves up to stage 2 if there is a significant increase in credit risk. The bank now calculates the stage 2 provision by considering the probability of default over the whole life of the loan, rather than over the next 12 months.

Once the loan is actually impaired it moves into stage 3. What changes here is the way in which interest is calculated. At stage 2 it is based on the gross value of the asset while at stage 3 it is based on the net value of the asset - ie, after the impairment. Once stage 3 is reached, interest is calculated based on the net amount.

A key judgement for banks is working out whether there has been a significant increase in credit risk, says Chapman. "If you make a high-risk loan, that doesn't automatically make it stage 2. The risk is relative to the credit risk at the time you initially made the loan."

Judgement is vital to implementing the new standard, both for the banks making the provisions and for their auditors assessing them. The only guidance in the standard is that the judgement needs to be based on "reasonable and supportable information", "available without due cost and effort". But there is no definition in the standard of what "significant increases in credit risk" and impairment, or more specifically, "a default or delinquency in interest or principal payments", actually mean.

Consider significant increase in credit risk, says Eddy James, technical manager in ICAEW's Financial Reporting Faculty. "Is this 10%, 20%, 30%? Each bank has to come to its own conclusions on that."

And when is a loan in default? Companies might think this is when someone hasn't paid. Banks take a more sophisticated view, looking at covenants and ratios, meaning they might technically consider someone to be in default long before they have missed a payment because they've not met some of their obligations under the loan agreement.

"With changes to certain other

international financial reporting standards - particularly revenue recognition and leasing - and to UK GAAP, there is a greater risk of borrowers breaching covenants on technical issues," James points out.

The judgement issue aside, banks will have to include information that they have not had to in their provisioning until now, says Iain Coke, head of ICAEW's Financial Services Faculty. "Credit risk departments have monitored credit risk and credit quality, but they haven't had to maintain the same quality of data for this monitoring as the financial reporting department does. This means banks face a huge organisational challenge: identifying the data they need, making sure it goes through the right process, and that different departments are talking to each other."

Mark Randall, IFRS and banking specialist at PwC, thinks banks might struggle under the sheer volume of data. "Because of the staging requirements, banks will need to go back to initiation date to find out what the credit quality was when the loan was made. Given the whole forward-looking nature of the provisions, they will need to look far into the future, say 25 years on a mortgage. This could mean hundreds of millions of new lines of data for large banks. Storing the data, ensuring its quality, making sure it is in the right place - these are all major challenges."

Banks are trying to use the mountains of data they already hold for regulatory purposes to help with their loan provisions. However, most of this data has not been subject to external audit before. "There will be a significant expansion of the systems and data that are being poured into the



financial statements audit scope,” Randall says.

The main objectives of IFRS 9 were to reduce the complexity of the standard for financial instruments and to strengthen the recognition of loan loss provisioning by bringing in a broader range of credit information. But does the second aim come at the cost of the first?

IFRS 9 is less complex than its predecessor, IAS 39, in some ways, but more difficult because of the extra subjectivity involved, says Coke. “There’s scope for big differences of opinion and a much wider range of views under the new rules. These may converge over time. But there is certainly the potential for inconsistencies between the ways banks do their measurement, increasing the potentially acceptable range of numbers that could be pumped out.”

At a company level, banks need to ensure internal consistency.

Regulators and auditors will be keen to see that banks don’t have one house view on forward-looking economic scenarios for one purpose, such as deferred tax, and a different house view for IFRS 9. Instead they need to pick different scenarios to help come up with a probability-weighted calculation that takes multiple views into account for all their provisions.

Randall thinks that banks need to focus on the effect of non-linearities - step jumps rather than smooth progressions - within their loan portfolios. “The whole purpose of bringing in alternate scenarios is to capture the effects of non-linearities and not ignore, for instance, a cliff effect of unemployment rising above a certain rate setting off a sharp increase in provisions. That’s the kind of thing the standard setters want to see captured. But it is tricky, like moving from 2D to 3D, and adds that much complexity as a result.”

Banks need massive resources to implement the changes to IFRS 9. But changes in regulation are forcing them to beef up their capital, at the same time as the economic environment is putting pressure on margins, meaning they need to cut costs. And that’s before even considering the extra hours and cost involved in bringing in ringfencing and the senior managers regime.

IFRS 9 compliance needs time and effort from all the same people as are involved in the major regulatory and restructuring projects, from finance and regulatory policy to credit risk management and systems development. This explains why half of the respondents to a recent survey on IFRS 9 of banks around the world say they do not have the technical resources to deliver the IFRS 9 project.

Mark Rhys, partner at Deloitte, which ran the survey as part of its regular questions to banks on the impact on them of IFRS, says: “When we talked to banks for the last survey a couple of years ago they said they would like to do a full year’s dry run to see how it all works. It’s clear that the dry-run period is getting shorter as people get a better understanding of the complexities they will have to deal with. And that will be a challenge for us as auditors.”

Meanwhile six out of 10 of the survey respondents are unsure about the effect the change will have on their balance sheets. But today’s investors are more worried about capital than profitability. “Banks need to look at this as early as they can to see what the impact will be and to make sure that they don’t need to raise any additional capital - or if they do, they do it in sufficient time so it doesn’t spook the markets,” says Coke. ■

ILLUSTRATION: MARIA CORTE

Sayer Vincent: Not in it for the profit

Partners **Kate Sayer** and **Judith Miller** tell Xenia Taliotis why providing support and advice to the charity and not-for-profit sector is central to their firm's success

Accountancy practices come in various shapes and forms, their specialisms as varied as the people who work for them, but the one factor that seems to unite many of them is their eagle-eyed focus on their growth and profits. Not at Sayer Vincent, the London-based firm that works exclusively with charities, social enterprises and not-for-profit organisations. The practice marks its success by how much more effectively it helps its clients operate, focusing on them and the charity sector as a whole.

"When we set up Sayer Vincent in 1983, we had two goals," says Kate Sayer, one of six partners. "To help our clients be more effective at achieving their mission and to make finance and accounting accessible to the charity sector. That's what we've been doing for 33 years. We're not a typical firm. We actively try to keep our fees down and we also do a lot of pro bono work. We're not in this to create enormous wealth for our practice. Our purpose is to deliver outstanding quality, to build strong relationships with everyone we work with and to ensure that we and our staff derive great job satisfaction from what we do."

In pursuing its aims, the practice has, however, managed to lay down strong foundations for its own financial health and growth - in the past six months alone it has gained 60 new clients. Now employing close to 60 staff and looking after nearly 500 clients (among them ActionAid UK, Beating Bowel Cancer, Disasters Emergency Committee and ICA), it is the UK's largest charity and not-for-profit accountancy specialist with an unmatched reputation for excellence in providing tailored audit and advice services.

The bulk of Sayer Vincent's work is auditing and its reputation has spread beyond the UK, with the firm providing grant audits on funding from the EU, the World Bank and other international government development agencies.

It is also one of only four UK firms authorised to provide donor audits for United States Agency for International Development (USAID) recipients. "Donors want assurance that their funding has been used for the right purposes and in compliance with their regulations," says Judith Miller, another partner. "We act for several funders overseas: the approvals procedure for each organisation is rigorous and particularly so for

USAID, which operates strict quality controls over the auditors too. We audit numerous charities funded by USAID, including HelpAge International, Transaid and International Planned Parenthood Federation."

As well as audits, Sayer Vincent also works direct with clients to help them improve their effectiveness through implementing better risk management and support functions. "Good risk management is essential," says Sayer. "Like all organisations, charities and social enterprises need to have a policy that neither exposes them to too much risk nor avoids it completely. A typical response to cut-backs and recessions is for organisations to economise - typically on training, updating IT and business development. But that's often detrimental to their cause and income."

One aspect of the firm's job, therefore, is to help educate its clients on building calculated risk-taking into their operations. "Metaphorically speaking, a good risk policy involves being able to

LESSONS LEARNED

1 Play to the strengths of each person. "Accountants aren't always the best people to be managing their own business, even though they make a valuable contribution. We value equally the contributions others make in HR, IT, marketing, finance, secretarial and events."

2 Keep your feet on the ground and retain a sense of humility. "Don't think you can do everything - there will be clients you won't have the skills to help, so be professional and walk away. Your job is to help the people who hire you: if there are other firms that can do that better than you, then you owe it to your clients to tell them so."

3 Be specialists. "All day, every day we work exclusively with the charity and not-for-profit sector

and our expertise and reputation bring new clients to our door. We provide 360° business advice, looking at our clients from all angles. Because we're all specialists and work as a team, clients are not bounced from one adviser to another."

4 Work with people you respect and whose values you share. "And that goes for clients as well as staff."

5 Get to know your staff properly. "Recognise their individual strengths and skills and do all you can to help them fulfil their potential. Treat people fairly but don't shy away from performance conversations. Job satisfaction is important - and Sayer Vincent is committed to helping its staff achieve that."



push the boat out beyond the harbour to more abundant waters, but not so far out as to be swept out to sea,” says Sayer. “We help clients structure their activities so that they take managed risks.”

Teaching and training are at the core of Sayer Vincent and the firm is generous with its knowledge, often running free-of-charge courses for trustees and clients. “Our purpose is to make our clients’ lives easier and help them achieve the best financial outcomes,” says Sayer. “If that means providing them with the technical information they need to do some of our work for themselves, then that’s fine. That’s why we started publishing our *Made Simple* guides. And we’ve recently published the fourth edition of *The Complete Charity VAT Handbook*, a jargon-free guide to VAT.”

Sayer Vincent takes on an average of eight new audit trainees each year. “We look for good communicators, for people who share our values and who want to make a difference,” says Miller. “Those factors are so much more important than being a genius with numbers.”

Miller says it is a source of considerable pride when Sayer Vincent’s trainees take up senior posts in the not-for-profit sector, and of even greater satisfaction when they return to the firm. A case in point is Vivien Ma, who has recently returned to the firm as senior auditor manager after five years away, during which she was, for a time, interim deputy director of finance for Prostate Cancer UK. “It’s a tangible marker of how good our training is when that happens. We’re always delighted to welcome former employees back because they bring with them new insight and expertise.”

Sayer says that the charity sector landscape has changed dramatically since the 1980s. The Care in the Community Act of 1990, for instance, gave rise to countless charities that were set up to provide residential care for dependent people who would no longer be looked after by the state or NHS; likewise the externalisation of museums and leisure centres into the not-for-profit sector.

And now there’s Brexit. “No one knows yet what the effects of Brexit will be,” says Miller, “but how we lead will make all the difference. We will be right there helping our clients traverse these uncertain times. We’re part of their team and we’ll be right by their side. We’ll work through whatever happens together.” ■

KEYS TO SUCCESS

Our values. “We have a generosity of spirit. We share our knowledge and expertise. Rather than cloak our work in mystique and jargon, we make it simple to understand. We train trustees and staff in charities and social enterprises, often for free, and have also produced a series of free guides to help those who work for charities with legal and regulatory rules.”

Being bold and having a voice. “We can make a wider contribution to the charity sector and need to use our experience to offer insights on financial governance. We speak out on issues that affect our clients and work with regulators to make improvements.”

Hiring the right staff. “Accountancy is not just about crunching the numbers, it’s about interpreting those numbers and then being able to communicate what they mean to your clients. Our staff don’t have to be maths geniuses, but they do have to be personable and empathetic.”

Forming good relationships. “Relationships are key to the success of any enterprise. If you don’t get this right, you’ll end up with nothing.”

We’re honest and we encourage our clients and our staff to follow suit. “Sometimes we have to raise challenges with our clients, and sometimes they give us tough feedback. But it is imperative that we have open and honest conversations so that concerns are voiced.”

Disciplinary listings

These reports are summaries. Further information is available from icaew.com/publichearings or from the Professional Conduct Department, ICAEW, Metropolitan House, 321 Avebury Boulevard, Milton Keynes MK9 2FZ

DISCIPLINARY COMMITTEE TRIBUNAL ORDERS

● Jane Bywater, 1 Bull Cottages, Church Road, Brasted, Westerham, Kent TN16 1HY
Complaint She misappropriated a total of £191,303.21 from her employer over a three-year period and was dismissed from her post as financial controller at a casino. She eventually paid back £60,000 which was regarded by the employer as full restitution, as well as £12,991.32 as a refund for a cancelled holiday booked in her name and £3,463.20 for her season ticket loan. The employer did not report the matter to police for fear of adverse publicity.
Order Exclusion, £2,500 costs.

INVESTIGATION COMMITTEE CONSENT ORDERS

● John Kelly, 3rd Floor, Temple Point, 1 Temple Row, Birmingham B2 5LG
Complaint In February 2015, in his capacity as joint administrator of a company, he sent to creditors his first notification of the pre-packaged sale he completed. This did not comply with Statement of Insolvency Practice 16 because it failed to disclose sufficient detail on the valuation and the sale consideration, with no comparison of the same; nor did it give any background information or reasons for the administration or make any reference to the statutory purpose of the administration. There was no statement confirming that the statutory purpose has been achieved by the pre-packaged sale nor any information provided on the rationale for the pre-packaged sale and the reasons why it was in the best interests of the creditors.

Order Reprimand, £1,000 fine, £3,080 costs.

● Jimmy Lau, Room 1001, 100 Granville Road, Kowloon, Hong Kong SAR
Complaint On his LinkedIn profile and at an exam skills seminar at Lingnan University in May 2013, he falsely claimed he held a Masters degree in professional accounting when he was only a student of the programme at the relevant time, contrary to s110.2 of The Code of Ethics.

Order Reprimand, £1,355 costs.

● David Whitehead, King Street House,

15 Upper King Street, Norwich, Norfolk NR3 1RB

Complaint He failed to comply with rule 2.33(1) of the Insolvency Rules 1986 in his capacity as joint administrator of a company as he filed the administrators' proposals with the Registrar of Companies 53 months late. He failed to file the first six-month progress with the Registrar (in breach of rule 2.47(4)(b)) and incorrectly filed the final progress report (rule 2.117) since it only covered up to 16 March 2011 when the administration actually ended on 15 April 2011. Furthermore, he filed three annual progress reports late in breach of rule 4.49C(7).

Order Severe reprimand, £7,500 fine, £3,493 costs.

● Integra Corporate Finance Ltd, Town House Farm, Marton, Marton cum Grafton, York YO51 9QY

Complaint In November 2008 and October 2009, the firm issued audit reports on a client's 2008 and 2009 financial statements, in breach of audit regulation 3.08, in that neither audit was conducted in accordance with International Standard on Auditing (UK and Ireland) 250, Consideration of Laws and Regulations in an Audit of Financial Statements. Both times the firm failed to obtain a general understanding of the legal and regulatory framework applicable to the audited entity and how the entity was complying with that framework, and in particular did not identify that the entity had failed to comply with reg 4(5), Occupational Pension Schemes (Investment) Regulations 2005 as the scheme's assets had not been invested predominantly in investments admitted to trading on regulated market, and that it had failed to comply with reg 5 in that the scheme had incurred borrowings, which were liable to be repaid out of the scheme's assets. Nor were the audits conducted in accordance with ISA 500, Audit Evidence, because the firm failed to obtain and document sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion in respect of two freehold properties.

Order Severe reprimand, £26,000 fine, £6,250 costs.

● Richard Savage, Fairclough House, Church Street, Adlington, Chorley, Lancashire PR7 4EX

Complaint As supervisor of an individual voluntary arrangement (IVA), he did not explain sufficiently to the individual

involved between November 2011 and March 2012 that the lump sum payment offered in full and final settlement of her IVA might not lead to the IVA's conclusion within a reasonable timescale, as she anticipated. He also misled her in a letter dated June 2012 when he stated the case would be sent to the closures team to complete the arrangement and that the process could take three to six months.

Order Reprimand, £3,000 fine, £1,895 costs.

● Richard Savage, Fairclough House, Church Street, Adlington, Chorley, Lancashire PR7 4EX

Complaint As supervisor of the same IVA, he failed to explain sufficiently to the individual prior to her approving a variation report that the lump sum payment offered in full and final settlement of her IVA might not lead to the IVA's conclusion within a reasonable timescale as she anticipated. Between April 2013 and August 2014, he also failed to issue a certificate of completion in a timely manner.

Order Reprimand, £4,000 fine, £2,343 costs.

● Cranleys Partnership LLP, Winton House, Winton Square, Basingstoke, Hampshire RG21 8EN

Complaint In July 2014 an email was sent from Cranleys Partnership LLP, which gave incorrect advice to a client about an insolvent dividend position, stating it was "perfectly possible to pay beyond reserves where the directors are liable for the company". Earlier that year, the firm prepared accounts for a client company for the period ended 30 April 2013, which were misleading because there was no going concern note, related party transaction note and no share capital.

Order Severe reprimand, £6,600 fine, £4,967 costs.

● Jonathan Morley-Kirk, Babrow Building, The Valley, Anguilla

Complaint Between February and October 2015 he engaged in public practice without holding a practising certificate contrary to principal bye-law 51(a).

Order Reprimand, £500 fine, £1,718 costs.

Members facing disciplinary proceedings who need help and support can call ICAEW's Support Members Scheme in confidence on 0800 917 3526

Getting it right

Practice start-ups are particularly prone to misunderstanding whether they need to hold a practising certificate. New ICAEW guidance for members engaging in public practice brings clarity, finds Julia Irvine

One of those mistakes that far too often result in ICAEW members facing disciplinary action involves engaging in public practice without holding a practising certificate. It is deemed to be professional misconduct, albeit at the lesser end of the spectrum, and inevitably leads to some form of reprimand and a fine, the size of which will depend on how long the offence has lasted.

Research carried out by ICAEW's advisory services into disciplinary records for the past three years shows the problem arises most frequently among those starting up in practice, according to regulatory information supervisor Emma Thornton. "If there are patterns at all," she says, "it is those newly setting up in business offering basic bookkeeping or tax returns without realising they need a practising certificate, or older members coming out of practice who have perhaps taken two or three clients with them and thinking they had left all regulation behind."

Peter James, head of regulatory policy at ICAEW, says he almost fell into the same trap when he retired from PwC in 2011, and was looking into the possibility of doing consultancy work. He rang ICAEW about something else, only to be asked if he would be getting a practising certificate. "I wanted to know why because I had read the rules and didn't think I needed one. And then when they went through it with me, I realised I actually did need one.

"I had taken the view that since I would be advising on management accounting, which was an internal operation, it would fall outside. The advisory people were of a view that it probably fell inside. Having been

hands on now on the other side of the fence, I can see why they took that point of view."

Just how careful you have to be about deciding whether or not you need a practising certificate was shown in a recent case where the disciplinary committee tribunal accepted the member's failure to apply for one was "entirely inadvertent". The member had qualified as an insolvency practitioner and then become a fully licensed practitioner, regulated by the Insolvency Practitioners' Association (IPA). He had been employed by a public limited company offering insolvency services but was later appointed director.

This appointment as a director of a public practitioner providing accountancy services triggered his obligation under principle byelaw 51(a) to acquire a practising certificate. He did not apply for the certificate though because, as he told the tribunal, he did not think he was providing accountancy services since he was regulated by the IPA and only practised insolvency.

When he was contacted by ICAEW he immediately applied for a certificate and admitted to being in breach of byelaw 51(a). In passing sentence (a reprimand), the tribunal made it clear there was "no criticism of the defendant's honesty or integrity or of his technical skills, which appear substantial". Rather, the complaint related to his inadvertent failure to obtain a practising certificate based on a misunderstanding.

It was the increasing incidence of members like him falling foul of the certificate rule, plus the need to ensure the rules embraced the evolving profile of accountancy practice (such as legal services), that

recently led the ICAEW Ethics Advisory Committee (EAC) to revisit the 2008 guidance for members on engaging in public practice.

The working group decided not to take it back to the drawing board but to focus on clarifying the existing requirements and in particular the criteria used to determine whether or not an individual member is in practice. The new statement, which came out in September and applies

"I had taken the view that since I would be advising on management accounting, which was an internal operation, it would fall outside. The advisory people were of a view that it probably fell inside"

from 1 January 2017, is online at icaew.com. Partly in a Q&A format, it includes a simplified but helpful flowchart illustrating the circumstances when a certificate will be required.

The EAC is hoping these improvements will reduce the number of complaints arriving in the investigation committee's in-tray. ■

Members can visit the website icaew.com/practicestatement to find the new guidance or contact the Advisory Services support line on 01908 248250 to check that the conclusion they have reached is correct.

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Life

reviews/food/people



NEIL HODGINS

this month:

Fire

Burning issue As the season turns, fire is to the fore at festivals across the world. We take a look at the traditions and roots of some of the most combustible celebrations **In Review** Andy Warhol exhibition, a journey to savour the Northern Lights, the latest in reusable coffee cups, and the new novel from Zadie Smith **Restaurants** Smouldering smokehouses, gorgeous grills and boss barbecues **Life after work** Running man Clive Heaton on his feats of endurance

Let it *burn*

A large, intense bonfire is the central focus, with bright orange and yellow flames reaching high into the dark night sky. In the foreground, a large, dark, dragon-shaped structure is visible, its head and horns silhouetted against the fire. The dragon appears to be breathing fire. In the background, a crowd of people is gathered, their silhouettes visible against the light of the fire. The overall scene is dramatic and festive.

Since ancient times, the people of Britain have held back the cold of winter and celebrated the passing of the seasons with festivals of fire. David Adams explores the roots of these flaming feasts and discovers the world's most combustible celebrations

As a species, our ability to control fire is what sets us apart from the animals. As the orangutan King Louie sings to Mowgli in Disney's version of *The Jungle Book*: "What I desire is man's red fire to make my dreams come true." Early humans first learned to bend fire to their will around one million years ago. Ultimately, harnessing the flames enabled us to create civilisation. No wonder it is still celebrated with such fervour in religious rituals, folklore and folk festivals, even in modern Britain - and particularly in the cold and dark of winter.

For those who have grown up in Britain, the fire festival with which they are most familiar is Bonfire Night, or Guy Fawkes Night, on the 5th of November. Most of us learned the story of the Gunpowder Plot at school, so we know why there is often a "Guy" burning on top of the bonfire and why we set off fireworks to commemorate the fact that King James I and his parliament were saved from an explosive death in 1605.

Most of us forget or ignore the unpleasant origins of this festival. Until relatively recently, these celebrations had an overt anti-Catholic flavour: effigies of the Pope were often burned alongside Guy Fawkes. In some bonfire celebrations, such as those in Lewes, East Sussex, the connection with religious conflict during the 15th and 16th centuries is still very much apparent. There, the torchlit procession taking the effigies to the bonfires also includes 17 fiery crosses, in memory of Protestant martyrs burned at the stake in the 1500s.

Other 5th of November processions have placed more emphasis on daring feats in relation to flaming objects. In the 19th century, many winter fire festivals incorporated the burning of barrels of tar, which might then be rolled through the streets. This is no longer the case in lots of areas, for safety reasons. But not in the Devon village of Ottery St Mary, where the tradition of people not just rolling, but actually carrying burning tar barrels continues each 5th of November.

Bonfire Night is just a few days after Hallowe'en, now really a secular festival, but one that takes place on All Hallows' Eve, also called All Saints Day, or the Day of the Dead. But both the secular and the Christian celebrations derive many of their traditions, particularly those involving fire, from Samhain, a Celtic festival that marked the start of winter, at the beginning of November. This was when animals were brought down from



Left: Up Helly Aa in the Shetland Isles ends with the islanders tossing their torches on to a Viking longboat
Top: Masked revellers in Lewes, East Sussex, on their way to the Bonfire Night celebrations

summer pastures, with some slaughtered after being walked between two bonfires in a purification ritual. As late as the 19th century, Samhain was still widely observed throughout Ireland, much of Scotland and on the Isle of Man. In Wales it is called *Calan Gaef*, in Cornwall Allantide (*Kalan Gwav* in Cornish) and *Kalan Goañv* in Brittany. Rituals involving dressing up in costume and going from house to house asking for treats in exchange for protection from evil spirits were exported to North America by Irish and Scottish emigrants in the 1800s. "Trick or treat" is actually British, not American.

Other rituals associated with Samhain include the building of *Coel Coeth* fires in Wales. In the evening, each member of the household would put a stone into the fire, then they would search for it in the ashes the following morning. If they could not all find their stones it meant there would be a death in the household.

Other fiery winter festivals in Britain also have ancient origins, although they have often been reinvented in more recent times. Surely the most impressive is the ceremonial burning of a full-size Viking galley at the festival known as Up Helly Aa,

Life

which takes place in Lerwick, Shetland, on the last Tuesday of January. It may be based in part on traditional late winter festivities held in rural Shetland in the more distant past, but only began in Lerwick during the early 19th century, possibly when young men returned to Shetland after fighting in the Napoleonic Wars. The Viking theme, celebrating the Scandinavian heritage of Shetland, was introduced during the late 1800s.

Up Helly Aa is a corruption of old Norse words, roughly translated as “end the festival for all”. It comprises a procession through the town by almost a thousand torchbearers, wearing various costumes, following the specially built boat that will be burned and “sent to Valhalla” when all the torches are thrown into it at the end of the march. Once the boat has burned, the party - a sort of huge pub crawl using many different venues across the town - begins. The whole town is closed for a public holiday the following day, during which those with the stamina to do so continue the celebrations.

Observing rituals like these, it is easy to see how the idea of communities in remote places keeping ancient rituals alive in the modern era has become a familiar theme in fiction - most famously in the film *The Wicker Man*, where a policeman investigating a mysterious death on a Scottish island is forced to play an uncomfortably central role in a pagan fire ceremony.

At the other end of the country, since 1993 the people of Brighton have participated in a fiery ritual every 21 December, called the Burning of the Clocks. A procession through the city ends

“It’s easy to see how the idea of communities in remote places keeping ancient rituals alive in the modern era has become a familiar theme in fiction, most famously in *The Wicker Man*”



with a great bonfire, lanterns and fireworks on the seafront. Costumes all have a clock theme, to show the passing of time.

In recent years there has been a burgeoning revival in events being held to mark Imbolc, the Celtic spring festival, on 1st February. The Imbolc celebrations held in the small West Yorkshire town of Marsden since 1993 include mask- and lantern-making, followed by a torch-lit procession and performances including a fire circus, fire sculptures and fireworks. The most recent festival, in February this year, attracted over 3,000 visitors.

As spring ends, the Celtic festival of Beltane marks the start of summer. Again, this was once widely observed in the Celtic areas of Britain, such as Scotland, Ireland and the Isle of Man. Fires were lit to ask the gods for good health and a productive growing season. Traditionally people would have walked around - and jumped over - the pyres, while animals might be led around or



between them. Their flames would then be used to relight all the fires in local houses, which would have been put out beforehand. This symbolic rebirth was just one of a number of fertility and courtship rites associated with the festival.

Since 1988 a modern Beltane Fire Festival has taken place each 30 April on Calton Hill in Edinburgh. During the evening, a procession of costumed characters march around the hill behind a May Queen and a Green Man. They then symbolically set summer in motion by lighting a huge bonfire, accompanied by flaming torches.

These are just a few of many examples of fire festivals still to be found throughout the UK - one of many countries that uses fire in different forms of public celebration. We may live in centrally heated houses and spend much of our lives interacting with electronic devices, but like our ancient ancestors, it seems we are all still fascinated by the magical power of fire. ■

Left: Paper lanterns light up the night at the Burning of the Clocks, Brighton. Above: The National Monument of Scotland is lit up by torchlight at the Beltane fire festival in Edinburgh. Above right: Tultepec National Pyrotechnic Festival, Mexico, is a wild feast of fireworks



FIRE FEASTS AROUND THE WORLD

If the UK's fire festivals seem too tame, perhaps you should try a trip to Thjodhatid, an Icelandic music festival held on an island off the mainland at the end of July or the start of August. Thjodhatid dates back to 1874 and lasts all weekend, beginning with a huge bonfire on the Friday night, then epic fireworks on the Saturday evening (amid all-night music); and finally an Icelandic folk song singalong on the Sunday, when festival goers carry flaming torches to imitate the eruption of the island's volcano. The locals are said to be very impressed by any foreign visitors prepared to try their local culinary speciality: smoked puffin.

Heading further afield, one might attend the Jeongwol Daeboreum Field-Burning Festival in South Korea, also known as the Jeju Fire Festival, which takes place each spring. Created in its modern form in 1997, the event marks the traditional start of spring in the agricultural year, when farmers used to burn old and wilted grass and crops, to help rejuvenate the fields and drive out vermin. Highlights include fireworks, music, dancing, singing, drama and lots of food. The finale is a remarkable display of a huge fire upon a hill, which appears, briefly, to set the entire hillside alight.

If both of those look a little bit too flammable, you could instead observe the Kurama Fire Festival, at the Yuki-jinja Shrine, near Kyoto in Japan. At dusk on the evening of 22 October, fires are lit in front of every house in Kurama, then a procession consisting of children carrying small pine torches followed by adults carrying much larger brands - the largest up to 5m long and weighing 80kg - walk to the temple where the shrine is located. After the religious rituals, the event finishes with a great feast.

And if all of that is just too spiritual for you, travel to Tultepec in Mexico for the National Pyrotechnic Festival: a nine day extravaganza of extraordinary explosions, fireworks and other forms of conflagration, including huge blazing castles and wooden bulls filled with fireworks that are paraded through the streets.

Life in review

TRAVEL



Off The Map Travel The luxury tour operator says September to March is the best time to see the Aurora. It offers holidays across the Northern Hemisphere. offthemaptravel.co.uk

ACCESSORIES



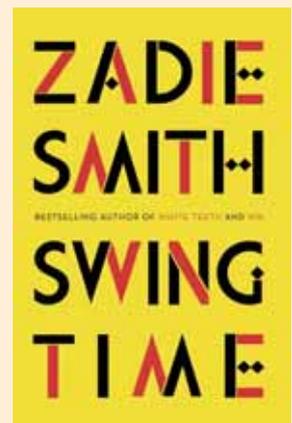
Two-sided scarf Welcome in the winter in style, £79. cosstores.com

INTERIORS

Concrete desk planter
A delightful piece of brutalist eco chic. Ideal for desktop cacti, £28. maidenshop.com



BOOKS



Swing Time More than 16 years after the publication of her debut novel, *White Teeth*, Zadie Smith's fifth moves between the London Borough of Brent and West Africa, taking in "tap dance, blackness and time". penguin.co.uk



Large cork globe
Suck UK offers a handy way to brush up on your geography, £100.
urbanoutfitters.com

How to invest in...

Bicycles



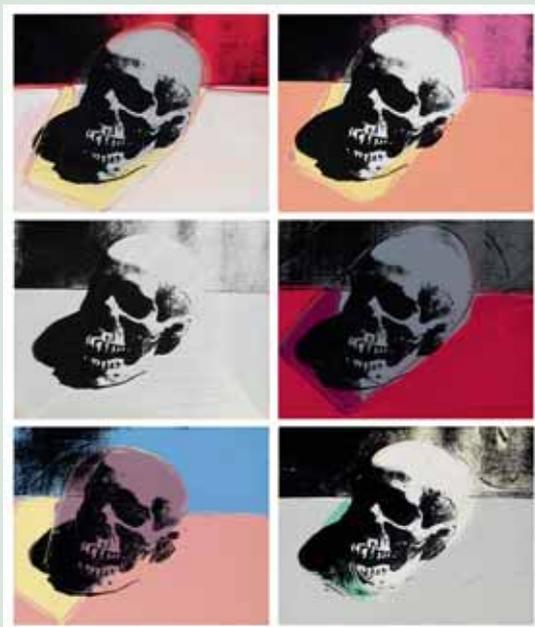
It's usually four wheels investors are in to, but as the bicycle market expands, so will interest in two wheels

- According to Reuters, investment fund managers are moving into the shares of companies behind well known bicycle and bike-component brands as they watch cyclists trading up to higher-end bikes that have higher margins.
- Although bicycles rarely appreciate in value, there is still a niche market worth investigating if you're looking for an alternative investment and love bikes. An original Michaux penny-farthing could be worth £8,000. Other noted manufacturers include Hillman, Herbert & Cooper and Singer.
- A bit closer to bikes we actually remember, the Raleigh Chopper is a collectible 1970s design classic. Professionally renovated bikes or special editions can fetch £1,000.
- Or if you want to invest in the future, crowdfunded bike projects might be an option. The Dutch B4 E-Cruizer, for example, attracted £90,456 for its hand-built and custom-made electric bicycle, inspired by a Harley Davidson from 1912.
- Are you clear on how far your cover takes you? Hiscox Home Insurance can include cover up to £10,000 per bike. You don't need to buy separate cover.

These tips are brought to you in association with Hiscox. ICAEW members save 12.5%, hiscox.co.uk/icaew



ART



Andy Warhol Thirty years after his death, works by the artist will be on show in the University of Manchester Whitworth Gallery until April 2017. Free. whitworth.manchester.ac.uk

ANDY WARHOL, SKULLS, 1976. ARTIST ROOMS, NATIONAL GALLERIES OF SCOTLAND AND TATE. ACQUIRED JOINTLY THROUGH THE D'OFFAY DONATION WITH ASSISTANCE FROM THE NATIONAL HERITAGE MEMORIAL FUND AND THE ART FUND 2008

EVENTS



Fireworks Following the Guy Fawkes displays on the 5th, the City of London welcomes its new Lord Mayor with fireworks and procession on 12 November. lordmayorsshow.london

DRINKS



The billions of takeout coffee cups thrown away each year could take up to 30 years each to break down. So why not invest in a reusable glass one instead? **Joco** promises a splash-free experience and comes in three sizes - modelled after the standard coffee cup size. Its 8oz version is perfect for a flat white, £19. jococups.com

Dish of the Day
"Chargrilled chicken is
tender and subtle"
Ember Yard



Restaurants

Smoke and grill

Penelope Rance feels the heat at the world's smokehouses, grills and barbecues



BREAKFAST

David's Real Pit BBQ
Gainesville, Florida, US
davidssbbq.com

Since the 1970s, David's has kept locals well stocked with pulled pork and ribs. The Working Person's Breakfast offers a hardwood smoked bacon or smoked sausage sandwich (for a real Southern experience, get it in a biscuit) with grits, hash browns or canyon cubes (like a cross between a hash brown and a croquette).

DINNER

Ember Yard, Soho, London
emberyard.co.uk

On a sweltering late evening in Soho, sitting in the vast windows of Ember Yard as heat-drunk patrons mooched past in slow motion, it felt just a short step from Basque Country, which we had left only the week before. The smoky flavours and simple pleasures of the tapas-styled plates added scent and taste to the sense of being back there.

Cooked with primal simplicity over wood and charcoal, on a bespoke Basque-style grill, the food harks back to the times of mountain men smoking meat over open fires. The Spanish influence was evident in the opening small plates, smoked chorizo skewer with saffron alioli and char grilled lamb pincho with smoky onion puree and thyme, both of them neat and bursting with spicy richness.

Char-grilled chicken thigh with braised mushrooms, pancetta and broad beans was a thankful diversion from the ubiquitous barbecued chicken breast, tender and subtle. Grilled chistorra with sherry braised onions and ciabatta was even

better, almost overwhelming in its intensity, yet too moreish to leave alone.

While the emphasis is necessarily on meat, experimentation with charring vegetables has some success. Grilled green beans with poached cod dressing, lemon and parsley was blackened, salty and sharp. Wood roasted cauliflower with harissa, honey and oregano was less thrilling - I adore crispy, roasted cauliflower, and the half head chunk was warm, but far from crunchy.

An exploded goats' cheese cheesecake with strawberries and basil and shortbread was a brave effort, but would have been more satisfying in one piece. But the concentration required to reassemble it was more than compensated by the wine. A rare Basque white, with a light sparkle, we had been within sniffing distance of a Txakoli di Getaria (Ameztoi) the week before and were thrilled to find it in London. It was poured with aplomb, and a special aerating device, by the enthusiastic, impressively informed waitress, whose joy in the simple pleasures of food cooked over burning wood quite made our evening. ■

LUNCH

Nakdonggang
Jung-gu, Seoul,
South Korea

Korean barbecue is a thing of beauty, and at Nakdonggang, it's raised to an art form. It's a lucky punter who stumbles upon this gem. Wafer thin slices of frozen sirloin are seared to medium perfection over premium charcoal, then wrapped in lettuce leaves with radish salad and spicy leek so it melts in your mouth. The *doenjang jjigae*, soybean paste stew, is pretty damn fine too.

Practice 2016: Essential updates for today, planning for tomorrow

Practice 2016 is ICAEW's flagship conference and expo for chartered accountants working in practice. Taking place on 17-18 November at a City of London location, delegates can attend on one or both days to receive their annual round-up of technical, economic and practice management updates.

In addition delegates will have the opportunity to find out about the industry leading products and services for accountancy firms, from latest software to key resources and information to help practitioners better support their clients.

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NEST

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Robin Armer
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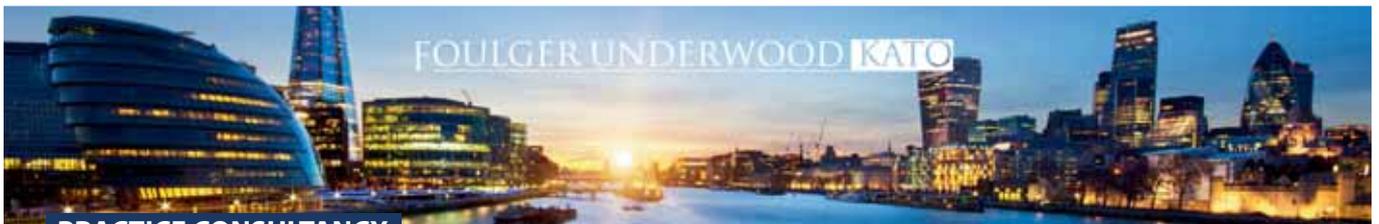


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Adventures in wonderlands

You only have one life to live, **Chris Heaton** reminds Julia Irvine, and he doesn't intend to waste a minute, or a mile, of his

In Lewis Carroll's *Alice's Adventures in Wonderland*, the King says to the White Rabbit: "Begin at the beginning and go on till you come to the end: then stop." He could have been saying it to Chris Heaton, because the former ICAEW council member, part time management consultant and group MD of Sheffield's OSL Group spends a large part of his free time doing just that.

He is an ultra-endurance runner and a veteran of more than 100 marathons, including 30 in 30 days, which he did in 2013, aged 54. During that, he ran 786 miles in 144 hours and 34 minutes and raised more than £55,000 for the Brathay Trust, a charity for young people of which he is a trustee. This year, he not only ran the London marathon "for a bit of fun", dressed in a suit, tie and bowler hat (his only concession was a pair of black trainers), but by the time you read this he will (hopefully) be on his way back from Greenland where he was intending to run the Polar Circle marathon and another half marathon the next day.

The -15°C temperatures there should present him with no problems: after all, he's already run a marathon across Lake Baikal in Siberia, the world's deepest (and, some say, most haunted) lake, at -25°C. What will be more of a challenge though is the Mongolian ice marathon he intends to do in January, where he will be running in temperatures as low as -40°C

("That's dangerously cold, full face and skin cover cold," he says matter-of-factly), and also constantly under threat from wild animals, particularly wolves. "The organisers can't guarantee your safety but they make it as safe as they possibly can," he adds. "They have a husky dog sled. The presence of huskies apparently keeps the wolves away."

In the past, Heaton has promised to "give up the madness" but then changed his mind. "My wife is just resigned to the fact that I take my life very seriously so I've decided to live it. I went back on my 'retirement' because - I know this is a cliché - you do only live once and I thought I am just wasting my fitness and capabilities, so let's go out and have a few more adventures."

He says he likes doing these endurance marathons because they take him to regions that very few people ever visit. "Running gets me to unusual places. Most people would never go to Greenland, for example, but in Iceland, which is a tourist destination, the run I did took me right across the centre, through mountains that non-runners would never see, and yet those are the most beautiful parts of the country.

"When I go to Mongolia I know that only seven people have ever done it before. It is very, very rare. But I will meet other people there who are interested in the same things and we will have adventures." ■



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