INTELLIGENCE AND INSIGHT FOR ICAEW MEMBERS

economia

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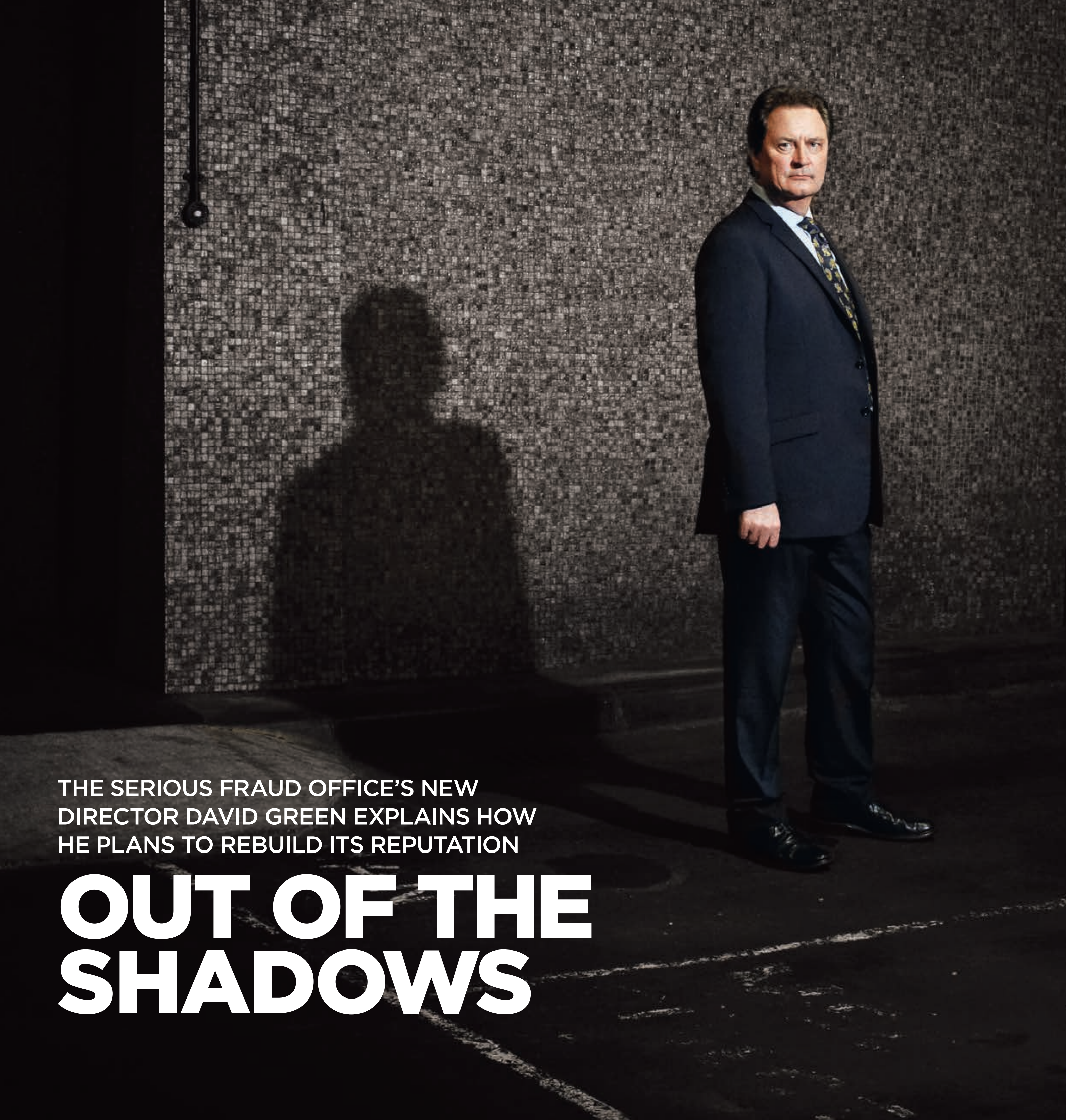

THE SERIOUS FRAUD OFFICE'S NEW DIRECTOR DAVID GREEN EXPLAINS HOW HE PLANS TO REBUILD ITS REPUTATION

OUT OF THE SHADOWS

GLOBAL FINANCE 50 | DATA SECURITY | GOING CONCERN | ALTERNATIVE FUNDING


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INTELLIGENCE AND INSIGHT FOR ICAEW MEMBERS

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Only investment can bring life back to the zombie economy

As George Osborne prepares for his second autumn statement he faces a stark choice. Either he sticks rigidly to Plan A and the target he set to get national debt falling within this parliament, or he relaxes (ie misses) the target. The consequences of either are potentially damaging. Having nailed his credibility to the mast of austerity – and to keeping Britain's triple A rating – a waver risks incurring the wrath of the markets. But sticking to Plan A will require more cuts and more tax rises. A report by the Social Market Foundation, based on the Office for Budget Responsibility's numbers, suggests Osborne would have to find an additional £48bn in cuts or tax rises.

With so many other countries facing similar difficulties, and everyone from the Bank of England governor to the IMF suggesting it might be OK to rethink this target, it's always possible that markets wouldn't respond too badly to missing it.

What markets and business leaders don't like is uncertainty. It cripples business investment and explains why so much cash remains tied up in Britain's balance sheets. Growth is what is needed to reduce national debt. And to achieve it we need investment. In a letter to Mr Osborne, Michael Izza explained that releasing just £10bn of the estimated £720bn cash pile could have a transformative effect.

The chancellor has to work with business taking bold, innovative actions to encourage investment. Without investment our zombie economy will lurch from crisis to crisis, each stagger forwards (such as Q3's 1% jump in GDP) misread as a false dawn.

In a near-stagnant economy, levers of monetary policy have little impact. The focus must shift. A range of solutions should be considered including enhanced capital allowances to encourage micro-level expansionary investment from businesses (new factories, projects and product lines), and boosting "shovel-ready" infrastructure projects to help at the macro level. On Mr Osborne's desk is Lord Heseltine's 89-point plan for regional intervention to stimulate growth. This is as good a place as any to start.

EVERYONE LOSES FROM FAILURE TO DELAY CHILD BENEFIT CHANGES

Every good leader knows there is a time to be strong and face down critics and a time to listen, be humble and admit mistakes. It is time for this government, already familiar (if not comfortable) with the notion of policy U-turns, to accept it is being too hasty in introducing child benefit changes in January.

HMRC systems creak at the best of times and with extra pressures and fewer staff these are not the best of times. It is symptomatic of the strained relationship between the Treasury and HMRC that the practical implications of one implementing policies introduced by the other (whether benefit changes or the Real Time Initiative) are rarely thought through.

The key impact of the proposed changes to child benefit will be to bring an estimated extra 100,000 taxpayers into the self-assessment scheme. Even if that 100,000 are ready and prepared for self-assessment (and there are considerable doubts about that) the systems at HMRC are not. ICAEW has been warning the government since May 2012 that the change should be delayed to coincide with the start of the new tax year in April. Once again it is time for the government to listen and act.

Contents
December 2012


FINN TAYLOR/DMB MEDIA

THE AUDIT
12 The month in review; gadget and quotes
14 Good news, bad news
16 Career clinic
17 The graph
18 View from the top
19 If I ruled the world; The big idea
20 Tales from the frontline: Liz Bingham

OPINION
22 Michael Izza; Your letters and comments
24 Jacques Delors
25 Cathy Newman
27 Helen Lewis
28 Jo Owen
29 Letter from America

INTERNATIONAL
30 How the world's nations are taking on tax havens
34 Malta at a glance

FEATURES
36 **David Green**
41 **Global finance 50**
51 **Future proof**
Our Squeezed Middle campaign profiles family firm Alderley
56 **Coming to terms with risk**
60 **The flipside of banking**
Metro Bank's Vernon Hill on how he plans to shake up lending
62 **Get in, make good, get out**
68 **Cutting out the banks**
How the peer-to-peer lending industry has evolved to help SMEs
72 **Member profile**
Sir Michael Snyder on how to rebuild reputation

COVER STORIES
36
HARD MAN, HARD JOB
David Green steps in at the Serious Fraud Office

41
GLOBAL FINANCE 50
The people shaping the finances of the world

56
COMING TO TERMS WITH RISK
Lord Sharman on his eponymous report

62
GET IN, MAKE GOOD, GET OUT
Five finance directors on working in private equity

78
PROTECT YOUR INFORMATION
How to keep your sensitive data safe from prying eyes

BRIEFING
75 **Technical review**
This month's issues
76 **Accountancy briefs**
News round-up
78 **Protect your information**
80 **A qualification of quality**
The evolving ACA
82 **Getting back on the books**
How ICAEW helps its unemployed members
84 **Disciplinaries**

LIFE
88 **Home traders**
Spare room deals
90 Winter breaks
92 Restaurants. Plus, six of the best gifts
94 Alcohol advice
95 Pick of the tablets
98 Gerald Russell

ICAEW in this issue

Some of the expert opinions you'll find in economia this month

"Who knows where the next bright, innovative tax professional might be? They're not all from Russell Group universities. Our clients won't want a team of advisers who are all white, middle-class, middle-aged men"

P20 Liz Bingham, managing partner for people, Ernst & Young, on recruiting and training the talented youngsters from disadvantaged backgrounds to be the next generation of accountants

"It's important we release those running firms from the need to concentrate always on regulation, to focus more on the growth of their businesses and, in the profession's case, on clients"

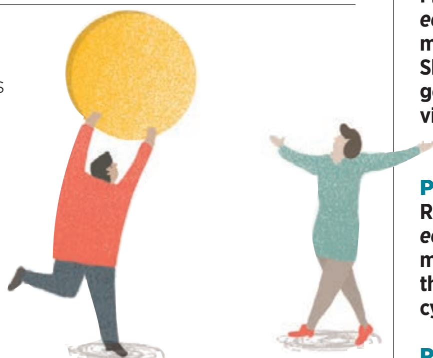
P72 Sir Michael Snyder is concerned that the financial crisis has lead to a proliferation in regulation

"People must have confidence in what accounting firms do, which means there has to be greater transparency"

P56 Lord Sharman, former chair of KPMG International and chair of the FRC's inquiry into into the effectiveness of the going concern regime, on how accountancy must change the way it is perceived

"They're still a tiny fraction of all lending in the UK – and businesses still need banks and the facilities they provide that P2P companies don't, such as current accounts for payroll"

P68 Peer to peer lending organisations assessed by David Petrie, head of the Corporate Finance Faculty



ON THE ECONOMIA WEBSITE

- ICAEW says "impossible" RTI requirements "will not work for many"
- Paul Aplin wins HMRC award
- Free guide to SME finance released
- ICAEW calls for government CFO role

ELSEWHERE IN THIS ISSUE...

P18
ICAEW president Mark Spofforth on integrated reporting

P22
ICAEW CEO Michael Izza on firming up the institute's policy on the EU

P41
FCA Julia Wilson comments on the first *economia* Global Finance 50

P56
Robert Hodgkinson, ICAEW's executive director, technical, welcomes the Sharman Inquiry

P56
Fiona Hotson Moore, *economia* panel member, agrees Lord Sharman's report on going concern is a vital step

P78
Rebecca Pridham, *economia* panel member, considers the importance of cyber security

P82
Chris Wells, currently unemployed ICAEW member, on his experience of searching for the right job

P98
Former ICAEW president Gerald Russell tells us about his life after work

MAGGIE LI, RICK MORRIS PUSHINSKY, GEOFF PUGH

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In review

The stories that matter most from the month just gone

"We face the rather unappealing combination of a subdued recovery, with inflation remaining above target for a while"

Sir Mervyn King paints a gloomy picture

Reasons to be cheerful

After the most expensive US election in history, months of sniping and a deft late shift towards the centre by his challenger, the 44th President gained a second term to deliver on the promises made four years previous. Ultimately, the result was more comfortable than expected - being called in his favour just 20 minutes later than the 2008 result. In an acceptance speech reminiscent of the soaring rhetoric that swept him to the White House originally, he told America, "The best is yet to come." First on the menu: the fast approaching "fiscal cliff" on 1 January.

■ Ever the populist, Boris Johnson backed calls by Labour for employers to raise workers' salaries to at least £7.45 per hour. That's more than the legal minimum wage of £6.19 for adults aged over 21. A recent KPMG survey says one in five workers in the UK receive less than the rate of pay that allows a basic standard of living.

■ HSBC bank has put aside a further £500m to cover potential money-laundering fines in the US and has announced a fall in quarterly profits, in a month to forget. Following RBS's decision to set aside a further £400m and Lloyds putting £1bn aside for mis-selling, this brings the total for the UK banking industry to almost £13bn.

■ The Public Accounts Committee got stuck into senior executives at Starbucks, Google and Amazon over tax. Many questions were left unanswered. Such as who owns Amazon's parent company? What goes on in Google's Bermuda operation? And why does Starbucks consider itself an "extremely high taxpayer" when it's only paid £8.6m in 14 years?

■ The world watched Xi Jinping confirmed as the man to lead China and it's population of 1.3bn for the next decade. He was annointed as party leader and will become president in March 2013, succeeding Hu Jintao who oversaw China's exponential economic growth.

■ The US stock exchange closed down for the first time since 9/11, after superstorm Sandy buffeted the east coast. The devastating storm swept through New Jersey and Massachusetts, as well as New York leaving chaos and confusion in the aftermath as thousands were left without water and electricity. Total losses are expected to surpass $50bn.

EYEVINE, GETTY

GADGET OF THE MONTH
Google Chromebook

With the launch of its latest Chromebook, Google, like an intrepid poacher, has tried to spear a slumbering market.

The new Samsung-built laptop will cost only £229, offers six hours of battery life, 100GB of online storage, weighs a nifty 1.1kg and is a mere 0.8 inches thick.

The sleek design boasts the same 11.6-inch, 1366 x 768 display as the smaller version of Apple's MacBook Air, drawing comparisons with its rival's notepad, but at a fraction of the price.

After Google's previous attempts to create an internet-first device were criticised for poor user friendliness, this time there's a Window's style desktop system. Google hopes its Mail, Calendar and Docs applications will augment users' main needs. It will be cloud-focused, dual-band Wi-Fi and Bluetooth come as standard and a 3G version costs £300.

There's also a VGA webcam, one HDMI port, one USB 3.0 port and one USB 2.0 port for your buck. So although the Chromebook is limited unless connected to the web, if you spend your time online and on the move, at this price it's hard to resist.

google.co.uk/intl/en/chrome/devices/

The month in numbers

171,000 A pre-election boon for Obama as US economy unexpectedly added 171,000 new jobs in October

0.6% The average selling price of UK homes rose 0.6% in October to £164,153

3 million The number of iPad minis Apple sold in its first weekend

£706m Money spent by overseas football fans visiting the UK in the last year

£450,000 The lump sum George Entwistle, ex-director general of the BBC, received after just 54 days in the job.

£22bn The amount George Osborne will miss his debt reduction target by

£4m The average salary of FTSE 100 CEOs, despite taking a bonus hit

$6bn The cost of the entire US elections – congressional, gubernatorial and presidential. The most expensive in history

Talking points

It's been an exciting month for the accountancy profession. Speculation was finally ended with news of a **BDO and PKF merger** next year. The combined firm will be set for revenues of £400m a year, closing in on mid-tier rival Grant Thornton. As the new firm forms, another looks to reduce in size as **Mazars launches a redundancy consultation** that could see 5% of UK staff laid off. And when is an accountant not an accountant? The **Supreme Court** has been considering the issue of **treating accountants the same way as lawyers** when it comes to legal privilege - but don't expect any decision before the New Year. Social mobility has also been on the agenda for the sector this month, with three of the Big Four named in a survey of top 10 firms for race and **gender diversity**, even as experts warned separately that accountancy is not doing enough to improve access the profession.

More on these stories at: icaew.com/economia

"If you are domiciled in a tax haven you've got more [money]. Amazon will out invest and ultimately out trade us. That means there won't be a UK tax base"

MD of John Lewis, **Andy Street** says tax avoidance is damaging UK businesses

Good news bad news

▲ **2013 economy** The Centre for Economics and Business Research forecasts that the UK economy will grow faster than that of any eurozone country next year.

▲ **Bond** *Skyfall*, the 50th anniversary update of the British cinematic institution, opened to excellent reviews and shook the previous UK seven-day box-office record with £37.2m of ticket sales.

▲ **Rory McIlroy** The Irish golden boy and king of the golfing world has reportedly signed a $250m deal with US sportswear giant, Nike.

▲ **Eurosceptics** Those Euro-naysayers enjoyed the spotlight after 53 Tories rebelled to ensure a Commons defeat for the government over the EU budget – and memories of Major and Maastricht.

▲ **Ryanair** The Dublin-based budget airline, awaiting EU approval for the takeover of competitor Aer Lingus, posted a profit boost of 10%, citing strong summer sales.

▼ **Black cabs** Manganese Bronze, the manufacturer and retailer of London black cabs since 1948, lost 156 staff following an announcement from administrator PwC that it had failed to gain new funding.

▼ **Nicholas Levene** City stockbroker "Beano" Levene was jailed for 13 years for cheating investors out of £32m, which he blew on luxury cars and yachts.

▼ **Families on benefits** Government cuts to child benefits could cost a family with three children £50,000 before the youngest reaches 18, according to PwC.

▼ **Comet** The troubled electrical goods retailer put 6,000 jobs at risk and announced a fire sale after going into administration.

▼ **Donald Trump** The quiffed tycoon was miffed at the US election outcome, "...disgusting injustice! The world is laughing at us" he trumped on Twitter. Erm, no Donald...

EYEVINE, GALLERY STOCK, GETTY, SONY PICTURES

ICAEW news

FDs' Excellence Awards
A new category has been launched for 2013 to reward the work of finance directors that extends beyond the finance function. The Inspirational FD of the Year award will identify and celebrate inspiring finance directors, CFOs and finance leaders that go beyond their brief. ICAEW chief executive, Michael Izza, says: "To encourage more organisations to strive for rigour and excellence we must reward those teams and individuals that are leading the field." The Excellence Awards recognise business banks, auditors, financial software suppliers, recruitment firms and non-audit advisers. They are determined by votes cast by FDs and senior financial decision-makers in an annual survey. The survey is now open and closes on 1 March, 2013. **fdsawards.co.uk**

We need you
As an ICAEW chartered accountant you can sit on one of its 200-odd committees. By helping to set policy, direct strategy and make sure ICAEW is run to your practical benefit, you'll gain greater insight into the practising environment as well as the chance to network with government and regulators. Email **nigel.cresswell@icaew.com**

Career clinic

Mark Freebairn on why private equity is not just about the money

Back in 2007, the easiest phone call a headhunter ever had to make was when recruiting on behalf of private equity. The strongest shortlists I have put together were for CFO roles for PE-backed businesses. Why? Because the carrots you were dangling in front of people were untold riches - private jets, several houses and limitless champagne. (Who thought it was only bankers who lived like this?)

In 2007 it really did feel like this. Stories of successful exits were everywhere, and the smiling (the uncharitable might say smug) finance directors who had managed them were equally visible. Their friends and colleagues all wanted to enjoy the same success. And so when I rang them, they jumped.

At the time, I had no idea that businesses which were expected to increase exponentially weren't going to do so. And I told everyone I dealt with something I think is even more true today - if all you are looking to do by changing jobs is to earn more money, then you will end up unhappy.

Given that the world has changed and exits are both harder to come by and, in the main, substantially less lucrative, does that mean that private equity is a less attractive environment in which to work right now?

The answer is no, not at all. And I think this for two reasons. First, because I don't believe that you should ever do a job just for money. As long as you believe you are fairly paid for the job you are doing, then that should not be an issue. And private equity has learnt from the past. Gone are the days where they will try and convince you to come and work for far less short-term remuneration on the promise of long-term wealth. The CFO community sorted that out.

But it's the second reason that is more important. Most people I meet wax lyrically about an environment they can work in that has little politics, a great culture, everyone pulling in one direction and operates like a real meritocracy. I'm not going to try to argue that you won't find this kind of environment in plcs, but I do think you find them more regularly in private equity-led ones.

Pardon me for teaching many of you to suck eggs, but the nature of private equity creates this environment. The owner has backed a management team with equity, so no one cares who does the work as long as the goal is achieved. Everyone works hard because everyone benefits, and the benefits are meaningful.

Because everyone is working towards the same goal there is passion and debate, but when a decision is made everyone tends to stick to it. Your shareholders are interested but supportive and want to add value rather than cause irritation. The governance that is there exists to add value, and if it doesn't do so, then it isn't there. And the businesses will always need change, or growth, or development - all of which tends to be driven more dynamically and with a healthier appetite for risk than in most plcs.

So, on no level am I saying that private equity is a better environment in which to work than any other. Nor am I saying that working for a plc is worse. Good opportunities in either are simply good opportunities. I just try to ensure that the finance community sees past the salary and focuses on what should be important about a role - the people, the business, the challenge and the culture. And private equity has many businesses with all of these.

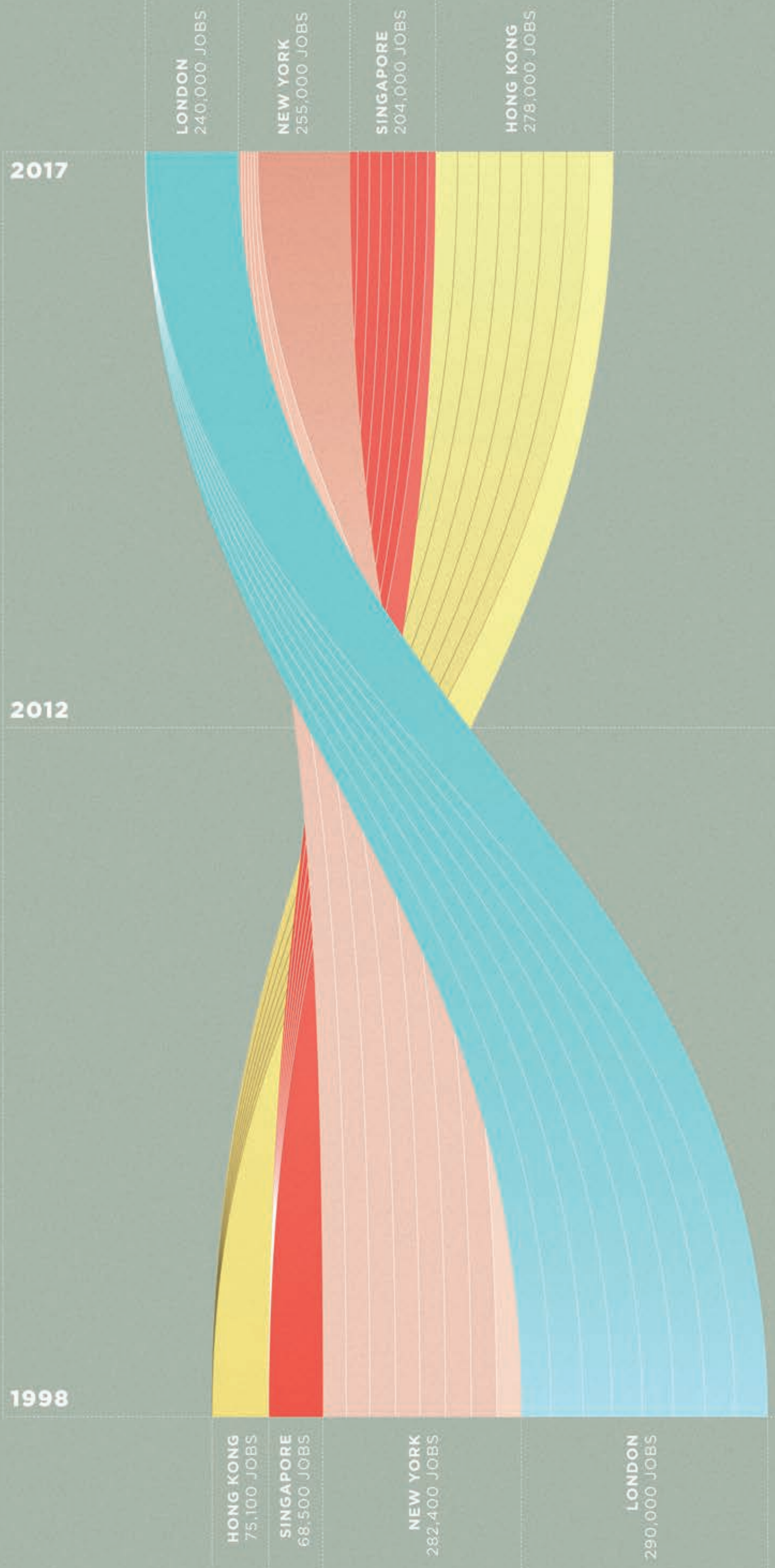
Mark Freebairn is a partner and head of financial management practice at recruitment consultancy Odgers Berndtson

THE RISE OF THE EAST

The world's economic geography has changed to favour the Far East. And while the US seems to be faring better than Europe, London has taken quite a knock. In 2011, London had more financial services jobs than Hong Kong, New York and Singapore. This year it has lost its top spot, falling behind to New York as the world's largest financial centre. By 2015, it is likely Hong Kong and New York will both have more people employed in financial services than London.

As the number of jobs in London falls, so the number in Singapore rises. New York is at the start of a minor wobble, which is predicted to finish in 2017. Hong Kong's projected success is due to Asian economies growing rapidly. As people buy and manufacture, they need their money managed. The Chinese offshore currency, the renminbi, is becoming an international reserve currency. Meanwhile regulation and taxation in the UK are cited as drawbacks and endless "banker bashing" in the media has created a poor environment for financiers of all sorts.

Source: CEBR



CHARLES WILLIAMS MADEUP.ORG

EVENTS TO LOOK OUT FOR

UK GAAP – BUT NOT AS YOU KNOW IT
29 January
The ASB will issue a new set of accounting standards to replace UK GAAP. What does this mean for you? Worcester.

WORLD ECONOMIC FORUM ANNUAL MEETING 2013
23 to 27 January
Resilient dynamism is the focus, with the aim to catalyse and facilitate global, regional and industry transformation. Agendas include how to get the global economy back on a stable path to growth. Switzerland. weforum.org

LESSONS FROM THE TOP
24 January
As part of the London Business Forum's leadership series, Gavin Esler explains how leaders succeed through the power of stories. Discover how the methods of powerful leaders could work for you. londonbusinessforum.com

GARTNER BUSINESS INTELLIGENCE & ANALYTICS SUMMIT
5 to 7 February
Baroness Susan Greenfield will be speaking. Barcelona. gartner.com

COBCOE TRADE MISSION TO ISTANBUL
27 Feb to 1 March
Showcase for opportunities open to businesses in Turkey, which has shown steady growth over the last eight years. cobcoe.eu

LSCA SMALL PRACTITIONERS' CONFERENCE
21 March to 23 March
Practical, intensive CPD updates. Includes speakers Rebecca Benneyworth, Bill Telford and Louise Dunford, on topics designed for small practices. Cambridge

Visit icaew.com for more details on ICAEW events

View from the top

Mark Spofforth on the value of integrated reporting

CHARLOTTE PLAYER

I used to dismiss integrated reporting as just another little fad. But after researching the subject more thoroughly I believe it is an idea whose time has come.

The aim of the integrated reporting movement is one that is close to my heart: the holy grail of producing leaner, more meaningful reports that give a comprehensive view of the organisation and concentrate on the main reporting areas investors and other stakeholders really want to know about - the company's strategy and how it's working.

Integrated reports would be concise communications of value, targeted at investors to help them to make better forward-looking decisions and encourage longer-term investment. Integrated reporting will also help to eliminate the cycle of short-termism that Professor John Kay blamed earlier this year for the lack of effectiveness of UK equity markets in supporting British business.

Perhaps more important than the finer details of integrated reporting is the fact that the International Integrated Reporting Council (IIRC) has brought together the world's key players in standard-setting and reporting to debate issues that this idea turns up: such as the future of corporate reporting, transparency, governance, sustainability and the place of financial statements.

The need for a new approach to reporting is underlined by the interest companies have shown in a pilot scheme currently underway to test the proposals in the discussion paper. IIRC has persuaded more than 80 to get involved, including Microsoft, CocaCola and Unilever.

The results will be used to shape a consultation paper on integrated reporting, due out next year. I urge you not to leave the consultation to technical departments but to pick up a copy when it's published and have a good read.

As chartered accountants, we have an interest in making sure any new system of corporate reporting is fit for purpose. We have a lot to offer in terms of innovative thinking and we now have a unique opportunity to help shape that future.

Integrated reporting is the way of things to come. Last month, at the IFAC Council meeting in Capetown, IIRC chairman Professor Mervyn King was inspirational in his advocacy of it. The next generation, he said, will require it if we are to persuade them to invest their capital in the equity markets. Ultimately, it will be the investor community that decides if this concept has real value.

If you have any views about this opinion, please get in touch by emailing president@icaew.com or join the debate on our website icaew.com/economia

If I ruled the world

Derek Blair

Throughout the millennia, enlightened princes have valued advisors with different perspectives to their own. Occasionally, the title of “tame heretic” was employed to signify official sanction for the holder of an alternative viewpoint and allowed him more latitude than usual in his thoughts and utterances.

It is recorded that the dreaded Spanish Inquisition found it useful to retain these tame heretics from time to time, to achieve this very objective.

If all of a prince’s retinue hailed from half a dozen aristocratic families, there would be a danger of “groupthink” whereby all members of court, closeted in the same ivory tower, tended towards the same narrow view, whether through simple self-preservation, sycophancy, or a genuinely blinkered outlook on life.

The large corporate world, to a degree, recognises this and corporate governance best practice demands that a range of non-executive directors is appointed to plc boards. We hope that a well-rounded group of individuals with diverse backgrounds and work/life-experiences would be less likely to steer a company onto the rocks.

Also, by not being everyday employees, they would be more courageous in their feedback and judgements. The owners of SMEs (princes in their own realms) are also at risk of shutting themselves off from reality. The boss is often immersed in the company’s day-to-day work and therefore has little opportunity for strategic planning.

In my opinion, internal and external accountants are perfectly placed to occupy the tame heretic/business advisor role that SMEs are crying out for (or should be if they aren’t).

Almost every SME has an accountant and would benefit from a relatively independent business adviser offering second opinions - prompted or otherwise.

We need to become braver in offering advice. This isn’t because I’m worried about how accountants will earn a living in future. It’s more that SMEs need advice; someone has to step into the gap, roll up their sleeves and deliver it.

So my first decree, should I step into the role as the world’s self-appointed benign dictator, is to require all accountants to start offering their clients business advice. In preparation, I urge them to read Michael Gerber and Darren Root’s *The E-Myth Accountant* and Jeff Olson’s *The Slight Edge*.

Derek Blair, Pinkham Blair Chartered Accountants

THE BIG IDEA

Robert Kaplan: The Balanced Scorecard

ALAMY

Who is he? A professor at Harvard Business School, Robert Kaplan created the Balanced Scorecard with David Norton 20 years ago to measure the performance of employees and organisations. Now taught on MBA courses, it’s regularly cited as one of the top-10 management tools used in companies and Kaplan and Norton have garnered guru status. The concept was selected by the editors of *Harvard Business Review* as one of the most influential management ideas of the past 75 years.

What’s the score? Its central thesis is that traditional accounting systems measure tangible assets, such as cash or plant and machinery, and not intangible softer assets such as people and customer relationships. Organisations therefore fail to implement change because they can’t align people around a unified strategy, says Kaplan.

His answer? If a manager uses the right tools to identify the key processes that they want to change and then identify which employees will have the most critical impact in these areas and what extra skills and resources they will need, they will align business activities to the vision and strategy of the organisation, improve communications, and better monitor performance against strategic goals.

Is he a one-trick pony? No, Kaplan has been credited with many innovative management practices including time-driven, activity-based costing, strategy maps and the Kaplan-Norton strategy execution system. Recently he’s turned to risk management, stating that: “valid and accurate measurement is at the core of communicating, implementing and monitoring an organisation’s strategy.” He is author of more than a dozen books.

And accountants love him because...? He has focused on linking cost and performance management systems to strategy implementation and operational excellence. In 2006, he was elected to the Accounting Hall of Fame and he has received lifetime awards from other organisations.

What next? A joint project with fellow Harvard professor Michael Porter, measuring the cost of delivering health care and linking patient costs to outcomes.

Tales from the front line

Liz Bingham, managing partner for people, Ernst & Young

Accounting wasn't a huge ambition of mine. I wanted to be a pathologist until I discovered that I'd have to study for seven years for a medical degree and then for another three to qualify. I wanted to get out into the big wide world and was offered a role as a school-leaver at BDO Stoy Hayward in their restructuring business. I was fortunate to fall into that environment - a mix of finance, accounting, a bit of law and a bit of business common sense.

It struck me early on that this was a part of the profession that was pretty fast-paced and unpredictable. It's easy for the media to pick on bad news, and to portray insolvency practitioners and restructuring professionals as preying on the weak and taking advantage of other people's misfortunes. I prefer to think of it more as a necessary skill that's required by businesses at different points in the business cycle.

Trying to save people's jobs is one of the biggest challenges – to stay empathetic without getting knocked off track by the human aspect. Some of it is awful: hard-working individuals risk losing their homes as a result of losing their jobs.

For 30 years we've had a policy of bringing in school leavers. We've seen increasing demand for that with tuition fees rising. So we've created a school leavers programme and expect to see the number of graduates coming into the business reducing as the number of school leavers increases.

One of the challenges in that model, with regards to fair access, is that we're taking school leavers with good UCAS points, so they could still go to university. So this year we launched Smart Futures, where we work with schools to identify talented youngsters from relatively disadvantaged backgrounds but who are bright and deserving of an opportunity to think differently about the future. It's as much a social enterprise as a recruitment strategy, and the people involved that buddy and mentor get a huge amount out of it.

It's not completely altruistic: diverse boards and teams make better decisions. Who knows where the next bright, innovative tax professional might be? They're not all from Russell Group universities. Our clients won't want a team of advisers who are all white, middle-class, middle-aged men.

For many years in the UK we've paid lip service to the notion of diversity without recognising what that means in practice. Looking at gender, women have a different approach to hierarchy, authority, power, and their careers. I think of my career as a climbing wall whereas for some of my male colleagues it's a ladder, straight up...

It is improving massively. The latest stats are something like 55% of board positions (NEDs mainly) are filled by women. That's progress. We've got a long way to go because we've got this gap in our pipeline, but we should be incredibly proud of that statistic. If we continue in that vein then we ought to be able to resist quotas.

I'm not a fan of quotas. We prefer to set targets with teeth. So however you do that – internally, externally, or both – you hold people accountable for meeting those targets. We went public with ours, which is to have 30% of new partners as women by 2015, and 10% of our new partners black and minority ethnic. Everybody in a leadership position knows they're going to be held accountable. These are targets with teeth.

My daring and dynamism come from my mum. She used to say: "If you aim for the moon you might hit the top of the trees". I've been fortunate in working for men who have been incredibly enlightened, who have taken the philosophy that they want to succeed and the only way they're going to do that is by encouraging people around them. Sometimes it's been scary, but I've learnt most from those moments. I'm an out lesbian and I'm not a graduate so I tick a few boxes.

I'm passionate about telling my story because if it resonates with just one person and helps that one person to think differently or be a bit more confident about their career, then that's success.

There's a lot driving me. Fifteen months ago I was asked to take on my current role. It gives me an opportunity to get some of this dynamism and drive and energy and challenge into our people proposition on a firm-wide basis.

It's not about HR, it's about asking what do we stand for as an employer? How does that link with the social mobility and fairness agenda? How does that connect with our corporate social responsibility activities, our graduate recruitment, how we develop our people? It's a massive opportunity. There's a hard business imperative to get this right and I'm excited to do it.

MARK HARRISON

Michael Izza

We need Europe to prosper

Earlier this autumn I attended an international policy summit in Brussels, one of a series of high-level roundtables ICAEW is holding around the world, bringing together senior business and political leaders to discuss the legacy of the financial crisis. During the debate, a leading figure within the Brussels establishment raised the question of the European electorate's loss of trust in EU institutions and how they needed to assess if they are fit for purpose to cope with the demands of 27 member states. His views reflected my own.

Personally, I have always been very pro-European, but some of the things that have gone on in the wake of the financial crisis have been questionable. The way Brussels operates has to be reformed if the EU is going to thrive and prosper economically, politically and socially.

Part of the problem is that some of the institutions of government were designed to deal with six, nine or even 13 member states, not 27. In trying to adapt to the enlarged union, they have become unwieldy and remote from the lives of the EU's 500 million residents.

But there has also been an increasing tendency for the EU to adopt an interventionist role and to legislate through regulation rather than directive. As a result, we are ending up with a one-size fits all approach that does not take into account the differences in the way that countries in the north are run from countries in the south. All this is leading to very negative thinking in the UK (and elsewhere) about being "in Europe", which is dangerous. There seems to be little focus on the benefits of EU membership, especially for business. We forget at our peril that Europe – our natural backyard – is the world's most important trading area, larger than the US and Japan combined and with a GDP of £11trn.

Eight out of 10 of our main trading partners are in the EU, including France and Germany, and they account for 51% of all UK exports (compared to 13% for the US). EU exports earn us over £200bn a year and directly or indirectly support around 3.5m jobs in the UK. Our EU membership also brings foreign direct investment, from other member states but also from non-EU companies looking for a foothold in the market.

At some point over the next couple of years, we may well be asked to vote in a referendum about our EU status. In anticipation, ICAEW will be firming up its policy in the area. I am sure that you all hold views across the spectrum but, however you feel about the issue, I would urge you to take an interest in the debate. If we sleepwalk our way into a decision that is damaging in the long term, it will have serious consequences for how we conduct business in the future.

Michael Izza
ICAEW chief executive

Your feedback

Action heroes

In last month's magazine, Mark Spofforth invited comments on how to improve the attractiveness of the image of the chartered accountant (*View from the top*, November).

As I look back I have had a rich career and some fascinating personal experiences as an accountant, from waterskiing on a crocodile-infested river, a walking safari into the African bush, manufacturing the fastest oscilloscope in the world and implementing Just In Time manufacturing techniques, plus many others.

One approach might be to take a short promotional film to national cinemas with a synopsis of selected people's careers, with the emphasis on exciting and interesting experiences. It would only reveal that these experiences have been had by a chartered accountant at the end of the sequence.

John Cooper

Professional pride

I read Mark Spofforth's comment in the October issue with interest (*View from the top,* October). I wish I could say I am proud of my chartered accountancy qualification.

The short-term, "get-rich-quick" mentality which infects huge swathes of banking and commerce has only been able to prosper through laxity in standards and principles in accountancy. When I qualified in 1954, I was proud to believe that if I challenged the directors of even the most important clients on issues of probity I would be supported to the hilt by my firm, even in the face of threats to change auditors. Similarly pressure within the firm by ancillary services did not take precedence over principle.

DAN MURRELL

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LinkedIn group: economiamagazine

Recent history leaves me with the sour taste that if I had qualified 50 years later my experience would be very different.

It does not matter how thorough the training is nor how searching the exams, without integrity – professed and witnessed in actions – the standing of the profession cannot stand up to public scrutiny. Ask yourself – does our recent record give us more reason to be proud than it did 50 years ago?

Dennis Hearn

A modest euro proposal

Rather than expel problematic countries from the eurozone, I suggest each defaulting country loses the right to issue any more euros and is obliged to issue (alongside pre-existing euros) a new domestic currency. This might initially be at par with the euro.

All state salaries and pensions would be paid in the new currency. Domestic transactions would be in either currency. Visitors to the country would bring and use euros. One would assume that the new currency would struggle to keep its value, but as it is not being propped up by other countries and imports are being paid in euros it could float with impunity. When stability returns and the new currency starts to go up in value there would be an option to begin to pay state salaries and pensions in euros.

Chris Sweeten

TOP FIVE MOST READ STORIES ONLINE AS WE WENT TO PRESS

1. BDO and PKF set to merge
2. Mazars launches redundancy consultation
3. *economia* app goes live
4. Supreme Court Case begins over privilege
5. The future of the profession

Missing link

Both I and a friend, also a retired ICAEW member, are not quite as happy in our assessment of *economia*'s contents as the two correspondents in your November issue.

We miss the summarised details of changes in taxation, pensions, state benefits and relevant law/judgements. Our "working" friends may pick up these matters elsewhere; but we had hoped to see them here. We do read ICAEW announcements and (selectively) some of the articles. I also read the Disciplinary reports – thankful that I avoided such misdemeanours in my working life!

Dennis Milstone FCA

Boosting the ACA

Why is it that the ACA remains relatively unknown in fund management in comparison to the CFA? Should ICAEW be doing more to educate the banking and fund management sectors about its merits? I know a number of investment banks encourage their graduate trainees to sit the CFA. By targeting such organisations and encouraging them to adopt the ICAEW training scheme, the institute could boost the numbers of ACAs and benefit its reputation in the City.

Edward Bradley

Figure this out

Can someone explain what is going on in big business, big accountancy firms and ICAEW? I write after reviewing Comet's 2011 accounts. They show turnover of £1.5bn (2010 – £1.6bn); a loss of £32m (2010 – £4m); stock of £210m; deferred tax asset of £27m and P&L reserves of £3m. No going concern issues are raised in the accounts.

I am sure an ACA student could flag up the risks of small percentage errors wiping out the P&L; query the validity of a deferred tax asset of such magnitude; be suspicious of a company effectively breaking even on such a large turnover. I saw a similar situation when reviewing Woolworths accounts. Yet the QAD are very interested in whether small accountancy firms have reviewed their clients' identities. Is there something amiss?

Tony Cooney ACA

Online comments

- Tim Ryan contributed with an interesting perspective on Real Time Information. He wrote, "RTI is unnecessary where there is no Universal Credit claim and many of the smallest employers pay the same net wages, week in, week out. There's no adjustment for coming in half an hour early or late and even holiday pay doesn't need to be recorded as such in the payroll.

  "To avoid the mighty hand of government falling heavily on micro-employers, I see only one solution. They must be able to file up to 52 weeks in advance, and leeway given to amend these nearer the time. Government will then have correct figures and be freed to police tax collection and other compliance matters without need of a punitive penalty regime."

- Our Squeezed Middle campaign continues to attract comment. David at BusinessFood.co.uk made the point that, "For small businesses, one of the toughest parts of getting a business off the ground is getting your first few customers. If you're technically good but cannot afford to advertise then you usually run out of money to live on while spending months doing the marketing. Then it's game over."

The *economia* website is constantly updated with news, features and breaking technical stories. To join the debate and comment on anything from the magazine or online, visit icaew.com/economia

Letters and comments may be edited for clarity and space.

Jacques Delors

Towards greener EU pastures

However predictable the negotiations that accompany European politics may seem, in the end they seldom fail to surprise. A crucial European Union summit aimed at securing a deal on the EU budget for 2014-2020, the so-called multi-annual financial framework (MFF), took place last month. While the outcome was unknown at the time of writing, the mood music in the build-up has been intense, to say the least.

Before even a word was spoken, Europeans were being told the negotiations in Brussels would be "bad-tempered," with vetoes by individual member states looming large. Such talk has a tendency to become a self-fulfilling prophecy.

A group of major companies based in various EU countries – the likes of Tesco, Shell, Barilla, and Philips – are insisting that whatever its final size, the MFF deal should commit to a proposed minimum of 20% of spending in 2014-2020 on green and low-carbon growth. These are firms that Europe's national governments court and listen to daily. But, when it comes to the MFF, Europe's national leaders appear not to be listening closely. Nor do they say much about the obvious dividends that such spending could provide, from the UK to the EU's newest candidate country, Croatia.

Europe's 500m citizens may not be surprised by what is playing out in the corridors of power, but they ought to find it disturbing. The issue is not only what could be lost in the race to the bottom in which many EU national governments are engaging, but also the manipulative anti-EU sentiment coming from much of the European press, which has appeared intent on pushing national leaders into another budget showdown.

In the EU's western, net-contributor states, the MFF debate remains focused on how much money can be cut from the European Commission's proposed €1.033trn budget for 2014-2020. Next to nothing, though, is being said about the Commission's more important, and more integral, proposal: the 20% spending commitment for projects and initiatives that can stimulate resource-efficient business, protect Europe's collective, boundary-less environment, and ensure a better future for families across the continent.

Europeans may not be surprised by events in the corridors of power, but they ought to find it disturbing

The dividends promised by a "green" MFF (which recently received the support of the European Parliament) are at least threefold: a higher share of jobs in one of the world's fastest-growing economic sectors; lower energy bills for households throughout Europe; and help in achieving the reductions in greenhouse-gas emissions to which all EU states have agreed as part of their "Europe 2020" commitments.

The green potential within EU spending has already taken root. In France, for example, social housing organisations have rapidly deployed €320m in the last few years to improve energy efficiency in existing housing stock. This European finance triggered additional investment of €2.2bn, created 15,000 local jobs, and has resulted in savings of €98 per month per household, thanks to a 40% average decrease in heating costs.

Recently, Michael Heseltine, a former minister in Margaret Thatcher's government, stressed the importance of wind energy for deprived regions of the UK, such as the North East of England. And yet the penny has not dropped in Westminster that focusing European investment funds accordingly would create opportunities to build stronger businesses and increase competitiveness in the technologies of the future. And they could share these gains within and beyond the EU. Instead, in the UK and elsewhere, the predictable MFF chest-thumping that took place last month threatens to dispatch this kind of opportunity to the bin beneath the negotiating table.

Europe has come a long way since 1951 and the creation of the European Coal and Steel Community, the forerunner of the EU. But we are now in the process of constructing the EU economy anew, striving to overcome the economic crisis, and creating a more sustainable, globally competitive, and resilient European economy – an economy that can be green as well as productive.

Jacques Delors is the former president of the European Commission and a former French minister of finance.

Cathy Newman

Smoke and mirrors over jobs revival

It's a bit chilly for green shoots, but sharp-eyed Conservatives think they might have spied some. In fact, if you pay more attention than is healthy to Tory spinners, you'd think we were about to hit the boom times.

A Tory party press release made the bold claim that: "There are 4.8m private sector businesses in the UK, an increase of more than 250,000 since last year, the largest increase on record." Wow.

Read the small print though, as the *FactCheck* team is paid to do, and you find that wonks at the business department paint a slightly less rosy picture. A computer upgrade at HMRC, they say, shows 53,000 businesses "being added to the government business register at the start of 2012". Some of those, they add, "will have existed before 2011", and as a result the true figure for the number of new private sector businesses "will lie between 200,000 and 253,000".

What's a few thousand between friends? Well, if the real figure is 200,000, it wouldn't be the largest increase on record as the press release claimed.

But more worrying is what these businesses actually do. A growing number don't employ anyone – they're really sole traders, such as freelance journalists or self-employed construction workers. Since the beginning of 2008 there's been a 17.7% rise in these types of companies, which now account for 74.2% of all private sector businesses.

As business department boffins concluded, the boom in self-employment: "could be as a result of the tough labour market conditions, which may have encouraged people to set up in business as they are made redundant". Hardly the green shoots the government's hoping to nurture into bloom.

And while we're on the subject of employment or the lack of it, *Channel 4 News* managed to lay its hands on some rather alarming figures about the success of the Work Programme. This is, according to the government, the biggest welfare-to-work scheme in British history. So how's it going?

Well the second biggest Work Programme provider, A4e, analysed how it had done after the first full year. In all, more than 93,000 unemployed people went on to A4e's books. But of those, only 3,400 found sustained work – that is, staying in a job for either three or six months. That's a success rate of less than 4%.

Calculations by the DWP suggest 5% of unemployed people would find work by themselves, without government help

Calculations by the Department for Work and Pensions (DWP) suggest 5% of unemployed people would find work by themselves, without the help of government. So the fact that A4e is managing to place a smaller percentage is disappointing. The government's own advice makes clear that if a provider fails to find long-term work for 5.5% of claimants, it could lose its contract.

A4e told us the information was "out of date" and "not data we recognise". If you want to see the full figures, warts and all, do have a look at the *FactCheck* blog.

Now here's someone who, at the time of writing, has a job. Tory MP Nadine Dorries was suspended from the Conservatives after jetting off to the jungle to appear in ITV1's *I'm a Celebrity... Get Me Out of Here!* Ms Dorries says she works extremely hard for her constituents, who she's decided temporarily to abandon. How much hard graft does she put in though?

Let's take her voting record. She's voted 71% of the time since the 2010 election – slightly below average for a backbench MP. Mind you that other doyen of reality TV, the Respect MP George Galloway, only managed 17.4%.

She's not particularly seditious either – only the 31st most rebellious MP in her party in fact. And according to the website theyworkforyou.com the frequency of her debate contributions and written questions is average. And she's not good at replying to constituents promptly – 458th out of 638 politicians. As for her select committee attendance, she might as well be in the jungle wolfing down maggots. In 2009 she failed to make any of the science and technology committee's 20 meetings.

FactCheck's verdict? From green shoots in the Westminster jungle, to the rather more exotic flora and fauna in the Australian rainforest, it's nice work if you can get it.

Cathy Newman presents *Channel 4 News* and runs the *FactCheck* blog which can be found on channel4.com/factcheck

economia online
icaew.com/economia

Exclusive online news and analysis this month

GETTY

"China's leadership reckons that its biggest policy challenge in the coming years will be the shift from export-led growth to an economic model based on domestic consumption. This has become a matter of urgency, as the US and Europe are unlikely to provide support to Chinese exports. China is expected to undershoot its growth target for 2012, even though exports to emerging markets were up by more than that in the first nine months of the year."

Paola Subacchi, research director of International Economics at Chatham House, considers whether China's future is too reliant on external factors

TAX STORIES

E&Y marketed tax scheme thrown out by tribunal

Starbucks and Amazon grilled over corporate tax

"Aggressive" HMRC yields record £21bn

Interim group to advise on GAAR

BUSINESS NEWS

KPMG casts doubt on "shareholder spring"

One in 10 UK shops empty

Bonuses drop as City shrinks

GOVERNMENT UPDATES

UK in "economic war" says PM

Government announces two entrepreneur roles

GLOBAL NEWS

BDO and PKF to merge in China

Government cracks down on Swiss bank accounts

FROM THE PROFESSION

Privilege legal case an "unattractive clash" between lawyers and accountants

Advisers urged to learn their rights with HMRC

MAZARS LAUNCHES REDUNDANCY CONSULTATION
The mid-tier firm has said up to 5% of its UK staff could be made redundant due to "continuing market conditions"

THE MOST READ STORIES ONLINE AS WE WENT TO PRESS

1. BDO and PKF set to merge
2. Mazars launches redundancy consultation
3. *economia* app goes live
4. Supreme Court Case begins over privilege

SIMON DOLAN
The entrepreneur tells *economia* why businesses don't exist to "do good", just to make money

FEMALE PRESIDENT FOR IFAC
Olivia Kirtley, who will take over the top role in 2014, is also the first woman to hold the position of deputy president

Helen Lewis

Cameron cheesed off with UKIP

At around 3pm in the afternoon on Friday 16 November, something important happened in British politics. The headline news was that the Tories had lost Louise Mensch's Corby parliamentary seat to the Labour party, with a swing of more than 12%. But the real action was further down the ballot paper. No, not the 73 votes cast for Mr Mozzarella - although he did fly over Corby in a jetpack during the campaign - but the puny 1,770 received by the Liberal Democrats, compared with the 5,108 cast for UKIP. And despite two recounts, the Lib Dems vote fell below the 5% needed to reclaim their deposit.

The idea that UKIP, a party dedicated to pushing a Eurosceptic agenda, could take third place in an English by-election will have added to the hum of panic currently suffusing Conservative central HQ. If the Tories are to win a majority at the next election, they must stop their right flank haemorrhaging voters who hate Europe and now feel there is a party which better represents their interests.

It has to be said that David Cameron's own party are not helping him. Three Tory peers have so far defected to UKIP, and there are suggestions that Nadine Dorries - who was suspended from the Conservatives for bunking off to go and eat kangaroo testicles on *I'm A Celebrity* - could join them on her return to Britain. Persistent backbench troublemaker David Davis popped up on 19 November to call for a referendum in 2014, and on the same day the king-across-the-water Boris Johnson thundered in to the debate like a 200lb albino gorilla. "My message to [Herman] Van Rompuy is donnez moi un break, mate," he wrote of the EU president's plan to ask for a 5% budget increase. Invoking the spirit of Margaret Thatcher (well, I hope, otherwise he's advocating random transvestitism, which I'm not sure will add weight to our case), he continued: "It is time for David Cameron to put on that pineapple-coloured wig and blue suit, whirl his handbag round his head and bring it crashing to the table with the words no, non, nein, neen, nee, ne, ei and ochi, until they get the message."

Despite two recounts, the Lib Dem vote fell below the 5% needed to reclaim their deposit

In the wake of this, Cameron was left struggling on a tightrope he's had to walk since taking office: how to make sufficiently strong Eurosceptic noises to appease his restless backbenches, while avoiding a straight referendum on membership. He knows we need the single market for our economy to recover its pre-crash levels, and is realistic enough to know that we're better off having some influence on the rules which govern it.

Time is running out for Cameron to find a workable strategy. An in/out referendum in the next parliament seems inevitable. Combine that with the prospect of European parliamentary elections in 2014 - where UKIP could make gains on its current 12 MEPs - and the prime minister can no longer ignore the fact that there are just vague wisps of smoke where a proper Tory discussion of Britain's future in Europe should be.

Cameron has even, horror of horrors, been outflanked by Labour, who last month combined with Tory rebels to defeat the government on its proposal to argue for a freeze, rather than a cut, in the EU budget at the next Brussels summit. Ed Miliband followed that up with a CBI speech which did exactly what Cameron has so far failed to do: make the case for continued membership of the Union in a way that acknowledges its failings. "There's an urgent imperative to reform the European Union," he said, adding that we could not turn a "blind eye" to its problems. But his conclusion was stark. "If we left the EU it would be the US, China, the European Union in the negotiating room - and Britain in the overflow room."

At the same CBI conference, Cameron argued that we must stop the EU "picking the pockets" of British taxpayers, and suggested pay controls on its top mandarins. Unfortunately, his earlier grandstanding and his "veto" of a new treaty have left him largely friendless in Europe, and whatever paltry concessions he manages to wring from anguished phone calls to other leaders will not be enough to satiate his own party. What's to be done? Perhaps he should recruit Mr Mozzarella - soon, the Tories will need every vote they can get.

Helen Lewis is deputy editor of the *New Statesman*

Jo Owen

Zombie debt for a zombie economy

The job of a central bank used to be, in the immortal words of William McChesney Martin Jr, chairman of the Federal Reserve under five US presidents until 1970, to "take away the punchbowl just as the party gets going". In other words, they helped avoid boom and bust by raising interest rates when things got out of hand.

Now the job of the Bank of England seems to be to keep on filling the punchbowl with record low interest rates and printing money for quantitative easing (QE) in the vain hope that we can avoid a hangover if we just keep on drinking. But £375bn of QE is quite a party. As we all know, the bigger the party, the worse the hangover.

The Bank has created a zombie economy dependent on low interest rates and QE reinforced by weak commercial banks who dare not recognise the bad loans on their books: they are forced into forbearance. Several commercial banks are effectively zombie banks, kept afloat through QE and low interest rates. The same low interest rates are creating zombie companies that can only just about afford to pay the interest on their loans, but can neither grow nor invest, nor pay back their principal.

The only question is whether we have used the printed money well. Some argue a helicopter drop would be better: throw money at everyone and get them spending. Instead of consumers going on a spending spree, government has gone on a spending spree. In 2007-8 total managed expenditure was 40.9% of GDP; last financial year it reached 46% of GDP. If we have austerity like this for much longer, we will be broke. This was effectively a classic Keynesian boost to the economy, but with the spending focused on current spending not on capital investment. Both the Treasury and the Bank have been pouring as much punch as they can into the punchbowl. We may not be having much of a party at the moment, but we have perhaps avoided a horrendous downturn. And that might be a problem.

Normally, recessions provide spring cleaning for the capitalist system: weak companies and employees find themselves out of work. This has not happened this time. Company liquidations are running at just 20% of the rate seen in the 1991 recession, and properties are being repossessed by banks at less than half the rate of 1991. Instead of spring cleaning, the mess is getting worse.

At some point, the spring cleaning will have to happen and it will be ugly

At some point, the spring cleaning will have to happen and it will be ugly. Recovery, when it happens, will be jobless and anaemic. It will be weak as base rates recover slowly to more normal levels of 5%. It will be jobless for the same reasons that jobs have not disappeared in the first place: more people will move from temporary employment, short hours and involuntary self-employment back into full employment.

Finally, recovery is threatened by the Bank itself which has threatened to sell all its QE debt back into the market. This is a recipe for recession. QE has helped keep interest rates low, keep asset prices high and stimulate the economy. Selling this debt back into the market will reverse these effects: it will be deflationary and raise interest rates excessively.

There is no need for the Bank to sell this debt back into the market. The debt is effectively zombie debt. This is curious debt where the public sector is effectively paying interest to itself on debt which it owes to itself. Now that the interest is being repaid from the Bank to the Treasury, the merry go round is complete.

Logically, the debt should be put out of its misery and retired. To suggest this puts the Bank and many others into a misplaced fury. The main objections are around inflationary risk, moral hazard, Weimar economics, deficit financing and Bank insolvency. They sound scary, but all are manageable in the context of an enforceable policy for QE by an independent Bank. But the £35bn raid by the Treasury does little for the Bank's perceived independence. And the farce of the monthly MPC meeting where we wait for a puff of white smoke is no substitute for a clear policy by the Bank on QE.

It is time for the Bank to put its house in order: establish a clear policy for QE and work towards eliminating £375bn of unnecessary debt.

Jo Owen is an author, leader, social entrepreneur and speaker

Letter from America

The $6bn anticlimax

The latest views from Christopher Alkan, our insider in Washington

After a year of political sound and fury, the result of America's election looks at first sight like a big anticlimax. Not only did the White House incumbent stay in place but in net terms only a tiny number of seats changed sides in Congress.

But the outcome of the US election, which cost the nation's political parties close to $6bn, was less boring than it might seem. The stakes were high - and not just for Americans. Many of Mitt Romney's policies, if approved by a supportive Congress, would have had a big impact on foreign businesses too. Regulations on banks operating in the US would have probably been trimmed. Global energy companies such as BP and Royal Dutch Shell would have been given even greater leeway to drill on American land. Companies would also have been freed from the obligation to provide health insurance to employees.

Much as Republican politicians will deny it, 2012 was a humbling election for them. Though they still hold a solid majority in the House of Representatives, America's lower chamber, they lost the popular vote. (Democratic House candidates won 48.8% of the vote and Republicans 48.5%, according to counts a week after the election.) This defeat is likely to have a sobering impact on Republican policy on several key issues.

Crucially, Republicans may be slightly more willing to accept measures that will raise federal tax revenue. The big debate in America over the coming years will be how to start curbing government borrowing. Republicans favour lowering the deficit almost exclusively by cutting public spending, but the Democrat victory makes it more likely that raising tax revenue from the wealthy will play a larger role. That doesn't necessarily mean increasing tax rates. However, the Republicans may be more able to tolerate a drop in deductions and exemptions for top earners (those with incomes over $200,000 a year).

Romney even proposed capping such loopholes, including the mortgage interest tax deduction. "Republicans want to be able to say tax rates haven't gone up, even if they have to accept more revenue needs to be raised," says Norman Ornstein, a scholar at the conservative American Enterprise Institute. "Whatever they might say, the Republicans are on the back foot. The balance between revenue raising and spending cuts will not be what they would have liked."

Republicans may also have to compromise on immigration, according to Mark Zandi, an economic adviser to Barack Obama and chief economist at credit rating agency Moody's. "Mitt Romney's somewhat hostile attitude to legalising immigrants cost Republicans dearly at the polls," he says. A Reuters poll showed that about 66% of Latin voters, a group deeply concerned by this issue, supported Obama.

In addition, a lot of Republican business supporters want to bring in more skilled immigrants. "The more pragmatic Republicans will realise that they need to be more open on visa policy," says Zandi. "If the Republicans do shift that will be great news for multinational businesses in America that want to bring in talented outsiders."

The US election may not have changed the political arithmetic in Congress but its impact on fiscal and immigration policy may be profound.

THIS MONTH ONLINE...

economia dedicated its site to Global Entrepreneurship Week from 12 to 16 November. Guest editor Natalie Campbell, a panel of experts and business owners considered the challenges for entrepreneurs and the role of accountants in helping start-ups. We Love Sleep founder James Wilson told us of bad advice he received when he started up; SJD Accountancy owner Simon Dolan took questions in an hour-long Twitter Q&A; and the government created two roles in Westminster to advise on small businesses. Campbell concluded that accountants had to be available and proactive for start-ups and declared herself "in love with my accountant". Full coverage at icaew.com/economia

Global Entrepreneurship Week UK

BURIED TREASURE

Around the globe the mega rich, keen to protect their assets from taxation and devaluation, syphon off more and more money. **Christopher Alkan** asks, are the world's great powers losing the war on tax havens?

In 2009, G20 nations - the world's leading economies - signed 300 tax treaties forcing offshore centres to hand over information on accounts that may be used to skirt taxes. By 2011, when the G20 met in Cannes 700 tax information treaties had been entered into. A truimphant Ángel Gurría, secretary-general of the OECD, declared "The era of bank secrecy is over. It is no longer possible to hide assets without risking detection."

Then in November this year, UK chancellor George Osborne joined forces with the German finance minister, Wolfgang Schäuble, to announce an international crackdown on tax avoidance by multinational companies. But evidence is mounting that the world's rich continue to pile up assets in the world's 80 or so tax havens. This summer the Tax Justice Network estimated the total value had reached about $12trn by 2010, a 63% rise on 2005. An updated figure from the organisation, taking into account more sources of wealth, produced an even larger tally of hidden treasure - between $21trn and $32trn. Bearing in mind that global GDP is around $78trn, this suggests that private citizens hoard the equivalent of up to 40% of the world's annual output.

Narrower measures which look only at bank deposits show that tax havens still hold about $2.7trn in cash - no decline at all on the 2007 figures, according to an analysis of data from the Bank for International Settlements.

This is a big deal for rich nations. The lost revenue to national exchequers likely runs into the hundreds of billions each year, according to John Christensen, director of the Tax Justice Network and a former advisor to the government of Jersey, one of the world's top offshore jurisdictions. "It's not just income tax that is being evaded but capital gains, inheritance tax and others," he says. "At a time when governments are piling on debt, the burden on middle and lower income citizens is increasing. Meanwhile, governments are forced to cut back spending and lack the resources to boost the economy."

So why have the world's most powerful governments failed to bring to heel a collection of diminutive island states and small nations?

Gabriel Zucman, an academic at the Paris School of Economics, believes part of the explanation is that the G20 has not yet pushed hard enough. Current treaties signed by G20 nations require havens to give up information upon request, but they do not have to do so automatically. "To extract private account details the US tax authorities, for example, need to have good cause for suspicion," Zucman says. "This can be hard to come by."

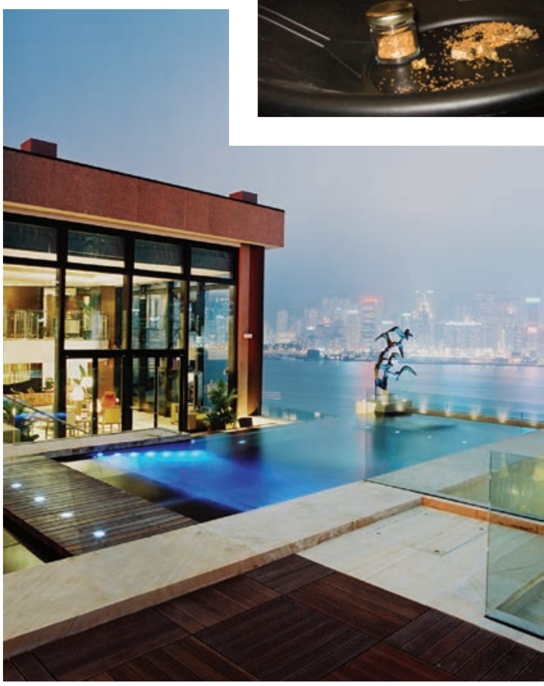
To make matters worse for the G20, compliance is not yet universal. Some financial centres have been more co-operative in signing treaties than others. Jersey and Guernsey have been model global citizens, concluding almost 20 such agreements each by the middle of 2012. Partly as a result, bank deposits in Jersey have dropped by $110bn - more than half - over the past four years, while Guernsey has lost 15% of its base.

Sadly for the G20 nations, the money fleeing such helpful centres seems merely to have flowed to their rivals. The biggest winners, according to the Bank for International Settlements, have been banks in Hong Kong, which have added $65bn in deposits since 2007. The Cayman Islands and Singapore have also enjoyed large inflows.

RATIONAL REACTION

Rich nation politicians are facing other headwinds. Dan Mitchell, senior fellow at the libertarian Cato Institute in Washington, is a typical defender of offshore centres and believes that greater overseas hoarding is a rational response to expected tax increases. "With deficits so high, it doesn't take a genius to realise that politicians will try to claw more from their wealthiest citizens," Mitchell says. "Elites are obviously going to want to put some of their resources out of reach."

An aversion to the prospect of higher taxes, however, looks to be only part of the story. The ranks of the super rich have also swelled considerably over past decades, as the world's elite monopolise an ever-greater share of national wealth. In the US for example, the wealthiest 1% of Americans took home 9% of the nation's total income in 1970. Now the 1%



From top: The opulent setting of Moscow's exclusive Tourandot restaurant; the pool at Beijing's Ritz Carlton Hotel, complete with giant screen showing classic films; pure gold dust; the infinity pool at Hong Kong's Intercontinental Hotel

ANDREW ROWAT, GALLERY STOCK, GERD LUDVIG/INSTITUTE , PANOS PICTURES

$2.7trn is held in cash in tax havens around the world

take home more than 20% of total national income. Meanwhile, in 2010 the top 1% of American families captured 93% of income growth, according to a paper published in March by Emmanuel Saez, professor of economics at Berkeley University.

"The more super-rich people, the more potential clients these tax jurisdictions have," says Mark Weisbrot, co-director of the Center for Economic and Policy Research in Washington. The number of billionaires has ballooned from 691 in 2005 to 1,226 in 2012, according to *Forbes*, in part thanks to strong economic growth in China and India.

At a slightly humbler level, around 11 million people worldwide had more than $1m to invest in financial assets by 2010 – an 8% rise on the previous year, according to the Merrill Lynch-Capstone Wealth Report. The number of so-called ultra-high net worth individuals with more than $30m to invest was climbing even faster. "You need a certain amount of wealth before storing assets overseas becomes worthwhile," says Niels Johannesen, assistant professor in economics at the University of Copenhagen, who co-wrote with Zucman a recent analysis of tax evasion based on rarely seen Bank for International Settlements figures. "The number of people with this kind of wealth has been on the rise."

Political and economic insecurity can also be a powerful driver of funds into offshore banks. Nations that seem at risk of falling out of the eurozone have seen a particularly large flight of capital into foreign accounts. In Greece, for example, the stock of exiled deposits more than doubled between 2009 and 2011, according to Bank for International Settlements' data. "Wealthy citizens in Greece have plenty to worry about," says Marc Chandler, global head of currency strategy at Brown Brothers Harriman in New York. "If they leave the eurozone and devalue, the real worth of their deposits will plunge. Many also worry that bank failures will wipe out the value of savings."

Parking money overseas is also spurred by the failure of many governments around the world to guarantee property rights for their citizens. For champions of tax havens this is a major selling point. "Offshore havens serve a vital function in a world

where affluent citizens in many countries live in fear of having their wealth expropriated by the government," says Mitchell, who is also a director of the *Cayman Financial Review*. Financial centres such as the Cayman Islands are not just useful because they offer low tax rates, he believes. They also offer a global public good. "Part of their value is that they also have strong legal systems which protect property rights," he says. "Whenever nations lurch towards authoritarian rule - such as in Russia or Venezuela - people search for safe places to preserve their savings."

Finally, the internet has made it far more convenient to keep tabs on offshore accounts and investments. Of course, well-regulated financial centres require proof of identity to open accounts. But the web has made it far simpler to move funds around the globe and to track their performance.

STOPPING THE LEAK

The rising demand for offshore services explains why it has been so difficult for the top economic powers to impose their will on the world's tax havens - most of which are tiny states with small populations.

There may also be a political explanation why offshore centres have proved so hard to crush. "Rich nations have not fully put their backs into suppressing offshore havens because powerful interests don't want them to," says Christensen. "There is an astonishing amount of lobbying from the financial services industry to prevent change," he continues. "For every one activist who wants to address the problem of evasion, there are 100 who are defending tax havens."

In addition, the city of London is a major beneficiary from offshore funds. "Much of the money in offshore centres is actually managed in London," he says. "That often tempers Britain's eagerness to clamp down on tax havens."

Other G20 nations waver in their enthusiasm for the fight. China, for example, has long been opposed to actions which would compromise the independence of sovereign states. "The authorities in China may also be quietly pleased by the rise of Hong Kong as a financial centre," says Johannesen. The lack of unity and resolve has prevented G20 nations from using their full strength in this battle.

The question now is whether the great powers will redouble their efforts. To really guarantee that the job gets done, the G20 must insist on automatic information exchanges, says Zucman. "Under such a system any account holder would know that the full details of their accounts would be within reach of their domestic tax authorities. That would really undermine the business model of the offshore financial centres, so it is something they would strongly resist."

The EU has such a system between its members, proving that it is technically possible. Some developing and emerging nations have become proponents of automatic information exchange. "Poorer countries have a huge amount to lose from tax evasion," says Christensen. "So we shouldn't be too surprised to see them joining the fight against bank secrecy. Mexico, for example, is keen."

But to impose such an information regime on havens, the G20 will need to be willing to increase the political and financial pressure. "For many offshore centres it would take a credible threat of sanctions and financial ostracism," says Zucman.

Opposition to such draconian action will come not just from the self-interested and greedy. Libertarians also make a strong case that offshore centres are a precious public good. "These places are an important check on rich nation politicians," says Martin Hutchinson, a former investment banker and author of *Great Conservatives*. "It helps restrain their inclination to tax and spend to the point of ruination. In effect tax havens can help protect human rights around the world."

Ian Young, technical manager for international tax at ICAEW, believes it may be too soon to write off the G20's efforts. "These may yet succeed given more time," he says. "ICAEW obviously supports any effort that ensures that people stick to the tax rules."

There are now 800 agreements meeting the OECD standards on information disclosure. And yet some feel there are still too few signs that these OECD measures are doing the full job. Bank secrecy, they feel, is still alive and kicking and the evidence suggests tax havens shelter more money than ever. Small financial states must be hoping that their powerful adversaries have lost the will to fight.

$32trn

could be hidden in tax havens around the world

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Captain Dirk Fry, Managing Director
Columbia Ship Management Ltd

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Managing Director of NCR Cyprus,
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REPUBLIC OF CYPRUS

Malta
AT A GLANCE

This tiny island has been popular with fellow Europeans throughout its history. It boasts a strategic location, safe harbours, tax breaks and now, says **Penelope Rance**, ACA training

VITAL STATISTICS

POPULATION 409,836 (CIA July 2012 est.)
CAPITAL Valletta
FULL NAME Republic of Malta (Repubblika ta' Malta)

ECONOMIC STRENGTH

GDP PER CAPITA $25,800 (2011 est.)
EXPORTS $5.204 billion (2011 est.)
IMPORTS $7.336 billion (2011 est.)
EXCHANGE RATE £1=€1.236

With an economy focused on manufacturing, tourism and foreign trade, Malta is dependent on imports for 80% of its food needs. Almost 75% of the population is employed in the service industry, and the country enjoys a low unemployment rate. Although it suffered from the financial crash in 2009, the financial services sector was protected by tight regulation and a focus on local real estate over foreign investment.

PROFILE

Malta is small in size but big in personality. Its strategic position meant constantly changing rule. Under the British Empire, George VI awarded its people the first ever collective George Cross for valour during World War II, the symbol incorporated into the national flag. It joined the EU in 2004, and the eurozone in 2008. Boasting a competitive tax system it's also home to nine UNESCO World Heritage sites.

KRIS MICALLEF

HISTORY

It has seven megalithic temples, some of the oldest free standing structures in the world. Malta was inhabited by the ancient Greeks, Romans, Byzantines, Arabs, Normans, the crown of Aragon and the Holy Roman Empire. Holy Roman Emperor Charles V gave Malta to the Knights Hospitaller, who lost it to Napoleon in 1798, but Malta instead placed itself under British protection, becoming part of the British Empire.

GEOGRAPHY

One of the world's smallest states, Malta is also one of the most densely populated. The archipelago comprises the isles of Malta, Gozo and Comino, with several uninhabited islands, and covers just over 316km². It has few natural resources, but is strategically located between the Suez Canal and the Strait of Gibraltar. Ship-building remains a major industry and it retains an important position as a strategic hub.

TAX SYSTEM

The Maltese tax regime is free of currency control and bank accounts can be opened in a variety of currencies. For ex-pats who want to reside in Europe, Malta offers a compromise: expatriates are taxed on a remittance basis charge rate of just 15%, with zero tax on income spent or banked offshore and offshore capital gains. This also applies to Maltese domiciles living outside the country for 25 years.

POLITICS

Malta declared independence from Britain in 1964, and became a republic in 1974. Its parliamentary system is modelled on Westminster, and the population is politically active. Its House of Representatives is elected every five years by direct universal suffrage. Since 1980, Malta has adopted neutrality, and hosted the 1989 Gorbachev-Bush summit that signalled the end of the Cold War.

ACCOUNTANCY

Senior ICAEW members have held high profile positions in Malta for many years. Members of the Malta Institute of Accountants have access to ICAEW faculties. Finance minister, Tonio Fenech attended a summer event, while in October the two institutes held a joint event on financial services. ACA training launched in the summer of 2012, with tuition beginning in September and exams becoming available on the island.

HARD MAN WITH A HARD JOB

Nick Kochan interviews David Green QC, new director of the Serious Fraud Office

When David Green joined the SFO in April, he found an organisation in internal chaos and subject to external abuse and ridicule. The case against Vincent and Robert Tchenguiz (in relation to Kaupthing Bank) was starting to unwind due to administrative failures. And the SFO had got bogged down in smaller cases of mortgage fraud while American prosecutors were bringing the likes of Standard Chartered and HSBC to book with money laundering investigations. Meantime, the public was clamouring for retribution against bankers, whose woes and failings in the crisis were becoming ever more transparent.

Green's remedy was to be tough and forthright. He cracked down on internal quality controls and announced to the world that he would give no quarter to corporate criminals. He also said he would bring focus to the SFO so that it made maximum impact with limited resources.

"I want to make it so that you don't want to be investigated by the Serious Fraud Office," he said. "We will take you on, we will not run away from cases because they are difficult or expensive or take a long time to investigate or involve big numbers. The public expect us to do it. I would like the SFO to have a hard-edged, tough reputation. It should be something that is feared."

The recent result in the Asil Nadir case – where the Turkish Cypriot businessman was convicted and given a 10-year sentence for stealing £29m from his company, Polly Peck – enforces Green's message that misbehaviour has severe consequences. But the jury is out on the organisational changes, which will be tested to the limit by the SFO's current investigation of the Libor case. This will put the SFO at the forefront of global prosecutors and will set it in direct competition with American prosecutors who want to bring their charges first in New York.

Internal organisational chaos at the country's prime investigator and prosecutor of high-value fraud was Green's first target, and he moved on it swiftly. He describes the shambles that he found on his arrival at Elm Street on 23 April. "The structure of the office that I inherited was like the television programme *Game of Thrones*. It was a slightly eccentric structure with all sorts of competing interests. I didn't understand the

PORTRAITS BY FINN TAYLOR / DMB MEDIA

2012 EDITION

GLOBAL FINANCE 50

The world's financial system experienced a shock in 2008 from which it hasn't fully recovered. When it does, the world will be a different place. But in this new financial world order, who will be the major influencers? This is the question the inaugural *economia* Global Finance 50 seeks to answer. Included on this list are the people playing a part in the economic and financial lives of millions, whose daily decisions and actions influence the performance of the global economy and who in 2013 will make a major difference. These are the names we think will shape the finances of the world...

“I want to make it so that you don’t want to be investigated by the Serious Fraud Office. I would like the SFO to have a hard-edged, tough reputation. It should be something which is feared”

logic of it. I am sure there *was* a logic at the time it was set up.”

Green removed a system of domains which had resulted in overlapping interests between fraud and bribery experts and set up four casework divisions, two dedicated to fraud and two to bribery. Each is headed by a senior civil servant who will be the immediate supervisor of the case teams underneath. He has also added to the SFO’s top table by bringing in Alan Milford, the former head of the organised crime division at the Crown Prosecution Service, and Geoffrey Rivlin QC, a distinguished retired judge and fraud expert, who will be a special adviser. “The new model won’t be totally siloed. But they will have lead specialisms. The main thing is the accountability, with mixed case teams of investigators and prosecutors reporting to a divisional level head who reports to me.”

Green’s own expertise is in fighting fraud. He worked for 25 years in private practice as a barrister in the area before joining the Revenue and Customs, where he managed the prosecutions arm. Sources familiar with this part of his career say Green worked closely with the intelligence services while at the Revenue, in particular in its role fighting the financing of terrorist activity after 9/11. Which may explain why he decided soon after joining the SFO to boost its intelligence resources.

“I am investing very heavily in our intelligence capability,” confirms Green. “There is a vast amount of information available in open source material. It is all over the place. It needs to be collated and worked up, and then blended with more sophisticated intelligence.” The City of London Police will support the SFO’s team in gathering what Green calls “exotic” intelligence, and he does not exclude the possibility of using undercover agents (covert human intelligence sources in the jargon) “if appropriate”. He insists however, “the basic is working on published material”.

The key focus of Green’s casework activity is now directed at bringing charges in its case against banks involved in the rigging of the Libor market. Green says he is looking to some highly sophisticated economists for support. He is bringing in swathes of accountants, lawyers (Green says he is currently looking for barristers of between five and 10 years’ experience) and city experts to add to the investigators from the Financial Services Agency, which has been investigating the Libor issue for some time. But Green says the SFO will investigate the wrongdoing much more deeply than the regulator had. “It is an unbelievably complicated investigation. A criminal investigation is to an altogether different depth and thoroughness than that of the FSA, which has been regulatory. We have to take it much further than the FSA and spread it to other banks. There is an international dimension to the criminality.”

The SFO is under the cosh to produce results as its Libor probe is running in parallel with an American investigation. This started two years earlier than that by the British agency and Green wants to avoid being over-shadowed by a high-profile American prosecution. The SFO is aiming to narrow down its prosecution to some key points to save time. “We have to make this really focused on particular types of misconduct. This is not going to drag on for years, this is not going to be a four-year investigation, two-year break and three-year trial. I want results as quickly as possible. We have to be surgical about it. At the moment the effort is at defining the most promising (from a prosecutorial point of view) conduct.”

Green’s goal is to be able to announce a decision in early 2013. He admits: “There is a timing issue, we will go forward as fast as we can. We will co-operate as fully as we can with anyone else who’s interested. But some people may get to the finishing post first in terms of charges against corporations and individuals. So be it. There isn’t much I can do about it. I am not going to break our necks and bring some sort of crap prosecution just for the sake of it. It isn’t going to work.”

Green concedes “there is a competition for jurisdiction” and he has had some “frank and fair discussions with the Securities and Exchange Commission in the US”. In arguing for a trial in the UK, he says: “We are dealing with British incorporated banks, we are dealing with British bankers although others were involved. These things should be dealt with in London if they possibly can.”

In fact, the SFO has only itself to blame for this lag in the start of its investigation. The Libor evidence was presented to then-director Richard Alderman and he opted to send it down the regulatory route. Green has mixed feelings about that decision. “With hindsight it would have been better [if the SFO had made the initial investigation]. I couldn’t say if I was in Richard’s shoes, I would have made a different decision.” The investigation is now in full flow, however, funded by a special government-granted annual top-up to the SFO’s budget of £3.5m, and Green is staking his reputation on it. “Every director is judged by one particular case. Robert Wardle was judged by the BAE case, Richard Alderman by Tchenguiz and this will be mine.”

The BAE case involved Middle Eastern alleged bribery in an arms deal and was closed down before coming to court. The Tchenguiz case ended in humiliation. “The big lesson from it is so obvious it screams at you,” says Green. “It is that the SFO made a mistake, in fact several mistakes, in the information – the formal document which was put before a judge to get a warrant. There were factual errors in it. That should never have happened.” One outcome of the failure is the SFO’s decision to cease to conduct dawn raids on suspects. These have been used by the authorities to put media attention on a suspect as well as catch that suspect off guard, but Green says they carry high risks and are not appropriate to the prosecution of large financial institutions and their executives. “Would you use a dawn raid against Barclays?” he asks. “It doesn’t make sense.”

Another outcome of the Tchenguiz case has been a discussion about the SFO’s funding and resources. In the course of his summing up of a Judicial Review brought by Vincent Tchenguiz,

CAREER HIGHLIGHTS

David Green was called to the Bar in 1979, appointed recorder in 1996 and took silk in 2000. He spent 25 years prosecuting and defending at the Criminal Bar. In April 2005, he was appointed the first director of Revenue and Customs Prosecutions. He headed the Revenue and Customs Prosecution Office from its launch until the department was merged with the Crown Prosecution Service in January 2010. He returned to the Bar in April 2011 where he was instructed in complex strategic export cases and as disclosure counsel in a substantial revenue fraud. He was appointed director of the Serious Fraud Office on 23 April, 2012.

the judge Sir John Thomas, acting with Mr Justice Silber, attacked the quality of SFO staff. "It is clear that incalculable damage will be done to the financial markets of London if proper resources, both human and financial, are not made available for such investigations." The judges also said the SFO investigators did not have a "proper understanding" to set out the "commercial background to events".

David Green now says that he wants to start a discussion about funding. "We probably need a new funding model for the SFO. We need the ability and the confidence to buy in the best expertise when we need it. We need the money to do so." He raises the possibility of a return to "blockbuster funding" where provision is made for additional funds to resource large and complex cases. This form of funding financed the complex "oil for food" case following the Iraq war. "It means if you have a huge stonking case," explains Green, "you go to the Treasury and reach an agreement about how much extra money you need ring-fenced for that particular financial year."

The government's decision to allow additional funding for the investigation of Libor abuses points the way to the formal adoption of blockbuster funding for future cases. Green says: "We have an undertaking that that money is available. I have an undertaking that if more is required to run this investigation then we will have it. That is ring-fenced to Libor."

Green raises the suggestion that the Asset Recovery Incentivisation Scheme (ARIS) should be renegotiated to put further funds at the SFO's disposal. ARIS is funded by the proceeds of crime confiscated by law enforcement. Currently the Home Office receives half, with the investigator and the prosecutor receiving 18% each. However, he also points to some flaws in the scheme: "These funds could be quite substantial if we get a large civil recovery order or a criminal recovery order. But you can't rely on it, and you cannot calculate how much in any one year, looking ahead, that will generate. It is a good source of income, and as a matter of principle I see nothing wrong with prosecutors being in part funded by money taken from criminals. I am all for that."

Green also welcomes wider acceptance, particularly among the judiciary, of Deferred Prosecution Agreements (DPAs). These are made when a prosecutor agrees a settlement with a company that admits an offence and makes a payment in return for a stay of prosecution. The company will be subject to certain strictures while the prosecutor may also require the company to agree to have its behaviour monitored by an independent auditor, at its expense. Green denounces strongly the suggestion that companies will self-report an infraction as a way of getting a DPA. "Some people say a DPA gives companies an element of certainty. It certainly doesn't. They may get prosecuted even if they self-report. You can co-operate but don't think you are buying us off. Because in the right circumstances we will prosecute."

As Green embarks on what will certainly be a tumultuous – in his words "highly risky" – period at the Serious Fraud Office, he has undoubtedly moved decisively away from the style of his predecessor, Richard Alderman, who suggested inviting bankers into the SFO to ask questions about deals and business ethics. But Green wants to put banks and companies on the spot. Any that come to his door to get advice will likely be sent away with a flea in their ear.

"I don't think the sign downstairs says 'free advice given on serious fraud and corruption'. They can bloody well go and get their own advice from their very expensive ritzy experts," he says. "I am not here to give advice. I am here in the same way that the Revenue is, to enforce the law. I don't think the public would be very impressed by cosy deals."

Banks are under the microscope as never before for their misbehaviour, he says. "We do need the banks, but we need straight banks and honest bankers." His mission is to persuade the public he can deliver them.

GLOBAL FINANCE 50

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1 ANGELA MERKEL
German chancellor

She may not be the most surprising choice for the person we think will have the greatest impact and influence on the financial community during 2013, but this will be another huge year for the German chancellor. With the eurozone crisis in some sort of temporary remission (but still a long way from a sustainable recovery), 2013 is an election year in Germany.

Incumbent leaders have generally not fared well in elections since the global financial crisis. Merkel faces extra pressure as perhaps the European leader with the most political capital invested in the future of the euro.

In the eyes of eurosceptic domestic opponents she has given up German wealth and power in order to bail out Greece and other ailing eurozone economies. This is countered by the positive political benefits of keeping these economies alive enough to prop up the currency and prevent any further dramatic financial collapse.

How this all plays with German voters remains to be seen. Her government may not be popular, but Merkel herself continues to bask in personal ratings of over 65%.

She will have to square the circle of proving to domestic voters that she is tough on these economies, without alienating politicians in those countries. It is to Merkel that non-European world leaders turn to as the *de facto* leader of Europe. That effectively puts her in charge of 300 million people and a budget of $17trn. She isn't universally popular among EU leaders and is a famously tough negotiator. Nevertheless, she has the ability to present her actions as being in Germany's best interest, while also able to present a deal as being for the benefit of the whole EU. A canny operator, it's more than likely that she will emerge from the elections even stronger.

2 XI JINPING
Chinese leader

Despite the reports of a slowdown in the Chinese "miracle", a growth rate of 7% puts China in a stronger economic position than most other world economies. The country's newly minted leader has the country's economy at the top of his busy in-tray when he assumes control. With the euro likely to continue its wobbles, the Chinese renminbi will increasingly be seen as one of the world's major currencies.

Xi is likely to continue the policy of combining a more liberal, open economy at home with the sort of financial imperialism that has seen China invest heavily in other developing economies, particularly in Africa. The population is now in excess of 1.3bn with a GDP of $7.3trn (it only reached $1trn in 1998). Xi Jinping will therefore influence much of the world's economic activity.

Behind these statistics is the nuanced story of an expanding financially independent middle class. Each day sees China's middle class expand by 25 million consumers. While this could be an opportunity for luxury goods firms, there is also increasing demand for homemade luxury goods to serve this new market.

3 BARACK OBAMA
President of the United States of America

After one of the hardest fought US elections for a long time, Washington has returned to business as before, almost. Obama's second-term in-tray doesn't look much easier to deal with than that of four years ago. Without question the major financial issue he faces is securing agreement on the US budget and avoiding the automatic raising of taxes and spending cuts that will tip the US over the fiscal cliff.

This alone is enough to earn Mr Obama such a high place on our list. The US budget is a long-term problem about to come to a painful head if Obama can't get a bi-partisan solution to fix it. Last October's G20 meeting in Mexico made it clear that should he fail it would not only put the brakes on the nascent US recovery, but could potentially tip the entire global economy back into recession. On the day he won the election, Obama spoke of having a renewed determination. He'll need it.

CAMERA PRESS LONDON

4 THE PIIGS (STRUGGLING EUROZONE LEADERS)

It is easy to condemn having so many EU leaders at the top of the list as eurocentric. And it is a bit of a cheat to collect several names (this isn't the last instance). But the shadow of failure hanging over the eurozone and the single currency project has had huge consequences in 2012 and the possibility remains of it continuing to drag down global economies next year, too. This is not a European crisis, but a global one. Along with the US, the danger of one of these countries failing remains the biggest risk to the global economy. An Oxfam report claims the fallout from the euro is having an impact on developing countries. So the leaders of Portugal, Italy, Ireland, Greece and Spain can't afford to fail – for everyone's sake.

5 CHRISTINE LAGARDE

Managing director, IMF

This hasn't been the best year for the IMF, with developing countries (especially BRICs) pressing for more say on how it sets about its mission of preserving global stability. A recent Economist Intelligence Unit report showed how skewed it is compared to the pattern of world trade. The chief economist was forced to revise up predictions for the so-called "fiscal multiplier", namely the impact austerity (which the IMF has hailed) has on growth. Despite these difficulties, the IMF remains at the heart of global policy and with a budget of $360bn has the firepower to back that up, hence the significance of its interventions. The degree to which it steps back from promoting austerity will have a huge impact on the world economy through 2013.

3.6% Global growth **in 2013, according to the IMF. Along with the World Bank and OECD, the IMF has continued to downgrade its expectations for next year. This is after growth of just 3.3% in 2012.**

6 JIM YONG KIM

President of World Bank

A former Harvard Lecturer, community entrepreneur and president of Dartmouth College, Kim took on the top job at the World Bank with a mission to "deliver powerful results to support sustained growth, prioritise evidence-based solutions over ideology, and amplify the voices of developing countries". A year on, things are going well. The World Bank is more needed than ever. It performs vital long-term capacity-building work in several developing economies (including ICAEW projects to train ACAs).

7 MICHEL BARNIER

European commissioner for internal market regulations

Whenever accountants discuss the future of their profession, which they do ever more frequently, one name that always crops up is that of EU commissioner Michel Barnier. His reaction to the financial crisis was to criticise the "Anglo-Saxon model" of capitalism. He also took exception to the role auditors played (or didn't) in the crisis. This will be a big year for his planned reforms, not to mention his other input to influential changes in banking and financial services.

EYEVINE

8 ANTHONY JENKINS
CEO, Barclays

The new boss of the world's seventh largest bank has his work cut out. With total assets estimated at $2.4trn, its recent management shake-up, as a result of revelations of Libor-fixing, has seen it become a litmus paper for the industry. Replacing the brash, aggressive investment banker Bob Diamond with the supposedly mild-but-firm retail banker Jenkins is seen as part of the taming of the former Masters of the Universe and the start of the crawl back to respectability. For this alone, Jenkins will be in the limelight more than many other global banking bosses in the year ahead.

9 GEORGE OSBORNE
Chancellor of the Exchequer

By sticking so rigidly to Plan A, Osborne has become a global poster boy for austerity. The full impact of this approach has yet to be understood. A third-quarter bounce out of recession (thanks to one-off factors) would be undermined if things dip back next quarter, as many economists are predicting. Thus the impact of how the UK economy behaves will resonate and influence policy on a broader stage. Should the economy drop into triple-dip recession, Osborne might rethink. His conference speech was notable for not including the word growth. So will he know what to do?

SHAUN CURRY

View of 2013
Julia Wilson, CFO, 3i

"Images of the queues outside Northern Rock and people walking out of Lehmans with cardboard boxes seem like a long time ago. But the wider consequences and causes of those events are still being felt and will continue into 2013, having been compounded by the political and regulatory responses. These have increased the challenges that businesses face. So 2013 will feel familiar, with bouts of optimism dashed as fiscal concerns resurface. This challenging business environment creates opportunities for financial professionals to show their true worth, keeping their businesses focussed on fundamentals like balance sheet strength and cost control, but also staying alert to opportunities that arise in the market, such as refinancing windows or strategic acquisitions."

10 PETER OPPENHEIMER
SVP and CFO, Apple

Currently the world's largest company, there is potentially only one way for Apple to go, and that's down. But analysts have been predicting this for a few years now and yet the company's exponential rise continues. Under CEO Tim Cook, the company has survived the loss of founder and chief inspiration Steve Jobs. And the company has built up a formidable cashpile, most recently reported at $117bn. Having survived Cook's recent senior management reshuffle, and despite being a money man in a company where the emphasis is often on its shiny, sexy new products, Oppenheimer remains a low-profile figure. But 2013 will be a pivotal year for the company. One of the main issues for Oppenheimer is how to use that $117bn cashpile. Like any CFO sitting on a lot of cash, he will face myriad calls to use it. There will be pressure to do something more than simply continue its announced stock buyback progamme.

11. BEN BERNANKE
Chairman, Federal Reserve

As the head of the world's most influential central bank (over 90% of all global transactions are conducted in dollars), Bernanke's influence on global finance is beyond question. With Treasury secretary Tim Geithner due to step down any day, Bernanke will try to offer stability, continuity and consistency at the top of the US financial system.

12. THE BIG FOUR

These are both the best of times and the worst of times for the major accountancy firms. In 2013 their global dominance of the major audit market is doubtless set to continue, not least because there is some merit in the argument that a complex global audit requires the resources only the Big Four can call on. They will also come under greater scrutiny, notably in the US and the EU. How they react to proposed changes, such as mandatory rotation, will impact clients and the profession.

13. MARIO DRAGHI
President, ECB

It was not an obvious choice to put an Italian at the top of the ECB, with the Germans in particular needing convincing Draghi was the right man for the job. But he has played a solid hand in helping arrive at the current, temporary, fix for the eurozone crisis. The issuing of eurobonds was the decisive action that was needed. Throughout 2013 he will need to be on top of his game, as the consequences of the eurozone going wrong would be painful indeed.

14. HELENA MORRISSEY
CEO, Newton

With £47m of assets under management and nine children, it's amazing Morrissey has time for her tireless work on the 30% club (the campaign for boardroom equality). An inspirational figure for female professionals in all sectors, she is a City superwoman determined to make things better for others.

15. THE CEOS OF THE TOP RATINGS AGENCIES

Whether it is major global economies or faltering banks, these ratings agencies seem to have been setting the market tone and either boosting or smashing market confidence. While some say their failure to anticipate and warn about the dangers of the financial crisis has weakened their position, they will continue to be one of the major influences on the cost of borrowing around the world.

16. ROBIN FREESTONE
CFO, Pearson

Freestone is influential for several reasons. For a start he's CFO of Pearson, newly merged with Penguin Books and the publisher of the *Financial Times*. But he is also the incoming chairman of the low-key but extremely powerful lobbying group, the Hundred Group, taking over from Andy Halford. He is also recognised as a leading thinker on financial reporting.

View of 2013
Helena Morrissey, CEO, Newton Investment Management and founder of the 30% Club

"I don't think anyone can predict markets with confidence. Instead, we should accept uncertainty and prepare for a range of potential outcomes. Policymakers are, in the words of Federal Reserve chairman Ben Bernanke, 'learning by doing'. In other words they are walking into the unknown with their extreme monetary policy combined with unprecedented debt. As we continue to deleverage, the risk of policy error is high, there will be pockets of asset price inflation, unemployment will continue to cast a shadow over the next generation and portfolio managers need to be nimble to make money, and careful to avoid losing it. But I am optimistic about what this period is teaching us. We are challenging conventional wisdoms more, which is good. Responses to the 30% Club, in particular, have encouraged me. There's a realisation that old ways of working need to be revolutionized. Our long-term future will be the better for it."

GETTY CONTOUR

17. JÜRGEN FITSCHEN AND ANSHU JAIN
Joint-CEOs, Deutsche Bank

Job sharing may not be everyone's cup of tea, but it seems to have worked well for the leaders of the world's largest bank. With the German economy at the heart of any recovery, all eyes will be on all the important German banks and Deutsche in particular.

18. GOVERNOR OF THE BANK OF ENGLAND

With a newly expanded remit, Sir Mervyn King's successor will face an enormous task, with responsibility for banking supervision and macro prudential oversight on top of the MPC. He (for it will be a he) will oversee one hell of a change management project.

19. ZHOU XIAOCHUAN
President, People's Bank of China

China will soon be the world's biggest economy. Even with growth slowing to 7%, that much is obvious. This will focus minds on the renminbi and in particular on China's central bank. Early signs suggest the new leadership wants PBC to continue pursuing its aggressively expansionist policy.

20. PATRICK PICHETTE
SVP and CFO, Google

As the CFO of one of the world's wealthiest tech firms, Pichette is sitting on a huge cash reserve. Unlike his counterpart at Apple, Google watchers expect at least some of this cash pile to be spent on high-tech acquisitions.

21. JIM O'NEILL
Chairman, Goldman Sachs Asset Management

A rare mix of high-calibre thinker and extremely efficient doer, O'Neill is the man who coined the phrase BRICs to describe emerging economies Brazil, Russia, India and China. As chairman of one of the world's leading asset management firms his pronouncements carry added weight in financial markets.

22. ØYSTEIN OLSEN
Chairman, Norges Bank

People may not be surprised to hear Norway's oil-based sovereign wealth fund is quiet, efficient and risk-averse. The fact it may be the world's largest may surprise, though. Olsen runs it. Should he opt to invest for growth, it would have a huge impact.

23. SIR MARTIN SORRELL
CEO, WPP

Technically a marketing man, Sir Martin manages to straddle the great (or fake) divide and is somehow also one of the world's consumate finance figures. His predictions for the economy (see box, right) also carry enormous weight and influence global confidence.

24. PASCAL LAMY
Director-General, WTO

Now into his second four-year term at the top of the World Trade Organisation, Lamy has major challenges ahead as recession continues to push world leaders toward more protectionist positions all across the world.

25. PAUL DRUCKMAN
CEO, International Integrated Reporting Council

A key member of the small, but enlightened, group of people leading the charge to make financial reporting both more meaningful and useful to a more diverse group of stakeholders, Druckman is also a leading thinker on making sustainability (including carbon accounting) central to financial reporting.

26. ANDREW GOULD
Chairman, BG Group

These are challenging times for BG Group, with output in 2013 likely to disappoint analysts' expectations. Chartered accountant Gould will have his work cut out to keep the share price at the level investors will demand throughout 2013.

27. GERRIT HEYNS
Partner, Osmosis Investment Management

He proclaims to be an "accidental investor", but Heyns is a significant player in the emerging world of sustainable investing, and the success of Osmosis has certainly been no accident.

28. WARREN BUFFETT
Chairman, Berkshire Hathaway

Perhaps not the force he once was, Buffett is nevertheless an active investor and a source of inspiration. He is close to President Obama and his work with the Bill and Melinda Gates Foundation will continue to resonate and encourage philanthropy.

View of 2013
Sir Martin Sorrell, CEO, WPP

"2013 is difficult to predict. There are four grey swans, grey because we know what they are. It's black ones we don't know. The grey ones are the eurozone crisis, China, the Middle East and debt. We are muddling through the eurozone crisis with difficulty. We are predicting a soft landing in China and the change in leadership will help in the long term. There are continuing political issues in the Middle East, particularly with Iran and Syria, and growing Israeli/Palestinian tension and the possibility of Israeli strikes on Iranian nuclear facilities. Finally, there is the elephant in the room, the fiscal deficit, debt levels and the US fiscal cliff. These uncertainties have affected our business in the third quarter of 2012. We will budget and plan conservatively for 2013. The different speeds in the world remain. In our industry, the BRICs and Next 11, basically Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, remain stronger, but at lower levels. Similarly digital media (search, display, video, social and mobile) are growing more than legacy media. Newspapers and magazines remain challenged."

CORBIS

29. BRIAN GILVARY
CFO, BP

Having endured a torrid few years after the Deep Water Horizon disaster and its now concluded difficult Russian venture, BP is finally settling down and will be able to focus once again on its future development. The new deal with Gazprom will open up significant possibilities in Russia and the coming year will be a big one for Gilvary and indeed for all his fellow directors. The longer term pressure will be to develop a meaningful sustainability strategy that resonates.

30. RAY DALIO
President & CIO, Bridgewater Associates

The man who runs the world's largest hedge fund has some $170bn of assets under management. He is best known for creating his now famous "alpha and beta" strategy. This may have been widely emulated elsewhere, but it has never really been done quite as successfully anywhere else.

31. VERNON HILL
Founder, Metro Bank

Hill has a reputation as a high-octane entrepreneur who disrupted retail banking in the US, starting a small community bank in New Jersey and building it into an $8bn business. Now he is doing the same in the UK with his consumer-centric, retail focused business model. Metro boasts pet-friendy branches that are open seven days a week. What next? Serious lending to SMEs? Metro Bank will continue to be crazy and will become increasingly influential.

32. GEORGE ROBERTS AND HENRY KRAVIS
Co-Chairmen & CEOs, KKR

Legends in the world of private equity and corporate finance, the KKR founders, joint CEOs and chairmen cast a big shadow across the industry, as many others look to them for inspiration. After a few relatively quiet years, the firm recently announced it was moving into the retail investment market, allowing smaller investors the chance to share in their success.

33. KEKI MISTRY
Vice-chairman and CEO, HDFC

A pioneer in the provision of mortgage finance to India's middle classes, HDFC was founded by HT Parekh, a visionary entrepreneur and philanthropist. After his death it was run by his chartered accountant son Deepak (still honorary chairman) and is now overseen by Mistry.

34. ABIGAIL JOHNSON
President, Fidelity Investments

A regular on various *Forbes* power and wealth lists, Johnson is the latest family member to have a senior role at Fidelity and is tipped to succeed her father at the top. As president of Fidelity, Johnson oversees some $3.6trn of assets under management.

35. PAUL KRUGMAN
Professor, Princeton University

As well as his Princeton University role, this influential Nobel-prize winning liberal economist is also an op-ed writer for *The New York Times*. As a result he seems to have a louder voice than many of his contemporaries, just as the debates on economics is at the front of many people's minds.

36. SHEIKH KHALIFA BIN ZAYED AL NAHYAN HAMED BIN
President, UAE

The man in charge of the richest of the Middle Eastern sovereign wealth funds, is getting ever more active and will play an increasing role in global business deals.

37. DAMBISA MOYO
Economist

She may not yet be a household name yet but Moyo's work, and in particular her book *Dead Aid,* which argues eloquently that the economics of the current model of international aid need rethinking, will resonate across the world. At a time when six out of 10 of the world's fastest-growing economies are in Africa, the shake-up could happen sooner than some expect.

38. VINOD KHOSLA
Founder, Khosla Ventures

Khosla is one of those relentlessly impressive Stanford graduate entrepreneurs who starts an influential tech business and then goes on to do it again and again. In his case he helped set-up computer-aided design firm Daisy Systems and then Sun Microsystems. He founded Khosla Ventures in 2004 with the aim of boosting entrepreneurship, innovation and social business, not least back home in India. He is also a founding board member of the Indian School of Business.

39. WOLFGANG SCHÄUBLE
Federal Minister of Finance, Germany

With a reputation for strict budget discipline, Schäuble was recently named *Financial Times* EU Finance Minister of the Year. He has played an enormous part in guiding the German economy and the eurozone through difficult times, and yet maintains a cheery disposition.

View of 2013
Michael Izza, ICAEW chief executive

"The ability of organisations and individuals to adapt to a volatile world will still be required in 2013. Businesses will have to look for growth opportunities in a more competitive global economy, but any growth must be sustainable growth, meeting the needs both of investors and stakeholders. Boards and owners are increasingly recognising the need to have a motivation beyond profit and cashflow. It will be the organisations that are able to rebuild trust in their brands and with their customers that will naturally generate increased shareholder value. Confidence will remain fragile in 2013 and only an improvement in the fundamentals will ultimately solve this. However, all of us, including the media, have an important responsibility to ensure there is a balanced and objective reporting of the real issues. Headlines without factual underpinning are damaging. Across the world we are seeing a demand for transparency that ultimately should mean better assessment of the genuinely important issues."

40. SHEIK KHALIFA AL THANI
Chair, Qatar's Sovereign Wealth Fund

Having set itself the objective of minimising the country's reliance on oil revenues, the Qatari sovereign wealth fund has been a particularly active strategic investor in recent years. It played a significant role in the merger deal between Glencore and Xstrata, successfully pressuring Glencore to increase its all-share offer. HBJ, as he's known, is prime minister. According to some commentators there is a local saying that "all roads and sea lanes lead to HBJ."

41. LOU JIWEI
Chairman, CIC

Another extremely active sovereign wealth fund, and certainly one of the most politically strategic, is China's. It was to the China Investment Corporation that European leaders turned to help get the bailout fund in place. And CIC has also been busy carefully building significant strategic investments across Africa and throughout other developing economies. Serving China's booming middle-class consumers means the country is resource hungry and CIC is particularly active in mineral and mining operations.

42. THE TAX JUSTICE NETWORK

Few governments are unaffected by austerity. Deficit reduction requires more active tax collection. The increasingly global focus on getting everyone to pay the right amount of tax in the right place at the right time, has lent moral force to the TJN, which seems capable of annoying and delighting in equal measure.

43. ANGEL GURRÍA
Secretary-general, OECD

Representing 34 advanced and developing economies, the OECD is clearly a major force in international finance. Gurría has taken an intelligent approach to dealing with the aftermath of the financial crisis. Its secretary-general is a bookish and intelligent economist who rarely grabs the limelight, but manages to exert a quiet authority just the same.

44. HANS HOOGERVORST
Chairman, IASB

If there's one issue that continues to divide the accountancy profession it's the desire for convergence in international standards. Hoogervorst has been a standard bearer for uniform international standards, in the form of IFRS. While some think IFRS to be unworkable, others think it undesirable. Achieving some sort of global consensus and certainty of future direction would be a major coup.

45. NOURIEL ROUBINI
Economist

The leading economist and heavy Twitter user (he topped the *economia* Twitter Finance 100) is also a professor of economics at New York University's Stern School of Business. He has a reputation as being one of the few who accurately predicted the financial crisis.

EYEVINE

46. ALEXANDRE ANTONIO TOMBINI
Chair, Banco Central Do Brasil

The world order is changing, with the south and east overtaking the north and west. Thus the head of the central bank in one of the fastest-emerging economies in the world is someone to watch. Brazil is also hosting major sporting events in coming years, so plenty of eyes will be looking this way.

47. JOAQUIN ALMUNIA
Vice President, European Commission

As one of the key men in Europe responsible for competition policy, the single market and the euro, Mr Almunia will have a full in-tray during 2013.

Twitter50

As part of the Global Finance 50 project, *economia* wants to know who you think are the 50 most important finance figures in the world of social media. Tweet us (@economiamag) with your nomination for your top source of financial news and information, and we'll rank them according to influence in association with PeerIndex.

Nominations have been open since November, and we'll unveil the final 50 in mid-December on the *economia* website. Tweet using the hashtag #economia50

If they aren't nominated, they won't make the list, so get nominations in now.

48. ANN MARIE PETACH
CFO, Blackrock

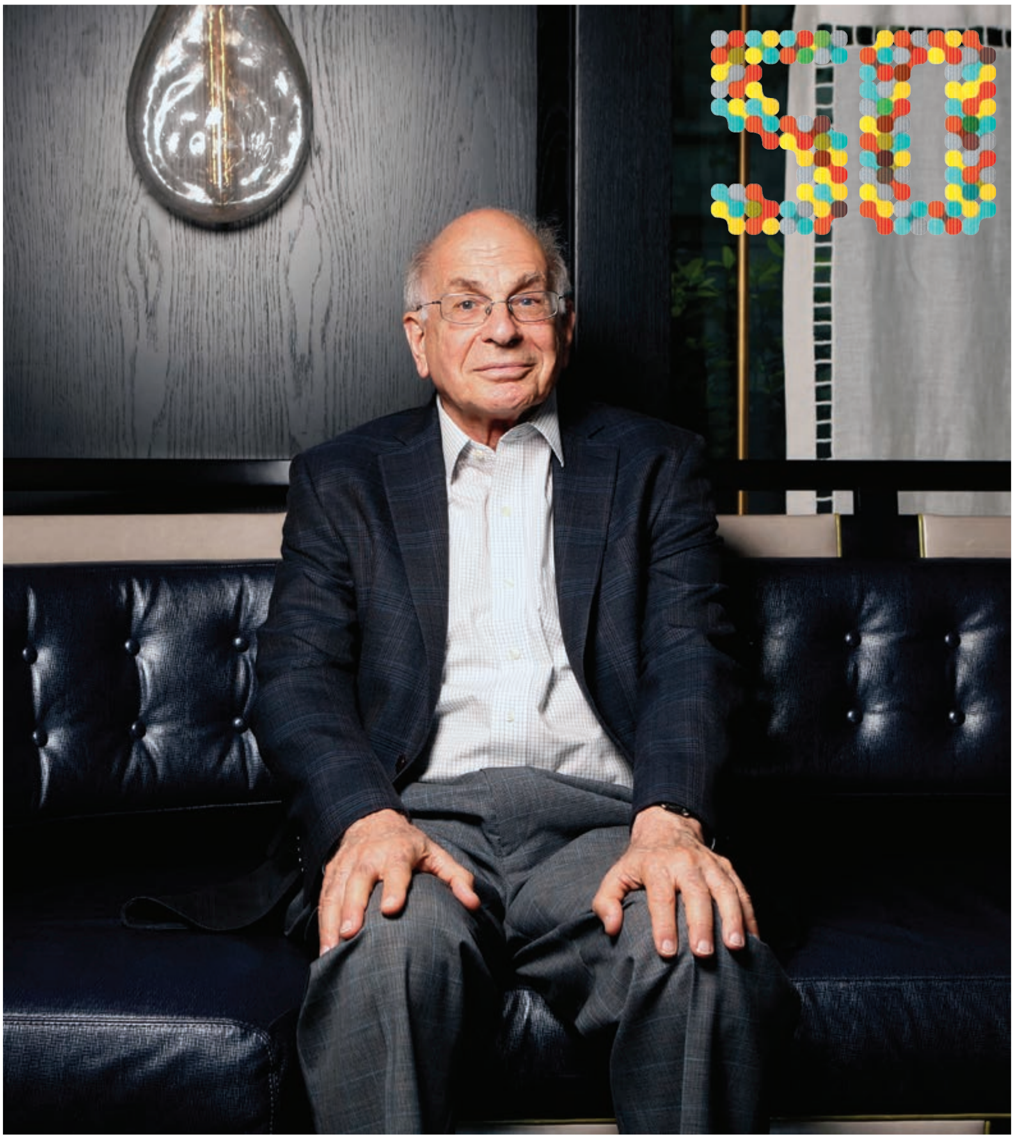
She regularly tops lists in the US as one of the most powerful women in finance. Petach is a formidable presence in the world of investing and asset management. As CFO and managing director of Blackrock she is effectively in charge of over $3.5trn of assets. Where Blackrock leads, others tend to follow and Petach remains an influential figure.

49. JANUSZ LEWANDOWSKI
Member of the EC responsible for financial programming and budget

It's perhaps not surprising at a time of great austerity, but there has rarely been more focus on the EU budget. Spending on bureaucracy hasn't got any more popular and there's a long way to go before we reach a settlement on the budget. It appears Mr Lewandowski has much to do.

50. DANIEL KAHNEMAN
Economist

There has been a major shift in thinking in recent years as researchers discovered that human behaviour is rarely as rational as traditional economic theory would have us believe. Out of this came the idea of behavioural economics. Kahneman has applied this idea specifically to the world of finance and his thinking and writing remains influential.



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FUTURE PROOF

While UK manufacturing slowly disintegrated, oil and gas specialist Alderley was quietly growing. Chairman Tony Shepherd tells **Peter Taylor-Whiffen** about sacrificing short-term profit for long-term prosperity

GARETH PHILLIPS / MJR

"It's extremely difficult to survive as an SME if you don't focus on the long-term," says Alderley chairman Tony Shepherd. "But this country doesn't think like that. Too many people believe you can build a successful business overnight. The key to economic recovery is to change UK business culture away from desperate short-termism."

Shepherd's views are significantly backed up by the sustained success of his own family business. Under his leadership Alderley, which designs, manufactures and maintains bespoke metering, hydraulic control systems and produced water treatment solutions for the oil and gas industry, has grown to enjoy a £54m turnover and pre-tax profit of £5.7m last year. But, stresses Shepherd, it is merely the fulfilment of a long-term vision that began decades ago.

"Everybody wants to make a profit, it's necessary to survive. But we need to move our culture in the UK away from making quick money and more onto building high-quality products.

"Everyone thinks they've got to make high-end profits. The pressure to sell businesses is insurmountable. We must get three letters a week asking if we want to sell Alderley. But those enquiring are not interested in the steady, sustained growth of the business. They want to buy it to sell it on. Far too many SMEs have been bought by people wanting to make a quick trade. Then the company is split up and the best of it is sold abroad, while the worst of it becomes a trading commodity."

Shepherd is a fierce advocate of Germany's Mittelstand model of investment in manufacturing and engineering, which has enabled the Germans to export their way to a healthy trade surplus while Britain's focus on services, and especially financial services, means it is still limping along an uncertain path out of a double-dip recession.

"We model Alderley on a Mittelstand-type company, where we are experts in one or two particular areas and perform better than anyone else for these products," explains Shepherd.

Alderley has identical values to many German SMEs, which contribute 50% of their country's GDP and employ 70% of its workforce. Typically they are privately owned, there is a strong professional and personal connection between owners and staff, they work closely with research institutions and pour their energies into selling innovative, high-value niche products into global markets. Most significantly, they focus on long-term profitability rather than what they see as an unhealthy obsession with quarterly or even annual targets and expectations.

"If the economy is to improve, it is down to exports and the development of new machines," says Shepherd. "Success depends on identifying a niche market for the kind of product a company makes, being aware of the barriers and the challenges and then overcoming them and selling that product.

"Up to 80% of our products are made abroad or exported so significant fees come back to the UK in licensing, marketing and so on. We are close to achieving a very good model."

"We need to move our culture in this country away from making quick money and more onto building high-quality products"

Above: Alderley CFO John Medcraft has fostered a "special" partnership with Lloyds Bank that has helped expansion. Right: Selling Alderley is not an option for chairman Tony Shepherd. His focus is firmly on the company's long-term future

"If the economy is to improve, it is down to exports and the development of new machines"

Alderley's recent figures bear this out: a record trading year to September 2011 saw turnover increase by 26% and pre-tax profits rise by 52%. "The recession has not caused us problems," says Shepherd. "It has brought more opportunities than challenges. Our main challenge is to recruit and train competent engineers to oversee our work overseas, and because of the recession there are more of them around."

But Shepherd, an adviser to the government's Export Credit Guarantees Department, who recently gave evidence to a House of Lords Select Committee on SME exports, suggests fundamental changes in his industry and the business environment as a whole could put Britain on a much stronger economic footing.

"Too many competent engineers are being sucked into the City and not using the excellent engineering skills they have," he says. "The sort of pay we offer is good but it can't compete with City salaries.

"It's a deep-seated problem. The more engineers we put through the university or training route, the more we can increase the perceived status of engineers and engineering as a way to earn a living, and the more we will raise the standard of those entering the profession."

Innovative engineers have been at the heart of the business since it was founded as Alderley Holdings in 1959, when the company supplied its first system, a unidirectional ball prover which verifies a meter's accuracy, for the South Africa Railways Corporation. Other particularly notable landmarks in the company's rich history include measuring the first oil produced from the North Sea in 1975, producing the world's first fiscal ultrasonic metering system in 1997 and, five years later, supplying the largest gas ultrasonic meters currently in operation.

The company, which became a public limited company in 2002, retains its original base in Wickwar, near Wotton-under-Edge, Gloucestershire. But now its

321 staff service the oil, gas and petrochemical industries from four further manufacturing and servicing sites in Aberdeen, Great Yarmouth, Dubai and Saudi Arabia, as well as other network bases in Singapore and Moscow.

And expansion continues, thanks to what Shepherd calls Alderley's "special" partnership with a trade finance facility from principal bankers Lloyds. "We have an excellent relationship with them," he says. "They sorted out the funding of our business in a way that is unique and as a result we have an excellent facility with them to help Alderley to continue to grow."

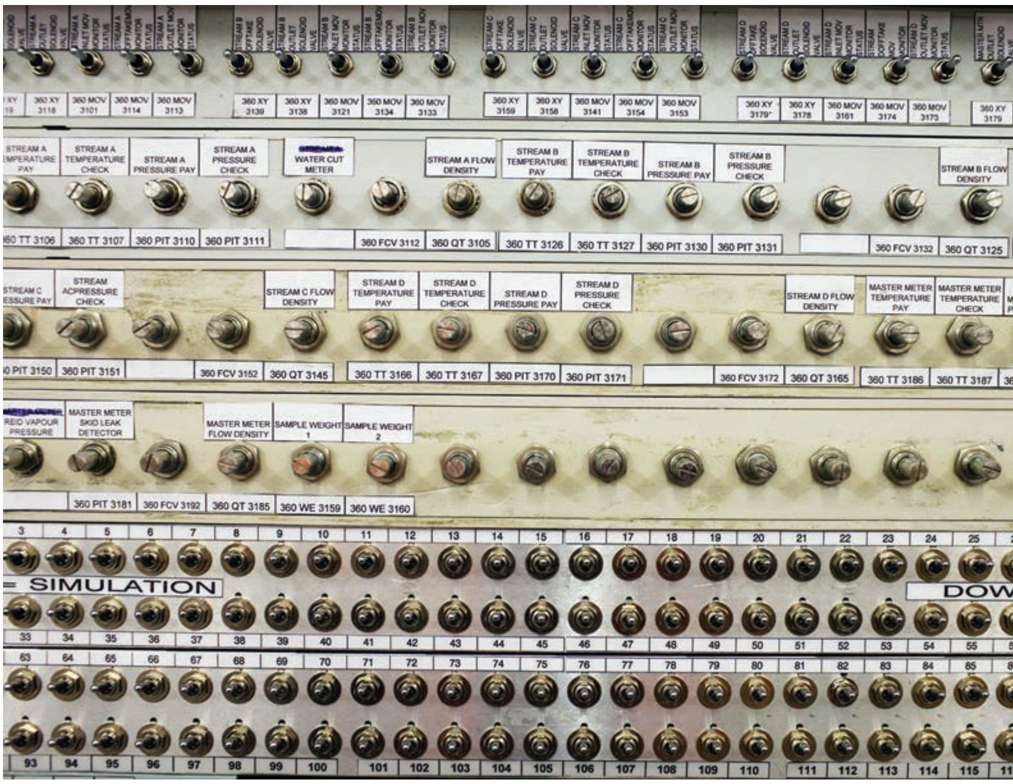
Once again, the key for Alderley has been moving away from received wisdom. "This is a property-based economy," says Shepherd. "If you build an office block they lend you money to complete against the value of the finished block. That's how finance usually works.

"But we were different. With help and support from Lloyds, we borrow against the contracts we have. A contract of, say, £1m or £2m to build a piece of machinery for the oil industry is a better investment than a building. The reason for that is that an oil company is always going to ensure the job is finished, so we will always deliver on the contract. Therefore the bank's money is always safe."

Lloyds Bank regional trade director Simon Robinson liaised with Alderley's chief finance officer John Medcraft to understand Alderley's requirements. "It boils down to understanding what a customer needs, how their business operates and what their aims and ambitions are," he says. "By getting a firm grip on those details and developing a trusted relationship with Alderley, we've been able to create a solution that can support the business going forward."

Medcraft adds: "The trade finance facility provides both working capital and bonding requirements. Sometimes a customer will want an advance payment guarantee to support any upfront payment being made. Sometimes, even when we're tendering, they'll want a bid bond to show we're serious. Then there are performance guarantees, because our projects often have long lead times between purchase order and delivery. Finally, there's often a warranty bond.

"All of these are made available to us



Alderley is based on the German Mittelstand business model; the company has built its reputation by becoming expert in one or two areas, concentrating on performing better with niche products where SMEs are placed to do well

under the trade finance facility and underscores our ability to do business around the world."

Shepherd, who was CEO at Alderley until August 2011, says even more radical thinking by banks could help other mid-sized firms. "The Mittelstand model works because the country's investment bankers are separated from the rest of the banking sector," he says. "The banking industry should be there just to provide support for these businesses, as it is in Germany. We get away from the idea of investing for short-term gain."

He is encouraged that the trend for insuring against on-demand bonds, rather than customer risk, is enabling the industry to think longer term. "A financial problem remains in the industry – retention," he says. "In the oil industry, we supply the customer with an on-demand bank bond and the bank can reclaim money after we deliver.

"Government is providing help with a new facility from UK Export Finances (until recently the Export Credits Guarantee Department). They always insured banks against customer risk, but now they insure against 80% of the bond. That has made an enormous difference to investment in this industry.

"During the credit starvation a lot of businesses in our field were sold to foreign companies. Thanks to the bonds that problem doesn't exist any more – our industry has real opportunity for steady and sustained growth."

Such thinking at an earlier stage might have protected smaller British interests in the North Sea, argues Shepherd. "When the North Sea resources first began to be recognised, British firms made up a large proportion of the companies there," he says. "But because of the lack of government support, they couldn't compete and were sold to French, Norwegian, and American companies. Now we have this facility to enable British firms to grow over time, and the government must stick with it."

The North Sea now provides about 22% of Alderley's turnover and Shepherd says that establishing a major share of the maintenance and small capital works market is "an important part" of his company's business plan. "There are three niche markets in oil field equipment – the North Sea, Africa and Europe," he says. "But we have just set up in Dubai and are looking long-term to open up other markets in which to design equipment. There's Australia, where there's a discovery of huge natural gas reserves, Russia, where the re-emergence of BP will help us, and Libya, where there is a big opportunity now, following the Arab Spring."

About 84% of Alderley's turnover derives from outside the UK and contributes to its healthy balance sheet. The company's imminent year-end accounts to September are expected to continue the trajectory of the 2010/11 figures, which saw turnover up from £43.09m to £54.4m, operating profit rise from £3.92m to £5.83m, and post-tax profit climb from £3.70m to £5.49m.

Alderley is spending that money in a way consistent with its core value of long-term sustainability over short-term profit – on staff, technology and facilities. And Shepherd says he is proud that Alderley has provided and installed more than 500 pieces of machinery in systems across 20 of the world's key oil- and gas-producing countries.

He has come a long way since graduating with an engineering degree from Cambridge and working at ICI and The Nuclear Power Group, before he and a friend started their own fabrication business.

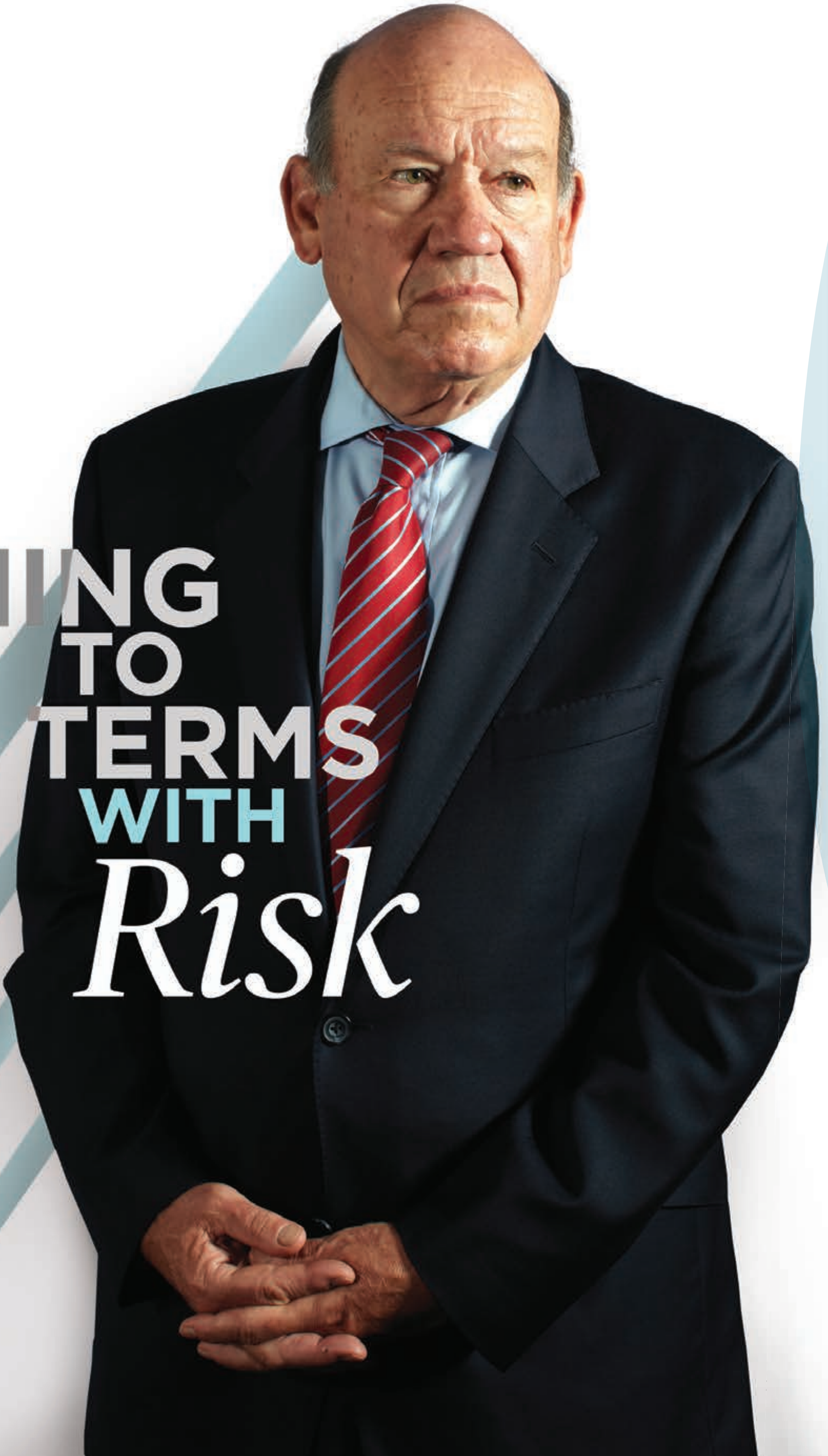
And while keen to remain as chairman at Alderley for the forseeable future, Shepherd is delighted that his daughter is an established member of the company's executive team, ensuring the family business will remain just that for at least a generation to come.

"What the family does with the business after I'm gone is up to them, of course," he comments. "But naturally I hope it will continue to grow and that our successful business model continues.

"And we will continue to look to the long-term picture. It doesn't matter how many people offer to buy the business, I'm not selling."

The Squeezed Middle campaign is supported by Lloyds Bank Wholesale Banking & Markets. For more information, visit lloydsbankwholesale.com/growthchampions Read more coverage of the campaign at icaew.com/economia/sqzmid

COMING TO TERMS WITH *Risk*



TINA HILLIER

Concern about how the financial crisis was allowed to happen led to soul searching in the accountancy profession. Lord Sharman talks to **Richard Cree** about his eponymous report

Officially, Baron Sharman of Redlynch retired last summer. The former auditor (who went on to chair KPMG International) left a parting gift to the profession in the form of what he calls his "last great magnum opus", namely the report of the Sharman Inquiry into going concern and liquidity. Since stepping down from practice, Sharman has been ever-present in Britain's boardrooms. He has been chairman of 14 public companies and on the boards of another five. His more prominent positions include spells in the boardrooms of BG, G4S, Reed Elsevier and Aviva. From the House of Lords he has also been heavily involved in shaping the UK's corporate governance code. With such a CV it was no surprise the Financial Reporting Council (FRC) turned to him when it was looking for someone to chair its investigation into the effectiveness of the going concern regime. This was partly launched as a response to the criticism of auditors during the financial crisis of 2007/8, when several major institutions were passed (by auditors and boards) as going concerns a few months before collapsing or needing government bailouts.

On one reading, the Sharman Inquiry's report is the culmination of a lifelong mission to promote transparency, driven by a desire to rescue accountancy from what Sharman describes as a "crisis of confidence". He says he's seen a collapse during his career in the way the profession is perceived.

"When I embarked on a career in accounting as an articled clerk in the City, chartered accountants were people of status. Today they are rated marginally above estate agents. This is partly because we haven't been prepared to talk openly about what we do, and what we get right and wrong."

It's an issue he's spent his career countering. While senior partner at KPMG he dealt with a previous bout of the jitters in the profession by breaking ranks and publishing the firm's full accounts, including details of partners' earnings. It made him few friends at the top of the other major firms (all of whom were obliged to follow suit), but he says it was worth it.

"People must have confidence in what accounting firms do, which means there has to be greater transparency," he says. "The rest of the firms behaved like it was the end of the world, but in fact it showed we weren't paid that much and highlighted what good value companies got from us."

Nick Winters, RSM Tenon

"As auditors, we are responsible for obtaining sufficient evidence regarding the appropriateness of management's use of the going concern basis in financial statements. At present, financial statements often make little comment on going concern but this can frequently form a significant part of our work as auditors, so sharing some of this process with the readers of accounts can only be helpful.

"Lord Sharman's recommendations include handing an enhanced role to the auditor by providing a specific statement in the auditor's report on the directors' going concern assessment process and its outcome, and also to consider that process and the narrative disclosures. We support all of these recommendations, and the desire to provide greater transparency on how directors reach their assessment of going concern. But while such additional information will be interesting and informative, it can only make a minor contribution to making the business world safer."

He has also campaigned for greater public scrutiny of audit and was always frustrated that he wasn't allowed to publish KPMG's Audit Inspection Unit (AIU) reports. He jokes that he "got his own back" on the FRC by being part of a group of peers who forced an amendment to the 2006 Companies Act that made the AIU subject to the Freedom of Information Act.

So it's no surprise that a central theme to emerge from the Sharman Inquiry report was the need to encourage sharing of information. For Sharman, though, there is a more fundamental starting point, which is to establish what we mean by "going concern". This goes beyond semantics. There is, he says, confusion around how close to collapse an organisation has to be before it fails to qualify as a going concern. Even the three-man Sharman panel was initially unable to agree. "This inquiry involved three senior people sitting in a room with differing views of what it means. And what came out of the evidence was the startling range of opinions about what it means to draw up annual accounts on a going concern basis. One view said you'd only have an exception if the liquidator was already in a taxi on his way round.

"We didn't have the time or resources to address what it should be. But achieving this common understanding is important and it is urgent. While the FRC has got to lead on this, it needs to bring international bodies together so we have something harmonious."

The FRC has already taken steps toward finding this common understanding, as a spokesman explains: "These international bodies move quite slowly, but there have been discussions with the IASSB and the IASB and they are both engaged on this now."

Beyond getting everyone signed up to a common language, Sharman admits the key is to use the concept and any framework to encourage better behaviour and to develop a stronger understanding of risk. "We need to get people to understand that the purpose of the going concern assessment is not just to sign off the accounts or a prospectus, but to encourage the right behaviour by boards in taking appropriate levels of risk and then managing those risks. The way we think we can get that done is by making it clear you put all of that information in one place in the annual financial statements and then ask the auditors to confirm, by not saying anything, that they are OK with it."

The Inquiry was launched partly to address the issue of audit failures during the financial crisis, and Sharman is happy to concede the profession was partially to blame. But he is quick to add that directors and regulators should also be in the firing line.

"Going concern is the directors' job. They are legally liable if they trade while they are insolvent," he says. "One key thrust from this report is that we want to encourage the right behaviour from directors. This is not about a set of rules.

"People must have confidence in what accounting firms do, which means there has to be greater transparency"

Andrew Hobbs, Ernst & Young

"It remains an unfortunate fact of life that some businesses will fail. There is no silver bullet solution. That said, we very much agree with Lord Sharman that communications about going concern by boards and auditors can be improved and we are keen to help ensure what comes out of the FRC is workable. Picking up on just two of the recommendations, assessments of solvency can be a difficult issue for some companies so we will be looking closely at any draft guidance on the point. In relation to auditor communications, it will be important for the FRC to work in tandem with the IAASB where there is crossover."

We want auditors to stand behind the good behaviour of directors."

In recent years there has, says Sharman, been a failure to consider risks arising from both solvency and liquidity. "To draw the distinction, we see liquidity as the ability to generate cash in the short term. That tends to be the focus of a lot of organisations outside financial services. In financial services there is more focus on solvency, because of regulatory requirements. But you have to consider solvency over the full cycle. In industries with capital-intensive, long-term projects, you have to be sure that once you start a project, you can finance it over its full cycle. It is not a one-year spend. Marrying solvency and liquidity into a real going

Fiona Hotson Moore, economia member panel

"The Report and Recommendations of the Sharman Inquiry are to be welcomed in furthering the debate on going concern, albeit the content is not unexpected. In my opinion the review of going concern is an area where company boards still spend insufficient time. Auditors should consider taking a greater role in educating stakeholders. The Report comes at an opportune time when the lessons of the economic turmoil of the last few years should be taken on board to improve the quality of financial information provided by companies. Let's hope that the FRC takes the recommendations into account when developing its future guidance, although I do have reservations over the proposal to include an explicit statement on going concern in the auditor's report as this would potentially extend the risk that auditors face."

> **"There are whole areas where you can apply the rules and come to one decision, then apply prudence and come to another"**

concern statement is vital." This is more about encouraging the right behaviour than about setting down rules. His "old-guard" credentials come to the fore when this inevitably leads to a discussion of the role prudence plays in accounting and in particular how emerging international financial reporting standards (IFRS) place less emphasis on it.

"Prudence means going beyond what the book says. IFRS has engendered something those of us of a certain age have always worried about, which is the difference between the US and the UK. When we were growing up as young accountants we were proud that there were broad guidelines and then you exercised judgement. The US attitude was 'is it in the book and does it comply with the rules?' and if it did, great. IFRS is moving us toward that attitude. Evidence we collected showed it has instilled neutrality rather than prudence. I want people to comply with the rules, but then to be prudent as well. There are whole areas of judgement where you can apply the rules and come to one decision, then apply prudence and come to another."

Given that the inquiry was in part a response to the financial crisis, it is inevitable that its report should include a significant comment on the sector. Controversially, it doesn't suggest a separate or vastly different regime for assessing organisations within the sector. It does propose that going concern assessments for banks include an assessment of existing or potential bailout funds and the likelihood they would be available.

"There is no need for a separate regime, but it is not business as usual. It depends on banks, regulators, boards and auditors all having the information to make decisions and to be able to satisfy themselves that where special regime facilities would be needed to avoid a crisis they would be available and that the bank can avail itself of them."

Banks must be able to clearly show that they know a reserve is available and that they will be able to use it and also that there is a path to viability without it. This is an area where Sharman concedes transparency can cause problems. Although there are theoretically three situations a financial institution could be in (either all OK, bust and in need of support, or OK for now but with a qualifying statement over future viability), in truth the third situation can never happen for a bank. As soon as the qualification was released there would be a run on the bank and it would fail. "The breakpoint between these stages is something we have been agonising about. This report tries to define where one stops and the other begins. Transparency here doesn't help, in fact it is a disaster. There is always an element when an emphasis of matter becomes a self-fulfilling prophecy."

This is one way that the audit profession has defended itself against claims of failure in the financial crisis. "Qualifying the accounts [of the banks] could have been just as disastrous," says Sharman. "I sat in on the House of Lords inquiry, chaired by Lord McGregor, at which Lord Lawson got heated about auditors. When he was asked how he could sign off the accounts, Deloitte's boss John Connolly said: 'Well, we knew you would bail them out.'

"The failure [during the financial crisis] was everybody's and there are lessons for boards of directors, auditors and regulators. This issue of a common understanding of what going concern means is an issue for regulators and they have to get that right; the issue of risk and getting the right processes in place is a lesson for boards. And auditors have been reluctant to get involved in helping their clients come to terms with risk and I think there is an opportunity here."

Robert Hodgkinson, executive director, technical, ICAEW

"Against the backdrop of the financial crisis, Lord Sharman's report on going concern is a welcome step forward. It recognises that going concern should be integral to existing assessments of corporate risk. Instead of being reported upon only by exception, going concern would be considered alongside other risks in the directors' report. Another welcome conclusion is the even weight Sharman gives liquidity against solvency. This distinction may perhaps have greater relevance in the banking world, but a greater focus on the viability of the business model seems a more rounded way of looking at going concern. However, I do feel the report overreaches in suggesting the measurement of solvency over the longer term."

The *flipside* of banking

With his focus on customer service and refusal to raise funds through wholesale lending makets, Metro Bank's **Vernon Hill** is shaking up the UK banking sector. Richard Cree gets an insight into his thinking

Not many analyses of what went wrong with banking during the financial crash mention McDonalds or John Lewis. Indeed, few people seem to connect retail banking with the wider retail sector at all. Vernon Hill has been on a lifelong mission to change that. Having founded Commerce Bank in the New Jersey town of Marlton in 1973, he sold it to Toronto-based TD Bank for $8.5bn in 2007. Not bad for someone consistently dismissed as being wrong.

Hill has followed up this success by launching the UK's first new bank for 100 years. Metro Bank is built using the same model that worked for Commerce Bank. But the original inspiration for that model came from an unlikely source. In the late 1960s, Hill worked in property development and worked closely with the McDonalds founder Ray Kroc, developing sites for the new fast-food chain.

Having studied banking at university, Hill realised a more customer-centric model could easily be applied to the banking sector, allowing his new bank to stand out from the crowd. "When we launched Commerce Bank there were 24,000 banks in America. We had to find a way to be different. I took some of the McDonald's view of life and adapted it to banking."

There was more to success than just good service. The service allowed the bank to pay less on deposits. And it meant that it could attract a better mix of deposits. "I realised that customers care more about service than about rates. We grew at 25% a year and were the low-rate payer. Over time our cost of money was lower than the market by about 75 basis points. That was down to low rates and a better mix of deposits. It took 18 years to grow Commerce Bank to $1bn in assets, with Metro Bank it has taken us just over two years."

One reason Hill is confident the business will succeed is the lack of anything similar here. "We are what in America we call a community bank. That means you are part of the community, you know the customers," he says. This is different from what he dismisses as the "product sales model" in British banks. "We have learned to grow the community banking model onto a large scale."

Some analysts question the stability of a bank expanding at approximately 300% a year. But Hill doesn't see this growth slowing. The business is funded by private investors, with talk of a listing in 2014. Hill and his co-founders have raised a total of £250m, mostly from American investors, with Hill owning 21% of the business.

There was a minor blip in September when co-founder and chairman Anthony Thomson left, issuing a statement about not wanting to run a public company. And all those fancy branches and long hours don't come cheap. The business continues to lose millions, although it claims it will break even in 2014.

Hill claims the mainstream banks have "been too busy with other stuff" to pay Metro Bank any attention. But should customer defections continue, they will start to take notice. Not that Hill is worried. He may not be a user of market research, but he uses net promoter scores. This is the percentage of customers who recommend a company to their friends. Hill says that UK banks have negative net promoter scores. "I had never seen a negative net promoter score until I came here. It's astonishing."

One major difference in the business model is how the bank is funded. "When we sold Commerce it was the 18th largest bank in the US but we had no debt and no wholesale funding. Metro Bank is the same and I don't expect that to change. It is funded by stable, lasting core deposits. European banks are more heavily into the wholesale money

CORBIS

markets. But it is core deposits that create lasting value," he says.

He is also confident the company culture, with its relentless focus on customer service, will pay dividends. "Culture is even more important in a rapidly expanding start-up," he says. "Being new is a plus. We have modern, new IT systems, whereas the rest of the banks have old, legacy systems. The challenges we face are growth challenges. How can we grow 300% this year and 200% next year? And how can we keep growing at these rates and not weaken the company and culture."

The key, says Hill, is to recruit people with the right attitude and then train them well. "You have to be fanatical about how you execute your model. If you get this right, and we know the brands that do, you build a base of fans who are loyal and bring in friends."

Hill admits that the idea of disruptive entrepreneurs in banking is not obvious. "The idea of new banks and banking entrepreneurs is not a European one," he says. "It is more an American tradition." But he is adamant Metro Bank will improve competition in the market. "The big banks claim the UK is highly competitive. There are six banks in the UK and 173 in New York. Draw your own conclusion. You don't get competition unless you get choice.

"Evidence from the US shows small banks have better relationships with small business. Most small business lending in the US is done by community banks. They have direct relationships with the customer. The more separate the banker is from the client the less credit there is and the weaker the credit is."

He says UK banks have failed SMEs. "Banks don't have lending authority. Decisions go to credit committees. They make them on the numbers and not people. Small business lending is a people business. You have to read the numbers, but in the end experienced people have to look other people in the eye and make a decision. And you make more loans and better loans the closer you are to borrowers. If you have payment problems, are you going to pay the guy around the corner or the big national bank where you don't?"

WHAT'S SO DIFFERENT ABOUT METRO BANK?

From its glitzy, glass-fronted branches (which it prefers to call stores) open for long hours, seven days a week, to promoting itself as dog-friendly (it offers dog biscuits and bowls of water), Metro Bank has set its stall out as being different. The focus is on a retail service model. As well as opening branches all week, it offers immediate services such as opening accounts (and switching direct debits) on the spot, and it prints credit cards in store. Co-founder Vernon Hill says each Metro Bank branch is opening an average of 700 accounts a month, twice the average rate for his last venture, Commerce Bank, in the US.

Hill is confident the branch-based model will work as well as it did in the US. "When we were building Commerce during the 1990s conventional wisdom was that the branch was dead and it was going to go to ATMs and the web. But customers want to choose their delivery channel. We like to offer the best of all those channels."

PORTRAITS BY DUANE NASIS

GET IN, **MAKE GOOD,** GET OUT

Peter Bartram meets five finance directors who've taken a chance in the high-pressure world of private equity

Jonathan Rhodes

is group finance director at UKDN Waterflow, a national drainage services company backed by Lyceum Capital. He worked in practice for Deloitte and in fund management before taking on his present post.

He's noticed a big difference to the way in which he worked at his previous firms. "Before, I was in established corporate environments," he says. "All the processes were in place and it was a case of following them and making sure the business was complying correctly."

But when Lyceum backed UKDN Waterflow in 2010, it embarked on an ambitious buy-and-build strategy.

"When you're changing a business so fast, it's all about keeping the wheels on the van turning while making huge changes to the infrastructure at the same time," says Rhodes.

He says he'd had experience of change management in previous jobs - some involving outsourcing functions - but nothing like the fast-track change he manages at UKDN Waterflow. He's had to oversee overhauls to IT operating systems, financial reporting, the budgeting process and the method of acquiring new businesses among others.

"As FD in a private equity-owned portfolio company, you're involved in absolutely everything whether it's HR, IT or sales, and there is always a commercial aspect to everything," he says.

It's also important to provide information to investors in the way they want it. "In the early days Lyceum's expectations of a reporting pack were different from our perception of what they wanted," says Rhodes. He had been providing too many operational numbers, such as average contract values, and not enough information on cash reporting and trend analysis. That's since been corrected.

Rhodes points out that a portfolio company FD needs to be aligned with the private equity house's exit strategy. "The day a private equity house invests in a business is the first day of the exit strategy for them," he says.

Gerard Keenan

started working for courier company CitySprint when it was still a family-owned business. In 2010, he joined a colleague in leading a management buy-out backed by private equity house Dunedin and is now CitySprint's finance director.

He says the switch from a single owner, that knew the business intimately, to private equity meant communication became more important. "The investors must be confident about what you're doing and you must seek to build trust very quickly," he says.

The focus of an FD in a private equity-backed business can change as it moves through its investment cycle. "In the first year after the MBO, we did a lot of investment backed by Dunedin," he says. Keenan and his management team were able to tap into Dunedin's extensive experience of debt financing, for example.

Keenan has noticed a big difference between working as an FD in a family business and one owned by private equity. "In a family business it's about whatever the owner wants and you have less say. In private equity, there's more of a team effort. But you've got to work towards the private equity house's exit."

And Keenan warns that partners in private equity houses are experienced in the ways of finance. "They all understand numbers and what's going on, so you can't pull the wool over their eyes. At the outset you'll have sold them a business plan. You've got to show them you're doing what you wanted to do."

Simon Oldfield

is chief financial officer at Matrix, an energy management company backed by LDC. He spent more than 20 years in practice before joining the private equity-supported firm. The big difference, he says, is between giving advice and being responsible for implementing decisions - a huge shift in thinking.

"The years in practice were a bit like doing a very extended MBA, where you're hit with a wide variety of case studies," he says. "When I come across a practical challenge here, I look back on advice I've given in similar situations and try to learn from the best example I saw in practice."

Another key difference is that LDC expects him to have a detailed knowledge of Matrix's marketplace. "I need to contribute to identifying and making game-changing strategies for the company," he says.

One such game-changer was the opening by Matrix of an energy management centre in Glasgow. Through remote connections it monitors energy use in 30,000 buildings across the UK. "No other company has anything like that," he says.

Oldfield had to conduct the risk and reward analysis - traditional investment appraisal work most FDs would expect. He didn't expect to have to find the building, negotiate the lease and fit-out costs, and help with the project management through to opening.

Oldfield says: "I'm just one of a small team of managers who are responsible for the success of the business. Whatever needs to be done, we will carve it up between one another and get on with it. That doesn't always reflect where traditional skill bases may be."

The big issue in the mind of a portfolio company FD, says Oldfield, is creating shareholder value. "Pretty much every decision we make, whether it's a big acquisition or spending £2,000 on new furniture, comes down to what impact that will have on the value of the business," he says. "That's our approach."

Ian Findlay

is finance director at Office, the shoe shop chain backed by Silverfleet Capital. He spent time in practice and then in an FTSE 100 company before taking on his current role.

He suggests there are more similarities than differences between a quoted company and being a private equity portfolio company FD. But he says that in the world of private equity an FD needs to have sound technical accounting skills, to be commercially aware and also to understand the growth drivers of the business.

"Perhaps more than in a quoted company, the FD in a private equity firm is typically an ambassador for the business," says Findlay.

To an extent it's a cliché for all FDs that they should deliver no surprises. But in the private equity world it's critical, says Findlay. He reports key sales and margin numbers to Silverfleet every week. "That forms a platform for regular discussion and explanation," he says.

According to Findlay, FDs in the world of private equity should expect to find themselves stretched because of unusual events such as making an acquisition or planning for an exit, which are layered on top of the daily routine.

But like other FDs who've moved into the private equity world, Findlay loves the work. "I like the energy of being in a business that is extremely focused on meeting its objectives and its strategic growth story," he says. "There is a good alliance of goals so you get the sense everybody is pulling in the same direction."

FANCY BEING A **PE FD**?

If you're applying for your first job as FD in a private equity portfolio company, be warned: the selection process is not for wimps. It's easier to get into MI6 or the royal enclosure at Ascot than the boardrooms of some private equity firms.

Expect to find your career subjected to a 360 degree examination, with the spotlight turned on your successes and failures. Don't be surprised to be asked to undergo psychometric testing and take part in team-based assessments.

"We'd not be looking for someone who has been hopping between jobs, but rather someone who has learned from each role and challenged themselves," says Nicol Fraser, a partner at mid-market private equity firm Dunedin. "Strong candidates are people who've left a job because they wanted to gain new experience."

"We're looking for somebody who can sit at the top table and hold an informed debate," says Gareth Whiley, a partner at Silverfleet Capital, which specialises in mid-market buyouts. "They need to be of a calibre to take on the CEO over his brilliant idea that the company can't afford in its present structure."

In short, yes-men and women need not apply. But what skills will an FD need to showcase during the selection process? Financial management and control skills must be robust, says David Petrie, head of corporate finance at ICAEW, who has sat on many a private equity selection panel.

"You must demonstrate good visibility and control of margins – often at a greater degree of granularity than would be reported in a public company," he says.

Communication skills are also important. "A private equity portfolio business is by definition always up for sale," says Petrie. "That creates a degree of uncertainty, particularly among customers and suppliers. So the FD has to be excellent at managing all the stakeholders in the business."

When Whiley interviews FDs for one of his businesses, he's looking for good skills in cash management and treasury functions. "Certain businesses can generate a large amount of profit but make no cash," he points out. "That won't work if you've got bank loans to service."

But he adds: "The acid test for any FD in our world is if things start to wobble. A good FD has his eye on the forecasts, not just on backward-looking reporting."

So if you're applying for an FD post in the private equity world you'll need to demonstrate top-class skills across a wide range of activities. Even that won't be enough. "You must have large dollops of personality," says Whiley. "You're likely to be part of a small, fast-moving team in a buy-out and everybody needs to pull their weight. In MBO-land, we need FDs to roll up their sleeves and get stuck in."

Most important, says Petrie. "You need to be motivated by money. Private equity owners are and they find it uncomfortable if FDs aren't particularly interested in making a good exit."

So the message is pretty clear: if you're not a success at getting out, you probably won't be getting in.

Jonathan Cook

is finance director at SLR Consulting, an environmental consultancy 34% owned by private equity house 3i. He'd previously been FD of a variety of main market and AIM-listed companies in the London Stock Exchange. Cook has noticed a big difference between reporting in the quoted company and private equity worlds. "In the public world it's more formulaic in terms of timescales," he says.

Institutional shareholders and analysts pore over the numbers. "With private equity investors the communication is more informal, generally once a week," he says. "The monthly board meeting takes on a different role."

The key issue, Cook says, is aligning the goals of the private equity shareholders and management shareholders. "With 3i, we agreed a medium-term strategy three years ago when we could see the UK going into recession. We decided to grow organically and through acquisitions around the world."

Cook describes the relationship with 3i as a "consensual partnership". He says: "They largely leave us to get on with it." But that is partly because in this case 3i has a minority shareholding and therefore limited influence.

Even so, Cook is clear he wants 3i to buy into SLR Consulting's medium-term plan. "We have three- to five-year plans we revisit annually," he says. "The exercise focuses us on the detail which helps us to persuade the banks that their debt investment is good."

Cook says that it is vital for an FD in a portfolio company to have a good relationship with the chief executive. "You spend a lot of time in each other's company and you need to make sure there is a good personality fit."

The central strategy, he says, is to maintain the medium-term view. "You should take capital growth across the medium term as your key driver because that will normally align you with your private equity investors."

CUTTING OUT THE BANKS

Peer-to-peer lending is in its infancy, but it has the potential to radically transform the funding landscape for SMEs. Sally Percy reports

To paraphrase Plato, "Necessity is the mother of invention." The Greek author and philosopher made the observation in *The Republic* more than 2,300 years ago as he contemplated the concept of statehood in his iconic work, not the funding problems that plague 21st century SMEs following the meltdown in the global banking sector. Nevertheless, his words help to explain the evolution of the peer-to-peer (P2P) lending industry over the past seven years.

Along with other innovative business models, P2P lending [*see explanation, below*] owes its origins to the internet. The world's first consumer P2P lending website, Zopa, launched in the UK in 2005 by the team that helped found internet bank Egg. But P2P lending to businesses has accelerated as a result of the global financial crisis and its repercussions for banks. Under pressure to boost their capital ratios, banks have cut funding to SMEs, which they tend to view as relatively high-risk.

According to the Breedon Report, published in March, there will be a funding gap of an estimated £26bn to £59bn for SMEs during the next five years. Meanwhile, continuing low interest rates have reduced the returns that savers get on their money in bank and building society accounts, leading some individuals to seek out riskier investments that generate higher yields.

It is against this background that P2P lending for businesses has taken off. Funding Circle, the UK's best-known P2P lending platform aimed at SMEs, was launched in August 2010. It has organised more than £50m in funding so far, with average interest rates in the region of 9% to 11%. Loans are usually for one, three or five years and can be used for a range of business purposes. Other P2P lending providers include Thin Cats, Encash and FundingKnight. What these providers tend to have in common is an emphasis on transparency, low costs and a customer-friendly approach – the opposite qualities of those associated with banks. And given that P2P lenders represent one of the great hopes of SME funding – along with the proposed state-backed business bank – it's no wonder they are attracting great interest.

"There are a lot of new names setting up. They're doing small volumes at the moment, but they're only just starting," says Martin O'Donovan, deputy policy and technical director at the Association of Corporate Treasurers, which recently co-sponsored a report, entitled *Seeds of Change,* on non-bank funding for SMEs with the Centre for the Study of Financial Innovation. "But the potential is huge. Their business model could be scaled up to fund in the multi-millions."

Simon Deane-Johns, a P2P expert and consultant lawyer with Keystone Law, says P2P lending platforms are a sensible option for both lenders and borrowers. "It's a more efficient way of moving money from those who have it to those who need it because there is no bank in the middle. The platform operator is not treating the participants' money as its own."

From an SME's point of view, P2P platforms offer many attractions. "You should get a fast decision," says Graeme Marshall, an ex-investment banker and the CEO of crowd lending platform FundingKnight. "You get cost transparency and there is less documentation." On top of that, the interest rates charged are reasonable (usually in the

Peer-to-peer lending is the principle that one party lends money to another without the involvement of an intermediary such as a bank. This lending takes place via an online auction platform run by a provider that carries out due diligence and credit checks on prospective borrowers. Interest rates are either set by lenders who compete for the lowest rate on the reverse auction model, or are fixed by the intermediary company on the basis of their analysis of the borrower's credit. Lenders can reduce their risk by diversifying their investments among different borrowers but their investments are not protected by government guarantee. Minimum investments may be as little as £25.

MAGGIE LI

"As an industry we stand or fall by how effective we are at screening loans so that we don't have a lot of failure. The bad debt record of the industry is good"

region of 7% to 12%) and although a platform may ask for personal guarantee, it is unlikely to demand a charge on a business owner's house the way that a bank might.

When assessing an application from an SME to auction a loan, FundingKnight looks at the company's track record and the management team. It likes the company to have been trading for at least two years (the P2P lending industry generally steers clear of start-ups) and wants to see the last set of filed accounts (the unabbreviated version), management accounts up to within three months of the application, and cashflow forecasts for the period of the loan and three months beyond. It also reviews the company's business plan and wants to know about other loans it has and the background of its senior management team. "If they have a history of county court judgements and corporate failure, you don't want to lend to them," says Marshall. FundingKnight also runs credit checks and does its own evaluations, which it publishes on its site.

The fact that P2P online lending platforms apply this level of scrutiny shouldn't be a surprise, says Guy Rigby, partner and head of entrepreneurs at Smith & Williamson. "The vast majority of these loans would have been made by banks until 2007. So a loan going through one of these platforms should face quite a lot of hurdles. It's not an easy option. Don't think you can hoodwink them."

When choosing a platform, companies need to consider the interest rate, loan period, whether payment holidays are available and how much sensitive information will be published on the site. "You need to look at the terms and conditions," says O'Donovan. "The danger with any borrowing is that you get your hands tied by the lender." Rigby points out that business owners shouldn't necessarily neglect the consumer P2P lending platforms Zopa and RateSetter. "A lot of people may borrow money personally to put into the business," he says. "If you structure it correctly, you can get tax relief on the interest, as you would with a business loan."

RISKS AND REGULATION

But P2P lending is not without its perils, particularly for investors. Given that P2P lending rates are generally comparable with bank rates - but without the hefty arrangement fees charged by banks - O'Donovan believes that SMEs are getting "a pretty good deal" from the platforms and questions whether the borrowing rates accurately reflect the risks involved. "Are we sure investors know what they're going into and do they know the risks?" he reflects. "I suspect the answer is they don't really know. The model relies on people spreading their investments."

"Of course there's a risk because people are lending directly," says Marshall, but he adds: "As an industry we stand or fall by how effective we are at screening loans so that we don't have a lot of failure. The bad debt record of the industry is good and we have to keep it that way."

Fortunately, the P2P lending industry is acutely conscious of the need to preserve its good reputation and key participants have taken steps to identify and manage the main risks. In 2011 for example, Funding Circle, Zopa and RateSetter formed the Peer-to-Peer Finance Association, which Deane-Johns helped to set up. There is also a push by the wider P2P industry for regulation to help

PEER-TO-PEER LENDING: WHO'S WHO

Encash

A P2P platform that lends to both consumers and businesses. Borrowers complete an online application, outlining their business strengths, loan purpose, amount, duration and desired interest rate. Minimum business credit criteria apply.

yes-secure.com

Funding Circle

Funding Circle makes loans of between £5,000 and £500,000 to limited companies or LLPs with a minimum turnover of £100,000. They need two years' filed accounts with Companies House to apply. Prospective borrowers find out within two days whether their request for a loan auction has been successful.

fundingcircle.com

FundingKnight

Founded in 2011, FundingKnight describes itself as a "crowd lender to businesses". It makes loans of between £10,000 and £100,000, charging an upfront arrangement fee of 2.5% for a loan of up to a year and a further 0.5% for each year or part year after that.

fundingknight.com

RateSetter

RateSetter is a consumer P2P lending site that has arranged personal loans worth more than £35m since its launch in October 2010.

ratesetter.com

build consumer confidence and ensure platforms grow responsibly. "But regulation must be proportionate so as not to stifle innovation, raise costs and make P2P services more complex rather than staying simple and transparent," observes Deane-Johns.

At present, regulation is patchy and only some aspects of P2P lending to consumers and small businesses fall under the Consumer Credit Act. According to Deane-Johns, the industry would like the Financial Services Authority to oversee all P2P finance in a proportionate way by creating a new, regulated activity of "operating a direct finance platform". This month representatives from the P2P industry will attend an EU summit on financial innovation to discuss changes required at European level to help foster growth in the sector, such as amendments to the Prospectus Directive and the Markets in Financial Instruments Directive (MiFID).

But while the future looks bright for P2P lending, no one pretends that the road ahead will be smooth, not least because of the major reputational issues involved. "I have no doubt that there will be accidents, with lookalikes or less well-run platforms taking greater risks," observes Rigby. "But this could be a very large industry in time."

"I see it becoming a sensible investment option across the board," says Marshall. "The key is the existence of a secondary market so that investors can access their money rapidly because other people will buy the loans off them." Meanwhile, the UK government is desperate to support SMEs, which it sees as the passport to economic growth, and has allocated £100m of Business Finance Partnership scheme funds to non-traditional investment channels that can reach smaller businesses. This could include peer-to-peer lending. It has also created a cross-departmental working group to monitor the P2P lending regulatory regime and engage with the industry.

If P2P lending is to thrive and grow, then regulation of the industry certainly needs to be brought into the mainstream. But as the tribulations of the banking sector have shown, that is no guarantee of sensible, ethical behaviour.

As Plato put it: "Good people do not need laws to tell them to act responsibly, while bad people will find a way around the laws." Let's hope that when it comes to P2P lending, he is proved both right and wrong.

CORPORATE FINANCE FACULTY VIEW

"The faculty is an admirer of P2P lending organisations, and their business model, in achieving very rapid growth and developing successful small- and medium-sized businesses in a market place that is established, and that is dominated by the high street banks.

"They represent a tiny fraction of lending to UK business, but have managed to attract a disproportionate level of profile at very low cost. The sector demonstrates textbook use of social media, free press and raising its profile through contributing to government reports on lack of funding. P2P lenders could only have achieved more press if one of them had failed.

"They are one of the few sectors of the financial services sector that's asked for regulation – the faculty sees this as a refreshing and helpful development. It could be an acknowledgement, however, that the supply of credit to their businesses may be about to dry up, with lenders worried that a P2P company may fail. Why else would they ask to be regulated?

"Businesses still need banks and the facilities they provide that P2P companies don't, such as current accounts for payroll. The banks ought to be best placed to provide short- to medium-term loans."

Despite claims to the contrary, Petrie says P2P lenders are not increasing the supply of investment, but are rather taking a share of existing bank lending. "They are not solving the problem for SMEs that don't have assets to offer as security against business loans."

David Petrie is head of the Corporate Finance Faculty

ThinCats

ThinCats describes itself as "an investment club for experienced investors". It makes loans of between £50,000 and £1m at fixed rates, using an auction. It requires security for loans and focuses on a small number of relatively large deals. Since it began operating in January 2011, it has had no losses.

thincats.com

Zopa

P2P lending pioneer Zopa is an award-winning consumer finance platform that offers competitive rates on personal loans. It has around half a million members who have now lent more than £247m between each other.

uk.zopa.com

The Peer-to-Peer Finance Association

The Peer-to-Peer Finance Association is the first trade body of the UK P2P lending industry. It has set out nine key rules and operating principles for the "transparent, fair, robust and orderly operation of peer-to-peer finance platforms". These rules cover systems and controls; minimum capital requirements; segregation of participants' funds; rules governing the use of the platform; clear and fair marketing and customer communications; secure and reliable IT systems; fair complaints handling; the orderly administration of contracts in the event a platform ceases to operate; and the use of appropriate credit assessment and anti-fraud measures.

p2pfinanceassociation.org.uk

The professional

After 40 years as an accountant, Sir Michael Snyder believes the profession's value is based on trust and experience – which regulators don't always appreciate. He tells **Gavin Hinks** why it deserves respect

It may have been the swinging Sixties, but 44 years ago when Michael Snyder considered his future as he left school, the seismic shifts in culture and society failed to distract him. A talk at a careers evening in school was all the seduction he needed, when a former pupil returned to speak about his time as an accountant.

"He described what it was like being an accountant in practice – which wasn't remotely boring, but interesting – and how he got involved in all aspects of business. And I liked the idea. It was a good qualification, regarded as one of the foremost qualifications in the world and I chose to go straight in, much to the chagrin of my headmaster."

The year was 1968. Four decades on and the man who disappointed his head teacher by not going into further education has been knighted (2008), is both managing partner and senior partner of Kingston Smith, the firm he has been with all his working life, and is a former leader of the City of London Corporation (he remains a councilman).

He also advises ministers and top civil servants through his chairmanship of the Professional and Business Services Group, a body that advises on the economic and regulatory issues affecting the largest industry sector in the UK.

Sir Michael became senior partner of Kingston Smith, a top 20 firm, in 1990 having managed it for 11 years. He is, in short, one of the most experienced and well-connected practice accountants in the country.

With more than 40 years in the profession, Sir Michael has seen trends and changes come and go. There have been so many he admits it is difficult to know where to start. He believes, however, the big improvement in that time has been the transformation of accountants from professionals who sat quietly waiting for clients to come through the door to those who actively market and compete for work.

"That means everyone is much more on their toes," he says, adding that it has made the profession more efficient. He complains, however, that the attitude to professionals has changed significantly and unfairly. He says the popular view is to "denigrate all professions and institutions" – a transformation he believes may underlie the stance of regulators that continue to issue new demands and edicts.

As respect for the professions has dwindled, so the desire to impose more rules has intensified. This is a pity, says Sir Michael, because the "respect used to also engender a powerful sense of responsibility. People should be respected and trusted, inevitably with a bit of privilege. But with that respect and with that trust goes an absolute obligation to behave properly to carry out your work and be held accountable for it."

Regulators now demand detailed proof that work has been undertaken, says Sir Michael, citing the International Standards on Auditing. "I don't think that's an appropriate use of time."

Of course the financial crisis has kicked off a major review of the role of auditors, the audit market and how to regulate it. But the Kingston Smith chief says auditors cannot be blamed for the crisis. In the main, he does not believe there have been a significant number of audit failures. The debate, he says, is not that auditors failed but that an audit as it currently stands fails to address the issues raised by the crisis.

Reforming audit, asking it to do new things, opens a new set of questions. "It's perfectly alright to have a public debate about what people want auditors to do. But the consequences of having different forms of audit and assurance have to be looked at in the round of what it will cost, what it means and if there are better ways of doing it."

Mostly though, Sir Michael remains concerned that the crisis has created an environment in which regulation has been able to proliferate unnecessarily.

"One of the reasons that the Professional and Business Services Group has taken up this red tape challenge is because we feel strongly that the business community needs to have more freedom from onerous and often petty legislation," he says.

"I think it's important we release those running firms from the need to concentrate always on regulation, to focus more on the growth of their businesses and, in the profession's case, on clients."

The crisis has, of course, damaged the reputations of many – bankers, regulators and some politicians. Auditors have fared no better or worse than others, according to Sir Michael.

And yet he sees some reasons for optimism. Applications for trainee roles at his firm are "buoyant" and are coming from good-quality applicants. "They get an extremely good awareness

RICK MORRIS PUSHINSKY

of what happens in, and how to help, business," he says. While the financial crisis may have brought about its own changes, some things remain immutable. Having run and served with Kingston Smith man and boy, Sir Michael says the aims of the firm have been constant.

"The numbers and some of the details may have changed, but we've always said we want to be part of a well-thought-of firm. We've always said that quality is the most important thing, and client service, and that we want to grow. Not in an uncontrolled way that loses the culture and ethos of this place but steadily and to give the service our clients need in a changing world."

But expectations have moved on. As competition has increased, the firm, with annual revenues of £40m and 60 partners, has increasingly specialised in specific sectors including manufacturing, the automotive industry, charities and education.

The advance in communications has changed the relationship with clients, according to Sir Michael, though he insists its immediacy is for the better. It's what clients expect from their service that has been perhaps the biggest shift. Clients are less concerned about compliance and more about added value.

"Not all clients are the same, so it's difficult to generalise," he says. "Clearly a minority of businesses buy services as a commodity. They want the cheapest bidder and they want a minimalist service. I'm not sure they necessarily get the best value from professional advisers. There is a bigger proportion that does actually value the holistic service."

And with that goes a focus on personal relationships. Sir Michael eschews the idea of making Kingston Smith more of a corporate experience for its clients, as some firms have tried to do in recent years. It may be a contemporary approach, he says, but not for him and his firm. "I don't believe that's what truly makes the world go round, or what clients actually want," he says.

The future will hold challenges though. Reforms announced earlier this year by business secretary Vince Cable exempted more SMEs from having to have an audit. That said, Sir Michael is firmly of the opinion that businesses will continue to need experienced advisers. Life is "too complicated" and past research indicates businesses that continue to take professional advice are those that weather financial downturns most successfully.

"We all need some outside input from time to time. That does not mean we need to take advice in every pub we visit, because pub talk is not the most helpful way of getting advice. But when you are talking about proper, qualified, experienced professionals, then I think that is invaluable for a business."

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Briefing
Multi-employer pensions and disclosure frameworks

Key issues this month include employee ownership, new statements in annual reports and universal credits

MULTI-EMPLOYER PENSIONS

1 Accounting changes may be necessary for entities participating in multi-employer pension schemes under the forthcoming UK GAAP (group schemes are excluded).

In general, the new UK GAAP take a similar approach to these pension plans as current practice. In many cases they will be accounted for as defined-contribution schemes. But a question has arisen over the treatment of any payments agreed to make good a scheme deficit.

Currently under UK GAAP there is no explicit requirement to provide for these amounts, but under full IFRS a provision would be necessary. The IFRS for SMEs, the basis for the new UK GAAP, doesn't cover the topic and so it wasn't clear which treatment should be adopted.

The Accounting Council has now issued a new exposure draft, *Amendment to FRED 48*, which states that a provision would definitely be expected.

Comments should be sent to ukfrs@frc.org.uk

FRC CONSULTS ON DISCLOSURE FRAMEWORK

2 The FRC has drawn up a roadmap for a disclosure framework for financial reporting. This is designed to improve the quality and consistency of disclosures and to reduce clutter in financial statements.

The FRC believes there is a need to curtail the piecemeal approach to disclosures and develop a more coherent framework, so that they become more relevant to users' needs.

The roadmap is set out in the discussion paper *Thinking about Financial Reporting Disclosures in a Broader Context*. The FRC is keen to hear views on whether it represents a logical and sensible way forward.

The deadline for comments is 31 January 2013. Please email disclosure@frc.org.uk

BIS EYES STRATEGIC REPORT

3 A standalone strategic report will replace the existing business review in companies' annual reports under changes put forward by BIS.

All quoted companies with a year end after October 2013 will be required to produce the report, which is similar to the review but contains additional strategic information covering information on the business model, human rights issues and diversity. They will also have to disclose the number of men and women on the board, in executive committees and in the organisation as a whole.

The changes are intended to de-clutter reports and make it easier for shareholders to hold companies to account. The requirements being dropped (because they are out of date, meaningless or required elsewhere) cover: essential contractual or other arrangements; principal activities; asset values; charitable donations; payment policies; and acquisition of own shares.

UNIVERSAL CREDIT WORRIES

4 The government's plans for universal credit (UC) will cause major headaches for businesses, the ICAEW Tax Faculty believes. The faculty told the Work and Pensions Committee that the proposed system is likely to be as complicated as the existing rules and increase administrative burden.

For example, under the old rules self-employed people claiming tax credits submit a yearly income return, whereas under UC they will have to submit returns on a monthly basis and within seven days of the end of the month. This will increase their paperwork twelvefold.

The faculty also questioned the proposed requirement for businesses to report online. Use of the internet is not yet universal and people could struggle to make a claim, as they may not have the equipment or necessary competence.

Claimants will have to use cash-based accounting for the monthly reports. This worries the faculty because it could bring claimants into conflict with tax rules that are based on accrual accounting.

EMPLOYEE OWNERSHIP PLAN

5 The government is to explore the idea of setting up an independent Institute for Employee Ownership as part of its plans to encourage business to go down the employee-owner route.

It is also looking at an off-the-shelf model for setting up an employee-owned business, with the help of bodies such as ICAEW and the Law Society, which could be made available through professional advisers. The bodies would also develop guidance on tax issues alongside HMRC.

The plans are based on the recommendations in Graeme Nuttall's review of employee ownership. In 2011 there were around 250 such businesses, which together had an annual turnover of around £30bn and 130,000 employees. The government is keen to see their success replicated by other businesses.

To co-ordinate the plans, the government is establishing an implementation group with membership drawn from government, business, professional services and relevant employee-ownership stakeholders.

To find more technical updates visit icaew.com/economia/technicalupdate

Auto enrolment, revaluation deferred and BIS consultation

EMPLOYMENT LAW

Equal pay claims limit six years, not months
The UK Supreme Court has effectively extended the time limit for presenting equal pay claims from six months to six years.

The landmark judgement – *Birmingham City Council v Abdulla and Others* – was described by the solicitors for the claimants as "the biggest change to equal pay legislation since it was introduced in 1970".

The 174 claimants all worked in roles traditionally filled by women, such as cooks, cleaners and care staff. They had been denied bonuses given to staff in traditionally male-dominated jobs such as refuse collection, street cleaning and road repairs.

The bonuses meant that in some cases male workers in the same grade as the women earned over £20,000 more a year.

The claimants left their employment on various dates between 2004 and 2008. They brought their claim against the council in the High Court because they were outside the Employment Tribunal's time limit of six months from the date of leaving employment. The High Court has a six-year time limitation.

The council asked the court to strike out the claims on the ground that "they could more conveniently be disposed of separately by an employment tribunal". The High Court refused to do this, as did the Court of Appeal. BCC appealed to the Supreme Court.

BCC argued that although the High Court had jurisdiction under the Equal Pay Act to determine the claims, these should have been presented to the Employment Tribunal. It asked the court to rule that, unless respondents could provide a reasonable explanation for their failure to go to the tribunal, their claims should be struck out. What was the purpose in a strict time limit for presenting claims to the tribunal if those who failed to comply could go elsewhere?

The Supreme Court said that although it would be more convenient for the tribunal to deal with equality claims, the reasons for a claimant's failure to present them in a tribunal was irrelevant to the notion of convenience. Barring an abuse of process, such claims could never be "more conveniently disposed of" by the tribunal if, as soon as they were presented there, they were dismissed for being out of time.

REQUIREMENTS FOR IFAs
From 1 January 2013, all independent financial advisers who give retail financial advice must have a Statement of Professional Standing (SPS) that shows they hold an approved qualification. Only an accredited body (AB) can issue an SPS.

ICAEW became an AB in January 2012 in order to provide this service for its members and associated professionals – the only accountancy body to be awarded this status. As a professional body, it wants to be involved in raising standards in the financial services marketplace. ICAEW's AB scheme details, including regulations and an SPS application form, are available from icaew.com/sps

An SPS issued now is valid from 1 January to 31 December 2013 and everyone has the same renewal date. The cost is £100, which compares favourably with other ABs. ICAEW's SPS holders can also join the ICAEW Financial Services Faculty at a discounted rate of £75.

The institute has kept its AB scheme and the issue and monitoring of SPS status simple. It's primarily a service for those ICAEW members and member firms that provide retail financial advice; it helps them meet the new Retail Distribution Review requirements through their own professional body.

For further information, email sps@icaew.com

BIS PROPOSES NEW BANKRUPTCY ADJUDICATOR
Individuals will be able to apply directly to an adjudicator rather than go to court if they wish to be declared bankrupt, according to BIS.

The amendment is one of several proposed changes to the Enterprise and Regulatory Reform Bill. It removes the court procedure from the process when it is not needed, which should save time and money for those involved. Other proposed amendments in the forthcoming Bill include:

- exempting intermediary companies from the Estate Agents Act to encourage new businesses to flourish;
- removing automatic liability on business for civil damages in health and safety cases, when they are found not negligent;
- protection for individuals from committing the criminal cartel offence, by providing guidance and a legal defence;
- reform of the planning consent process for listed buildings to make it more straightforward;
- improved equalities measures, including removing employer liability for third-party harassment.

RATING REVALUATION DEFERRED
The government has decided to postpone the 2015 rating revaluation in England until 2017.

This means that businesses will have to pay business rates that were based on rents that were set when the property market was at its peak, in 2008, for a further two years.

Local government minister Brandon Lewis pointed out that, as business rates were the third biggest outgoing for businesses after rent and staff costs, deferring the revaluation would avoid local firms and shops facing unexpected hikes in their business rate bills.

The government says that the deferral is a one-off and it intends to return to the five-year revaluations once the economy has had a chance to recover.

PENSIONS AUTO ENROLMENT
Pensions experts have expressed concern about the lack of preparation among businesses over pensions auto enrolment.

Under new pensions law being implemented in stages over the next four years, employers will have to enrol all employees aged over 22 – and not already in a workplace pension scheme – into a suitable pension scheme and make sure that both employer and employee contributions are paid into it.

At first, an employee's contributions will only amount to a minimum of 0.8% of their pensionable earnings, with their employer required by law to add 1% to the pension fund. Eventually, minimum contributions are set to rise to 4% from the employee, 2% from their employer plus 1% in tax relief.

Two compliance deadlines for the UK's largest companies have already passed and 2013 will see staggered monthly deadlines for companies with payrolls varying from 500 to 50,000 employees. Smaller businesses will have to start complying in 2014.

A recent survey from pensions consultants Mercer found that 15% of employers with a compliance deadline in the first half of 2013 have yet to decide which type of pension plan to offer.

For further information, visit thepensionsregulator.gov.uk

BIS CONSULTS ON EMPLOYEE OWNERS

BIS has issued details of how it intends to implement the new employment status of "employee owner".

This is the new arrangement under which employees will be given shares worth between £2,000 and £50,000 in return for giving up their rights relating to unfair dismissal, redundancy and flexible working. They will also have to give 16 weeks' notice of the intention to return early from maternity or adoption leave (eight weeks for other employees).

Companies of any size will be able to use the new status. The shares can be of any type, including those that carry rights to dividends, voting and to a share of the assets if the company is wound up. Employers will be able to apply restrictions to the shares, including requiring the employee to surrender the shares when they leave, are dismissed or made redundant. However, where this happens, the employer would have to buy them back "at a reasonable value".

The Treasury has also announced that income tax will be charged on the acquisition of the shares but capital gains tax will be waived on their disposal.

Protect your information

Do you know who's been looking at your data? David Adams finds out how to keep sensitive information secure from cyber thieves

Technology gives us many advantages, but it also offers great advantages to those who seek to steal from us. Many security problems are still caused by the random transmission of viruses or malware. But a worryingly high number are the result of attacks carefully targeted at companies of a higher profile than you might expect.

In September 2012 the UK government published *Cyber Security Guidance for Business* in partnership with CESG (the information security arm of GCHQ) and the Centre for the Protection of National Infrastructure as part of the government's National Cyber Security Programme launched in 2011. Its key message: this issue requires board-level attention.

"We know that… one in five FTSE-listed companies has been compromised… including several major names we would all recognise," said foreign secretary William Hague at the launch of the guide.

Some of the cautionary tales are frightening. In June 2012, Jonathan Evans, director general of MI5, cited a "major London listed company" that had lost about £800m in revenue following the theft of intellectual property in a state-sponsored cyber attack. Evans said MI5 had uncovered industrial-scale cyber espionage and other criminal activities sponsored by foreign governments and organised crime. "The extent of what is going on is astonishing," he said.

Attacks may be conducted by political activists – known as hacktivists – or by current or former employees with a grudge. Any organisation holding valuable information is a potential target.

Attacks are becoming more subtle; we're not just talking about denial of service attacks that bring down corporate websites, disruptive and costly though they are. More dangerous are those targeting vulnerabilities in widely used software of which even the software vendor is unaware.

In September US security company Rapid7 discovered a vulnerability in Microsoft's Internet Explorer browser which allowed malware to implant itself on a computer if the user visited a malicious website, giving an attacker control of the computer. The vulnerability could be exploited in several versions of Internet Explorer running on Microsoft's XP, Vista and Windows 7 operating systems.

"Many cyber attacks can go on for some time. Some go on for years before being noticed because they use one part of an organisation to get into another to reach the real assets," says James Alexander, partner in the security and resilience practice at Deloitte.

Many are initiated by someone downloading an infected attachment or clicking through to a malicious website. The problem is exacerbated by the practice of staff using their own mobile devices at work, which are not always equipped with enterprise-grade security systems.

Cloud technologies also offer attackers a route into the network. The cloud may or may not be less secure than the corporate network but using it can make assessing security more tricky.

Accountants may be targeted because of the trusted access they have to private data, says Paul Vlissidis, technical director at security company NCC Group. "Accountants, lawyers and PR agencies have access to sensitive information - for

MEMBER PANEL VIEW

I work for a small company with significant online retail sales and we are very aware of the risks of attack over the internet. We rely heavily on the security systems from a cloud-based ERP system and the use of outside consultants, who work on our e-commerce website to make sure we are covering all the angles. We do very little specific risk analysis of this issue, but rely on the consultants to highlight weaknesses when we work on specific areas, such as redesigning the website. One key risk area is accepting online credit card payments, but this is mitigated through use of merchant tools such as Paypal and Secpay.

Rebecca Pridham

ARON VELLEKOOP LEON

> "Some cyber attacks go on for years because they use one part of an organisation to get into another"

example, regarding M&A activity. That's gold dust if you're a competitor."

The best way to start tackling threats is by spreading awareness of how attacks work and recognising that some will succeed. "If you're targeted by a well-organised threat, there may be little you can do to stop it," says Alexander. "Use existing solutions to build up intelligence about what's happening in your environment. The organisation must understand the risk to assets and the overall threat landscape."

Vlissidis says many organisations do understand the need for security audits. "People don't appreciate the speed at which the threat landscape shifts," he says. "Whatever you were looking at last year is almost certainly not what you should be focusing on now."

Alex Church, technical director at Context Information Security, says most attacks begin with an email. "Eighteen months ago it was attachments with dodgy Word or PDF files. Now a small majority are with web links. So the advice is to be slow to click on anything. Make sure there's nothing in an email that raises suspicion."

Just as important as understanding the threat is the need for an organisation to understand what its digital assets are and what the risks are to them. Then they can muster preventative and reactive measures, including the use of simulated attacks to test defences.

Smaller organisations may find it hard to afford such measures or even to spread awareness of best security practices among staff. The government's publications and its Get Safe Online initiative can help, as can industry bodies such as ICAEW. Larger companies may support suppliers seeking to improve security – it is in their interests to do so.

For organisations of any size, the key element is straightforward information risk management. "With basic cyber security systems in place, at least 80 per cent of cyber-attacks would be defeated," says Richard Anning, head of the IT Faculty at ICAEW.

"Cyber security has been prioritised as one of the top four national security threats to the UK, which is why the government is investing £650m in the National Cyber Security Programme," says universities and science minister David Willetts.

Willetts highlights the government's recently completed Project Auburn pilot scheme for a joint public/private sector cyber security hub, which has enabled defence, telecoms, finance, pharmaceutical and energy organisations to exchange information.

"One of the key challenges for government and industry is facilitating the release and distribution of sensitive information," says Willetts. "This will undoubtedly prove challenging but it will enable UK industry, working with government, to raise levels of cyber defence."

Willetts sums up the key steps that organisations should take. "Companies need an understanding at board level of why their information may potentially be so attractive to others.

"Boards need regular intelligence from the CIO or head of security on the nature and origins of any attacks." He continues: "They should also encourage trusted information sharing with other companies to improve situational awareness and to benchmark cyber security against their peers."

So, concludes ICAEW's Richard Anning: "Get this issue on the board's agenda."

TOP TIPS FOR CYBER SECURITY

- Identify your digital assets and associated risks.
- Develop and regularly review technical security and information risk management processes. Keep software up to date and keep refining security testing.
- Develop, enforce and review usage policies for mobile devices and establish procedures in the event of these being lost or stolen.
- Develop, enforce and review user account management processes to control account privileges.
- Build security processes into any bespoke IT solutions developed in-house.
- Introduce security considerations into due diligence processes for external suppliers and service providers.
- Invest in awareness-raising campaigns and staff training.
- Plan responses to security breaches.

• *For more information and resources, see this article on icaew.com/economia*

A qualification of quality

The ACA training programme and route to ICAEW chartered accountant status is changing. **Caroline Biebuyck** considers what this means for you

As any training manager will attest, the ACA qualification does not stand still for long. It is updated each year for changes in laws, standards and regulations. But the syllabus is just one part of the whole programme, which gets a thorough review when necessary to ensure it remains relevant. The latest training review to enhance existing elements and develop new areas finished recently and changes will be incorporated into the programme in 2013.

Gavin Aspden, ICAEW qualifications director, says this latest round of changes does not so much mark an improvement in the programme as an evolution. "We have listened to what our members, tuition providers, students and other stakeholders have said as well as to what the market needs a chartered accountant to be and we are delivering this," he explains.

One vital aspect of the training has not been open to discussion: quality. ICAEW is adamant that the overall rigour of the qualification is maintained. Members' livelihoods depend on keeping the quality and integrity of the qualification, says Aspden, and ICAEW owes it to members to ensure that quality trademark shines brightly. "These changes don't just maintain quality - they also provide the knowledge, skills and experience that new chartered accountants will need to develop their careers through the years." It's also important for the students - the next generation of chartered accountants - to have an up to date and relevant qualification on their CV, which helps future proof them.

The new regime keeps the current four-element structure but they are now more visibly integrated with each other: professional development, ethics and professional scepticism, work experience and exams.

Aspden believe's there's a common misconception that the training is all about exams. While they remain essential, they are only part of the offering. "One of the main differences between our and other qualifications is that our students are required to build knowledge, skills and experience over the training agreement to create a chartered accountant, a professional with a life-long career.

"The four components intertwine to achieve this. ACA training is not only about passing exams; it's about developing people who are able to perform at higher levels in practice, business and public services."

MODULE CHANGES

But studying for the exams is the starting point for most students. Under the new system they will continue to tackle 15 modules over three levels. The six 'knowledge' modules are replaced by six certificate level exams, the six 'application' papers by six professional level papers. Students then complete their exams with the three papers of the Advanced Level, including the unchanged case study exam.

An interesting innovation will be in the Certificate Level exam of students' accounting knowledge. Some employers were ambivalent that multiple choice, which is currently used, proved students are able to do the basics in transforming accounting records into financial statements. Aspden says the main obstacle to testing this more actively - technology - has been addressed.

In future papers, 40% of the marks will be based on a mini case study in which students will have to produce part of the financial statements from a trial balance. "This enables the production of financial statements to be tested at an earlier stage of the exam regime," Aspden says.

Front-loading knowledge continues with the introduction of a new paper, *Business Planning: Taxation*, at the Professional Level. This includes the tax planning aspects of the syllabus that used to be examined at the Advanced Stage.

"Our stakeholders told us they wanted students to see more of the advanced planning aspects of tax and the impact it has on strategic decision-making at an earlier stage of the qualification," Aspden explains.

The other main change to the exams relates to ethics. Until now the application of ethics was tested in 11 of the 15 papers. Under the new system it will feature in every paper, reflecting the importance of high ethical standards in the accounting profession. In addition, a new ethics programme will be made available.

"The focus of ICAEW on ethics training is timely considering the debates around trust. Anything the industry can do to demonstrate its high standards is a positive thing," says PwC partner Carl Sizer.

Knowledge and application of the ICAEW Code of Ethics is just part of the training. Employers will have access to a training package featuring scenarios illustrating ethical conduct and decision-making in a real-life context.

"We want students to think about the ethical dilemmas the scenarios pose," Aspden says. "There's a fairly obvious link between teaching someone about the limit on a firm's income that should come from one client and a scenario that's based on this premise. What we want to do is consider, for instance, the ethical implications of a friend asking you to buy them a lottery ticket. What would the implications be of your ticket winning but not your friend's?"

ARON VELLEKOOP LEON

CASE STUDY: MID-TIER FIRM

Smith & Williamson, a medium-sized firm, takes on about 30 ACA trainees each year. Most of them work in assurance and business services (ABS), while some work in corporate tax.

Head of learning and development at ABS, Claire Davis, is positive about ACA training changes. "Students need to understand the underlying transactions behind financial accounts, and the new case-study question will test that understanding. The new tax paper tests students' application of their tax knowledge at an earlier stage in their career. This is helpful to us as we want students up and running on technical areas as soon as possible within their training contract."

She believes the ACA qualification will continue to be highly regarded as it produces well-rounded business advisers. "I like the fact it does not just focus on exams but on practical work and skills and behaviours, such as ethics and integrity, which should be developed as a chartered accountant."

Davis was happy ICAEW did not just consult the Big Four, but also Group A firms before making changes. "I felt our ideas and suggestions were taken into account," she says. "We don't want change for change's sake. But this evolved regime recognises how the market is moving and what employers want from students, which is important."

WORK EXPERIENCE

The next element of ACA training, technical work experience, stays the same at 450 days over the period of the training contract. Aspden says: "For the last 10 years, students have not had to have any audit experience in order to become a chartered accountant. You do if you want the audit qualification. But otherwise we require practical work experience in a financial arena without specifying what that has to be."

Administration associated with work experience will change. At the moment authorised training employers must sign off up to three different areas of the ICAEW system every six months. If their own training systems are recognised by ICAEW as fulfilling the same criteria as required by the ACA programme, employers will be able to sign off on their own systems, minimising administrative duplication.

At present, students' professional development is assessed over three levels. Students must attain all the skills at each level before moving up to the next. Now, this will be broken down into seven ladders of different skills: adding value, decision-making, communication, consideration, problem-solving, team-working and technical competence.

Another change is that employers no longer have to sign off the student's training file every six months, they can do this once at the end of the training agreement if this is their preference.

Changes will go live in July 2013 with the first new exams held in August 2013. There will be a parallel run for about a year, covering four sittings of the Professional Stage exams and three of the Advanced Stage. Current students should not worry about falling into gaps between current and new regimes. "We're working with employers to ensure no anomalies crop up and that no students are disadvantaged," says Aspden.

Getting back on the books

Even the hitherto safe, solid haven of chartered accountancy is being buffeted by the winds of recession. **Liz Loxton** finds out how ICAEW is helping unemployed members negotiate the job market

It used to be that the professions, and accountancy in particular, provided a safe harbour in the job market - a portfolio of skills that would set individuals up for their entire working lives.

With the economic climate remaining hugely uncertain and official unemployment figures hovering worryingly close to the three million high-water mark of the 1980s, an uninterrupted career - even for the chartered accountant - can no longer be taken for granted.

It is difficult to get a clear fix on the number of ICAEW members who are currently unemployed, as the Institute is dependent on individuals coming forward and volunteering the information.

At the moment, Amanda Digne Malcolm, director of ICAEW's members' department, says 2,500 members have told the Institute they are unemployed. That's 10% up on figures from prior to the financial crisis. Another 5,000 report that they are on a career break of some kind.

For those that find themselves unemployed, or on a notice of redundancy, ICAEW has mechanisms and resources to help. An array of assistance is in place to help unemployed accountants reposition themselves for the job market. This includes a job website, free or reduced costs for ongoing learning and continuing professional development (CPD) activities, plus specific support for job hunting and through career coaching. It can only help those who put their hands up, however.

Digne Malcolm says ICAEW's role is threefold. Firstly there is practical help with job hunting: advice on CV writing, help when it comes to understanding the kind of roles that are available and assistance with how social networking can be used in a job hunt.

Secondly, and in line with its assistance for members returning to work (after maternity breaks, for instance), ICAEW has a programme of more tailored and personal advice on how candidates might present themselves in the job market.

Then there is the technical help. Members who are unemployed can join up to three special interest groups at no cost. They can also join any of ICAEW's faculties at a 50% reduction on the usual fee. Webinars and access to the Excel support facility are free. Learning programmes on IFRS or FRSSE are available at a significant discount. It's possible, Digne Malcolm says, to take the opportunity to learn about a new sector or discipline. "Time moves on and different sectors rise and wane," she explains.

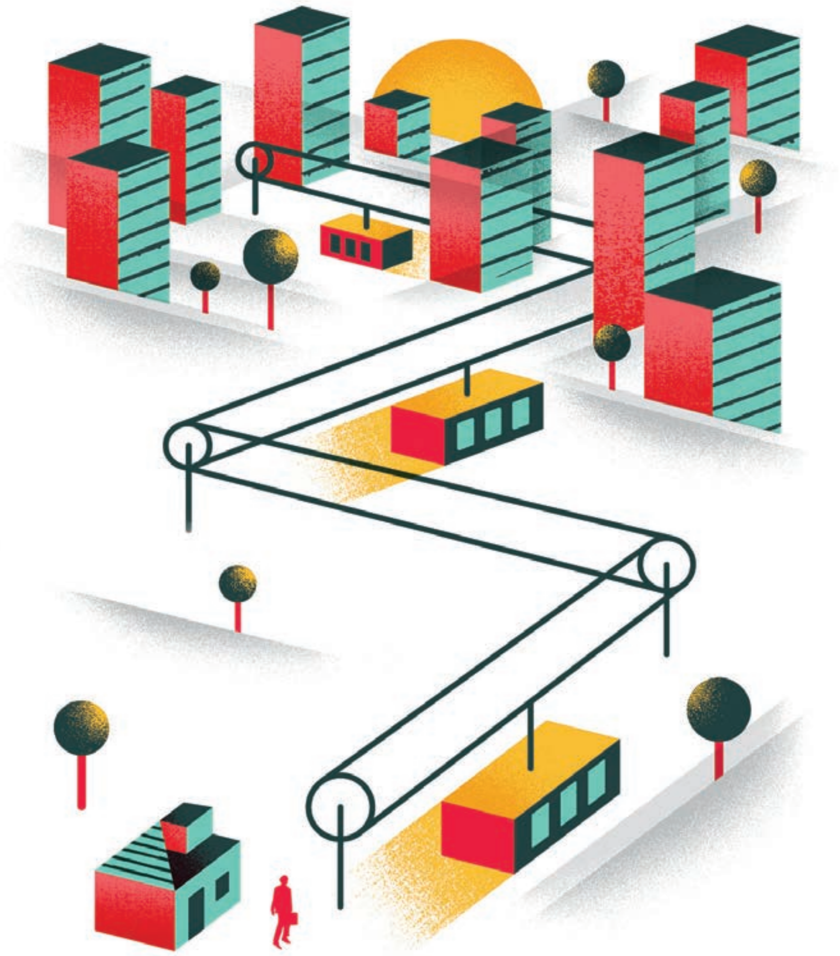
A new initiative is the Workfriend programme, career coaching that is delivered by the Chartered Accountants Benevolent Association (CABA). Coaching on skills and counselling for individuals battling with the job market is free to members. It has proved a useful mechanism for helping them get up to speed on a job market that will look very different to the one they experienced earlier in their careers.

"What we were finding when we first looked at LinkedIn discussion groups, for instance, was that people were relying on the qualification," says Digne Malcolm. "They weren't necessarily updating themselves on the use of social media or looking at the job market now. The way you get work these days has changed."

> "We've seen an increase in practice start-up numbers, with individuals homing in on the niche areas within the breadth of experience"

Figures on social media use in the job market are instructive. Employers now routinely use social networking sites as part of the hiring and screening process. In a survey of 300 hirers carried out by social media monitoring service Reppler, 47% said they researched social networking sites after receiving an application. Some 69% answered yes when asked: have you ever rejected a candidate because of what you saw about them on a social networking site? A similar number said they had hired a candidate because of what they saw about them through a social network. Developing a distinctive online profile is now a primary task for job hunters.

ICAEW career fairs, open to returners to work as well as unemployed members, have practical break-out sessions on the role of social media. They also present an opportunity to talk to people about part-time work, voluntary roles and portfolio careers, which can enable candidates to



ARON VELLEKOOP LEON

add valuable skills to their CVs and help rebuild confidence, says Digne Malcolm. And for candidates with more experience, ICAEW has a non-executive director database that organisations can use to match their requirements with people with relevant career histories.

A portfolio approach can be a route for people at different stages in their career, not just unemployed members, but those returning to work or approaching retirement, she explains. "A portfolio career is a good career progression for anyone. It's a great opportunity," she says.

Data from the Office of National Statistics shows that part-time and self-employed roles are on the rise. Between the first quarter of 2008 and the second quarter of 2012, the number of full-time positions fell by 688,000. Over the same period, 293,000 part-time positions have been created and the number of self-employed, part-time workers has increased by 299,000.

"We've seen an increase in practice start-up numbers, with individuals homing in on the niche areas within the broad breadth of experience," says Digne Malcolm.

She says she does have concerns about not reaching everyone who might benefit from the support programmes ICAEW can offer. "My perennial problem is getting awareness out there. There is a wealth of support. But yes, I worry about those who wouldn't necessarily look to ICAEW as their first port of call."

But it is taking "all routes possible" and using every opportunity to get the message across about the help it provides. Its connection with CABA serves to close the circle and help more unemployed members find roles that will carry them into the next stage in their careers.

CASE STUDY: CHRIS WELLS

Chris Wells lost his job as finance director of a manufacturing company in February, when the business went into administration. With a good grounding in industry roles – he qualified in 1978, worked at ICI for 10 years before spending eight years as FD of a furniture company, then 15 years with his last employer – he has well-rounded managerial and financial skills.

At first, Wells set about looking for a new role methodically and rigorously. When ICAEW advised that networking was key, Wells talked to former colleagues, registered with relevant job sites and applied for positions online. A couple of interviews came up, but no job offers.

Wells says his experience of recruitment consultants varies. Some have been supportive, others less so. Phoning consultants to find out why he wasn't shortlisted for a position, for instance, has resulted in some awkward conversations: "It's difficult because there are things they don't want to tell you," says Wells.

The greatest barrier, he says, is his age. One consultant, having mistaken his qualification year as 1998 instead of 1978, dropped him "like a stone" mid-conversation. However, another was more helpfully forthright, asking whether, at 58, Wells actually wanted to continue working. Even when consultants are constructive and positive, potential employers seem to find his age a sticking point. "We respect your skills, but we are looking for someone more junior," is the line he hears.

Outplacement counselling from CABA has been useful, Wells says, as is ICAEW's member services website. Information on where other older members work might also be insightful, he says. "The question is 'how do I get visibility?'" In the meantime, he sees someone every three to four weeks and gets practical feedback on his efforts as well as moral support. "I wish I'd got involved with it earlier, but I thought I could paddle my own canoe."

Wells has given himself a year to find a job. He may also consider voluntary work or an arrangement whereby he works within a small company in exchange for a share of equity. "From a psychological point of view, you need to have a job or activity to keep yourself involved."

A severe reprimand, CPD failure and improper conduct

Julia Irvine examines three disciplinary cases in detail, including a failure to properly pursue CPD and the distribution of funds without the owner's consent

CPD IS NOT OPTIONAL

Living and working overseas does not excuse members from compliance with ICAEW's continuing professional development (CPD) requirements, as two of them recently found out.

Fiona Coe, who lives and works in Australia, and Andrew Tait, who is based in the Netherlands, were both up before disciplinary committee tribunals for failing to certify compliance with CPD requirements over a five-year period.

In Coe's case, ICAEW wrote to her on numerous occasions asking her to submit CPD forms for the years ending November 2005 to 2009 but received no reply. The case manager tried phoning her but kept getting an engaged tone.

The only contact she had with ICAEW was in 2006, when she phoned to say that she intended to take a career break and wanted information about a reduced subscription. As she continued to pay her subscription by direct debit, ICAEW also attempted to contact her via her bank, but was unsuccessful.

The tribunal took exception to her lack of compliance and her failure to keep in touch with the institute as required. She was reprimanded, fined £3,000 and ordered to pay costs of £1,200.

In Tait's case, he failed to submit CPD returns for the years ending October 2006 to 2010. Letters sent to his registered address were returned, indicating that he had moved. The case manager tried to find out where he had gone, both by doing a web search and via his bank – he also paid his subscription by direct debit – but to no avail.

The tribunal also found the case proved on similar grounds to Coe's. Tait was reprimanded, fined £3,000 and ordered to pay costs of £1,500.

UNDERTAKINGS MUST NOT BE IGNORED

Undertakings should not be lightly given, especially when the ICAEW Quality Assurance Department (QAD) is involved. Rex Harrold failed to implement the ones he gave following a QAD visit to his firm and he now has a severe reprimand on his record, not to mention a fine of £2,500 and costs of £1,919.

The disciplinary committee also takes a dim view of people, like Harrold and fellow member Howard Bingham, who fail to answer letters from the Practice Assurance Committee.

In November 2006, Harrold gave two separate undertakings to QAD assessors to give clients details of his firm's complaints procedures and the basis of charging fees, and to register his firm under the Data Protection Act 1998.

Not only did he breach the undertakings, he also failed to respond to a letter from the Practice Assurance Committee in breach of the Practice Assurance Regulations.

Similarly, Bingham failed to respond to a letter dated June 2010 requesting confirmation on various issues including obtaining outstanding due diligence information on two clients.

He was severely reprimanded, fined £5,000 and ordered to pay £2,804.

OWNERS' CONSENT STILL REQUIRED

A member who improperly distributed the proceeds of a client's property sale has been reprimanded, fined £2,300 and ordered to pay costs of £9,944.

In September 2005, Michael Alexander received £109,485.17 belonging to James Pryce, which related to the sale of Pryce's matrimonial home in Melton Mowbray, Leicestershire.

Pryce was the managing director of a freight haulage company, Haulwise UK, which was in financial difficulties. He merged the company with ABV Services, owned by a Mr Stockall. Stockall persuaded Pryce to sell the house to him to pay off some of Haulwise's debts, in return for which Pryce and his wife would be allowed to live there rent free for life and they would receive what was left of the proceeds after the debts were paid.

Before the deal was completed, Pryce borrowed £50,000 from Alexander to be repaid in full a year later. This money was intended to pay off £40,000 of the debts, leaving £10,000 as working capital. Unbeknown to them though, Stockall also borrowed money from Alexander (£30,000) before arranging for a mortgage on the property.

The Pryces alleged that they never actually received the proceeds of the sale. Instead, with Stockall's help, the money was transferred to Alexander at his request. He used £53,000 of it to repay the loan and interest owed to him by the Pryces, and the balance to repay the debt Stockall owed him (£50,550) and pay £5,935 to Haulwise.

Alexander believed that what he had done was lawful and proper. However, he had no clear authorisation from the Pryces to use the balance of the sale proceeds in the way that he did. As the tribunal pointed out: "It is not acceptable for a member to take receipt of significant sums of money belonging to others and, without seeking consent or dealing with the owners of that money in any meaningful way, take it upon himself to treat the money as though it were his own and use it as he saw fit."

Report listings

The reports that follow are summaries. The full findings are available from icaew.com/publichearings or from the Professional Conduct Department, ICAEW, Metropolitan House, 321 Avebury Boulevard, Milton Keynes MK9 2FZ

INVESTIGATION COMMITTEE CONSENT ORDERS

● Anthony Rose, 35 New Broad Street, London EC2M 1NH
Complaint Between 2009 and 2011, Rose engaged in public practice through X LLP without being in possession of a practising certificate, contrary to ICAEW's principal bye-law 51(a). He also practised for six months without professional indemnity insurance in breach of regulation 3.1 of the Professional Indemnity Insurance Regulations.
Order He was reprimanded, fined £2,000 and ordered to pay costs of £1,017.

● Thwaites Blackwell Bailey & Co Ltd, Delaport Coach House, Wheathampstead, St Albans, Hertfordshire AL4 8RQ
Breach Between 2006 and 2010, the firm incorrectly issued 22 accountants' reports in respect of financial statements when the client companies did not meet the conditions for exemption from audit, either because the balance sheet total exceeded the audit threshold or they were a parent company of a group that did not meet the criteria of a small group.
Order Severely reprimanded, fined £5,000 and ordered to pay costs of £1,505.

● Clemmence & Co, Linton, Rawdon Hall Drive, Rawdon, Leeds LS19 6HD
Breach The firm should have resigned as auditor to X Plc and its subsidiaries (Ethical Standard 4) in respect of the years 2006 to 2010 because it should have expected that fees from audit and non-audit services would regularly exceed 15% of the annual income of the firm's sole principal, in breach of audit regulation 3.02.
Order Severely reprimanded, fined £5,000 and ordered to pay costs of £2,054.

● Philip Wood, 570-572 Etruria Road, Newcastle ST5 0SU
Breach In his capacity as administrator of X Ltd, he sent his first notification to creditors of the pre-packaged sale he had completed. This did not comply with SIP 16, in that he failed adequately to disclose the details of the independent valuations he had obtained or an analysis of the consideration among asset categories that would have allowed creditors to compare valuations with realisations.
Order Reprimanded, fined £500 and ordered to pay costs of £1,942.

● Nicolas Karonias, 66 Palewell Park, East Sheen, London SW14 8JH
Breach Between 29 March 1999 and 17 January 2012, he engaged in public practice without holding a practising certificate from ICAEW contrary to principal bye-law 51(a). Also between 29 March 1999 and 13 December 2011, he engaged in public practice through X Ltd without professional indemnity insurance contrary to regulation 3.1 of the Professional Indemnity Insurance Regulations.
Order Reprimanded, fined £2,000 and ordered to pay costs of £618.

● Fiona Davies, 43 Ashford Drive, Appleton, Warrington WA4 5GG
Order Between October 1999 and October 2011, she engaged in public practice without being in possession of a practising certificate, contrary to principal bye-law 51(a), and without professional indemnity insurance as required by regulation 3.1 of the Professional Indemnity Insurance Regulations.
Breach Severely reprimanded, fined £2,500 and ordered to pay costs of £992.

● Nexia Smith & Williamson Audit Ltd, 25 Moorgate, London EC2R 6AY
Breach On 18 May 2010, the firm issued an unqualified audit report to the Financial Services Authority in respect of X Plc for the year ended 31 December 2009, when the audit had not been conducted in accordance with Practice Note 21, The Audit of Investment Businesses in the UK (Revised). It had failed to obtain sufficient appropriate evidence in order to conclude that the company maintained systems adequate to enable it to comply with the client money rules throughout the period from 1 January 2009 to 31 December 2009.
Order Reprimanded, fined £2,500 and ordered to pay costs of £2,555.

● Nitin Amin, 334-336 Goswell Road, London EC1V 7RP
Breach Between 1 July 2010 and 15 February 2012, he failed to comply with a condition of his firm's ongoing audit registration which required that he should arrange for and submit the results of a cold file review of the audit of X Ltd for the year ended 31 March 2009.
Order Severely reprimanded, fined £5,500 and ordered to pay costs of £2,305.

AUDIT REGISTRATION COMMITTEE ORDERS

● Mackenzie Field, Hyde House, The Hyde, Edgware Road, London NW9 6LA
Breach The firm was in breach of audit regulations 3.20 and 6.06 when it failed to carry out cold file reviews as part of the annual audit compliance review and for the incorrect completion of the annual return.
Order The firm agreed to pay a regulatory penalty of £5,500.

● Hope Jones, 23a Spencer Road, New Milton, Hampshire BH25 6BZ
Breach The firm admitted breach of audit regulation 3.20 for failing to carry out cold file reviews and audit regulation 6.06 for incorrectly completing the 2011 annual return.
Order The firm agreed to pay a regulatory penalty of £6,000.

● Allens Accountants Ltd, 123 Wellington Road South, Stockport, Cheshire SK1 3TH
Breach The firm was in breach of Auditing Practices Board's Ethical Standard 2 (audit regulation 3.01) in that, between 2008 and 2012, it allowed a person in a position to influence the conduct and outcome of the audit to act as a trustee of a trust that held a financial interest in an audit client that was material to the trust.
Order The firm agreed to pay a regulatory penalty of £3,500.

INVESTMENT BUSINESS COMMITTEE ORDER

● MaxAim LLP, 5a King Street, Leeds LS1 2HH
Breach The firm failed to comply with designated professional body Regulations (DPB) 2.03b and 2.07d(iii), arising from its non-disclosure of a recently admitted corporate principal which did not have DPB affiliate status.
Order The firm agreed to pay a regulatory charge of £575.

Life

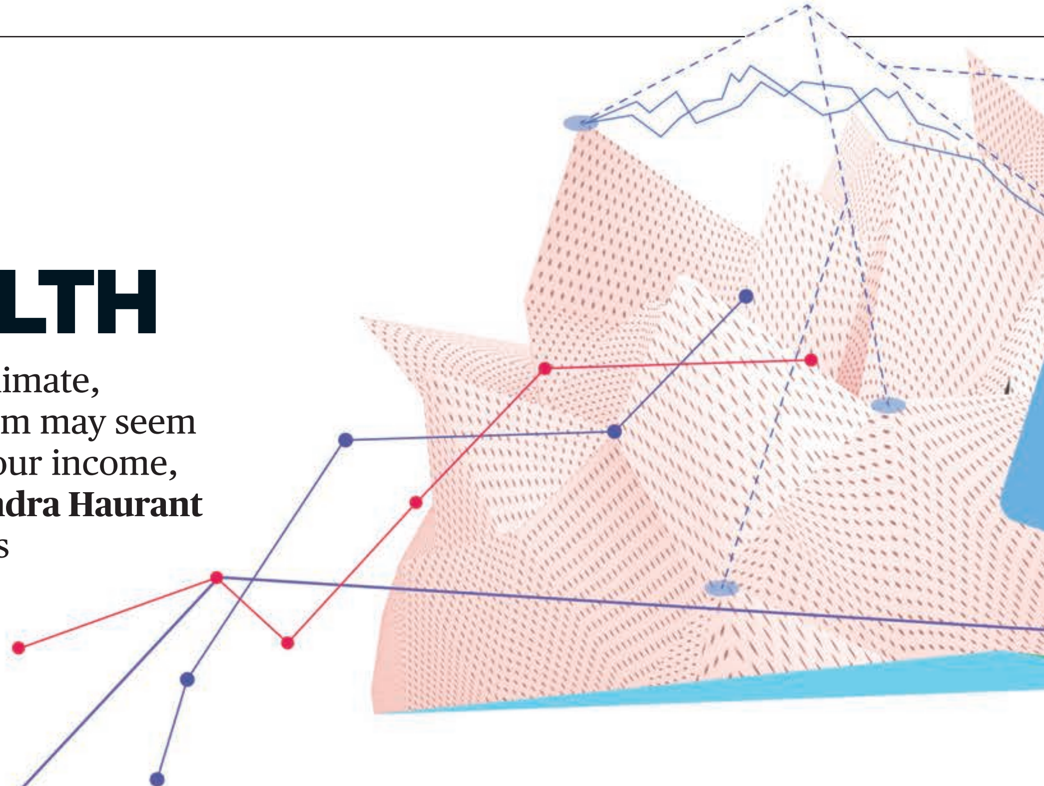
"He who seeks rest finds boredom. He who seeks work finds rest" Dylan Thomas

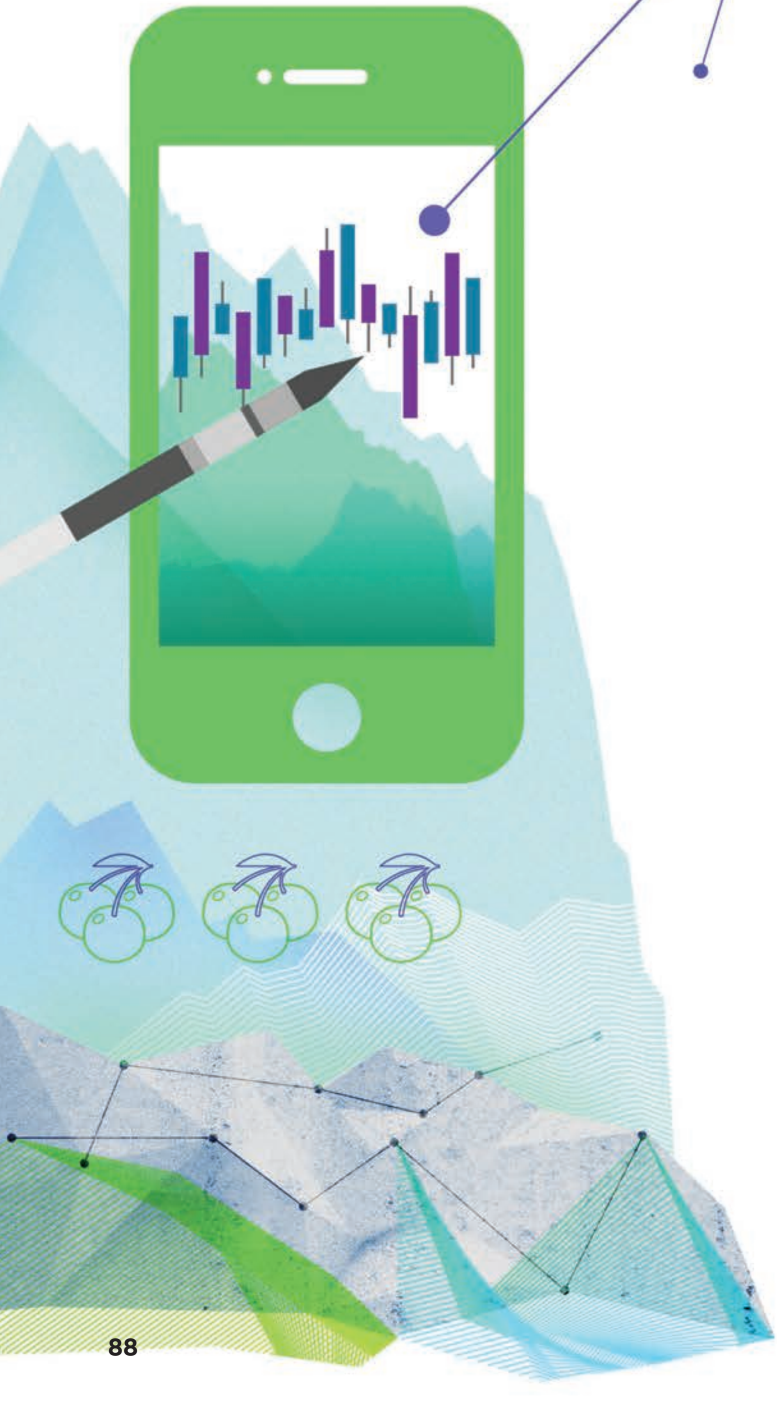
GETTY

Trading places – ***work from home*** *and make a mint on the markets; chill out and warm up with a* ***winter break;*** *six of the best grown-up* ***stocking fillers;*** *the* ***tastiest seasonal*** *menus; health* ***advice.*** *Plus, top* ***tablets***

SHARING THE WEALTH

In an uncertain economic climate, trading from your spare room may seem like a good way to bolster your income, or even make a fortune. **Sandra Haurant** weighs up the pros and cons





With the financial crisis still firmly gripping the world, it's too soon to say whether confidence in the stock market is on the up. But reports in September suggested private investors were starting to inch their way back into equities.

After nine months of selling off shares, activity over the summer suggests investors' appetites were whetted. A net £1.3bn was added to private portfolios between June and August, say Capita Registrars.

For many people, there is something attractive about the idea of making money on the stock market. Perhaps it's that lottery-style dream of buying shares on a hunch, then sitting back to watch their value soar. Or discovering you are such a talented investor you can give up the day job and make money trading futures from your spare room.

The markets may have been tough over the past decade or so, but it has probably never been easier for private individuals to deal in shares.

"The barriers to entry for trading have come down," says Gary Dodson, business development officer at TD Direct Investing. "It's cheap and very simple."

You need only open an account with an online broker to start trading, with fees starting from £5 per trade or even less, compared with fees of £25 in the 1980s.

"It's very straightforward now," agrees Richard Hunter, head of equities at Hargreaves Lansdown. "Around 80% of our clients trade online, and the balance do so by phone."

You don't even need your laptop with you, as you can trade on the move from a smartphone, and with information and analysis available 24 hours per day, and countless news sources offering alerts and updates on company performance and share prices, in theory you would never miss a trick.

Of course, you need not stick to individual stocks. "You can invest in a sector or an index, or in a basket of stocks, through funds or exchange-traded funds which will track an index, and many people start out that way," says Hunter.

After all, with funds, the pressure is off the investor to pick the right stocks. Either the fund tracks an index, following its peaks and troughs or a manager, backed up by a dedicated team of researchers, makes the stock-picking decisions for you.

If you want to do your own stock picking, there are ways to ease yourself into the

game. Online stockbrokers have practice accounts where you can buy and sell shares, test out investment strategies, work out your approach and see whether you would have made a profit in the real world, all without losing a penny. "It's a good way to get a feel for what it's really going to be like," says Hunter. "You can experiment and find the strategy that suits you."

"There are also a lot of good training courses out there," says Dodson. "But often people spend a lot of money on a day course and feel they haven't got much out of it. It's best to start with free seminars and go from there."

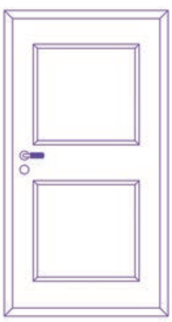
A course promising to reveal the market secrets that mean this time next year you will be a millionaire may not produce miracles, but TD Direct Investing, Selftrade and other stockbrokers run free seminars on subjects such as picking entry and exit points or investing in specific sectors, which will help you devise your strategy.

Helal Miah, investment research analyst at The Share Centre and a former day trader, says a strategy is vital, but there is no one-size-fits-all approach. "Are you doing this as a hobby to make extra money, or do you need to make a living? Do you want to invest in direct equities, which tend to be longer term, or something short term such as spread betting, futures or currency? How much time do you have to dedicate? There are some people who spend all day at their screens, while others only spend a few minutes a day, if that."

CLARA TERNE/AGENCYRUSH.COM

The markets may have been tough, but it has never been easier for private individuals to deal in shares

Miah was running hedge funds when the financial crisis put him out of a job, so between 2009 and 2011 he turned to trading. "I had the experience and the knowledge to become a trader so that's what I did. I was trading in futures through a proprietary trading firm. I would be at my desk from 9am to 9pm and most of that time was dedicated to the screen," he says. "It worked for me at the time, but the lifestyle is quite unusual and although rewards can be good, there are no guarantees. In a bad month you could walk away with a loss."



Risk was certainly a downside, says Miah: "You should only invest money you can afford to lose."

The trading costs may be low, but they need to be taken into account along with 0.5% stamp duty – a small rise in a small holding could be wiped out by fees and tax.

As well as money, you also need to dedicate your time. An experienced trader choosing very high-risk instruments, such as contracts for difference or spread betting, needs to keep a close eye on the market as gains – and losses – can be made in seconds, and you stand to lose more than you invested. Even for longer-term investments such as direct equities, you need to research and understand markets and individual shares – although checking share prices regularly, rather than obsessively, may be enough to stay on top of your portfolio.

"You could fall into checking share prices minute by minute, but for direct equities you would usually be looking at a three-to-five-year view," says Hunter. As for choosing shares, again it's down to strategy.

"Some people prefer to scrutinise the make-up of a company or look at performance charts," says Dodson. "For some it's a question of brand preference. Perhaps you have always shopped at M&S and you trust the brand so you decide to buy shares. You will work out which approach works for you. Do you want high income or growth? It's a very personal choice."

With access to a trading platform, you can trade as soon as you see that "trigger". It could be news you have heard on the radio that has sent a company's share price down or perhaps you have been watching a stock and it has hit a certain price.

But before you start, decide when to stop. "If you don't have a trading strategy, it's a recipe for disaster. You need to know how much you are willing to lose," says Miah.

Keep stop losses in mind or set them automatically with the broker, so that once a share reaches a certain price in either direction, you sell. This will prevent you from getting carried away and losing more than you can afford.

SOME LIKE IT HOT

Desperate for some winter sun, but don't fancy jostling the crowds on the Costas? **Penelope Rance** goes in search of something a little different

There's no denying it's been a very festive year in Britain – extra holidays thanks to the Queen's Jubilee, an Olympics which surpassed all expectations… But the weather. Oh, the weather. Flooding, unseasonal snow, three months of summer effectively washed away. Even the most patriotic of Brits would be churlish to criticise those looking to treat themselves to some foreign sun. And with the rest of Europe faring little better, it's no wonder we're all seeking out those rays. So to help you make the most of the dying days of December or give you food for thought for adventures next year, here are some suggestions for interesting trips to soak up some vitamin D.

CRUISE CONTROL

While the thought of a cruise would normally make me throw in my quoits and swim for shore, I'd make an exception for a trip to the Galapagos Islands. A visit to this hallowed archipelago, an evolutionary wonderland, would be worth any amount of uncomfortable silences over the captain's table. And if you head there with Silversea's *Silver Galapagos*, it isn't a cruise – it's an expedition. Passengers are able to explore this UNESCO World Heritage Site, visit the Charles Darwin Research Centre, hike through mangrove forests and pick their way over volcanic planes, venture into lava tunnels and get to know the islands' residents. These include Darwin's finches, which sparked his theory of evolution, giant tortoises and wild flamingos. And you can even swim with penguins, sea lions and the unique marine iguanas. And it's on the equator, so it's toasty warm.

You won't be expected to live like an explorer, however, as *Silver Galapagos* comes complete with ocean-facing suites, personalised butler service and gourmet cuisine. There are two seven-day trips from Baltra island to choose from, either around the western, southern and eastern islands, including Santiago, Isabela, Fernandina and Santa Cruz, or the northeast, central and southeast islands such as Genovesa, Seymour Norte and Plazas Sur. You'll have to wait until next winter to set sail, but bookings are now being taken.

silversea.com; price on application.

LIKE A VIRGIN

The British Virgin Islands often get overlooked in favour of more well-worn Caribbean destinations, which is a very good reason to go. More than 60 islands and cays make up the territory, only 15 of which are inhabited. There are 21 national parks, and enough spectacular reefs and shipwrecks to keep the most avid PADI paddler enthused, dive after dive. While there are any number of luxury resorts to stay at, you'll get a better sense of the place in something a little more low key. The Jewels of the BVIs are a range of islander-owned properties that promise authentic home comforts – try the Sugar Mill Hotel in Little Apple Bay on Tortola. But the best way to see these idyllic retreats is surely from the deck of your own yacht (well, yours for a week or two, at least). Check out Yacht Connections, which offers crewed charters, complete with skipper, chef and dive master. Choose from comfortable catamarans, classic schooners or modern sloops. And if you're there from 25-31 March next year, you can even enter the BVI Spring Regatta and race for the Nanny Cay Cup.

bvitourism.com; jewelsofthebvi.com; yacht-connections.co.uk

ACTION ADVENTURE

If you're more of an Indiana Jones than a Captain Haddock, you can head to the second-biggest rainforest in the western hemisphere with the Lights, Camera, Adventure! tour laid on by Francis Ford Coppola resorts.

Taking in the best of Belize and Guatemala, the idea is to make every day an individual adventure, and the 10-night itinerary mixes Mayan architecture with the wonders of nature. Tour-led activities are based around the conservation of the rainforest (Coppola Resorts donates £63 per person to NGO conservation partner projects). Adventures include a day-trip to the Mountain Pine Ridge Forest Reserve; an excursion to the Mayan citadel of Caracol; a tour of the Tikal National Park; a ride up Monkey River; and a day of snorkelling.

After charging around the jungle all day, each night is spent at one of the filmmaker's resorts. The remote mountain hideaway of Blancaneaux Lodge, surrounded by lush vegetation and waterfalls, used to be the Coppolas' family retreat. La Lancha is a rainforest lodge in traditional Guatemalan style, while

Main picture: Galapagos Islands. Right: Scarlet macaws in Belize. Below left: Tourists near San Cristobal Island in the Galapogas. Below right: Sumptuous surroundings in St Regis, Mauritius

NATIONAL GEOGRAPHIC STOCK

Turtle Inn is a beachside paradise of thatched cottages, built by Coppola and his wife Eleanor out of the ruins left by Hurricane Iris. Despite their remote locations, the resorts are luxurious in the extreme – basically, you get to pretend you're a film star. The only downside of the trip is that you might need a holiday afterwards to recover.

coppolaresorts.com; winter rates £2,506 per person based on a double or twin share, plus £423 taxes and service charges.

CHILL OR THRILL?

Only open since November, the St Regis resort in Mauritius has many features to recommend it. Not least is the fact that for this Christmas you can guarantee that everything, from the white fluffy towels to the piña colada glasses, will be shiny and brand new.

That's before you get to features such as the beachfront suites, tropical gardens, butler service, six dining and cocktail options, and full-service spa, and its location beneath the Morne Mountain UNESCO World Heritage site.

But while there's much to be said for relaxing on white sands and being waited on hand and foot, that's not the reason I'm recommending this haven of luxury. Oh no. Step forward kite surfing. The newest Olympic sport, set to be introduced at Rio 2016, it's a thrill-seeker's watersports dream. You can either learn the basics or hone existing skills, at the St Regis kite surfing school.

One-to-one lessons, a safety boat and video footage of your efforts mean that if you don't improve, you're not trying hard enough. And after a full day falling off the waves, that spa, butler and cocktail bar won't look too shabby at all.

wandotravel.com; from £1,859 per person for seven nights full board. Kite surfing is extra.

GOING WILD

Gone is the era when pith-helmeted hunters headed to Africa to bag the Big Four (game, not accountancy firms). Shooting elephants with anything other than a camera is obviously not on these days, but eco-safaris are all the rage, helping to preserve natural habitats while introducing city dwellers to the ways of the wild. This is the stated mission of Wilderness Safaris, which takes tourists deep into some of the remotest areas of Africa. The company has recently revamped its DumaTau camp in Botswana, rebuilding it on the banks of the Linyanti River. The new location means that visitors can enjoy the serenity of the river setting, and experience at close quarters elephants and hippos in their watery habitat. Lions, leopard and cheetahs also make their way down to the river to drink. Explorer-style tent suites wound with living foliage overlook Osprey Lagoon and blend into the landscape. And you can enjoy it all with a clean conscience, secure in the knowledge that the camp is solar-powered and built from FSC-approved timber.

wilderness-safaris.com; rates start from $683 (£426) per person per night, including accommodation, all meals and local drinks, scheduled camp activities and park fees.

IN SEASON

The pick of London restaurants serving finest seasonal fare all year round

BREAKFAST

Breads Etcetera
Clapham

Can bread be seasonal? With a menu refreshed as often as it is at Breads Etcetera, we say yes. For a hot breakfast with a twist, try this popular south London bakery and café.

This is DIY breakfast: slice the bread of your choice from an array of freshly-baked loaves and toast to your preferred darkness using the Dualit toaster on your table. The all-you-can-eat option lets you go back as many times as you like to try more.

If you don't like the idea of going out to make your own breakfast, the café has a range of homemade options (with complimentary bread to slice and toast as you like). The baked beans are an acquired taste but the hefty full English is a clear favourite for Sunday brunch.

Bread Etcetera is more than a café. Always buzzing, diners bob back and forth from the communal seating – it's like a social club with the lovely smell of fresh baking.

127 Clapham High St, SW4 7SS

LUNCH

Inn the Park
St James's Park

With Inn the Park, restaurant group Peyton and Byrne has created a part self-service canteen, part alfresco café but with a high-end menu.

It goes into the park to forage for ingredients for the seasonal cocktail list – the crab apples and nettles are both from St James's. But this is no novelty – cocktail guru Nick Strangeway is behind the changing drinks menu while the food focuses on in-season British ingredients.

Cornish crab and sea bass were both excellent, the former without the usual bitter aftertaste, the latter perfectly roasted. Crunchy broccoli came with toasted almonds; poached William pear was ingeniously stuffed with cream and coated in hardened chocolate.

Prices reflect the central location, but this is an oasis of well-fed calm in a fast-moving city. Thanks to enthusiastic service it's money well spent.

peytonandbyrne.co.uk/inn-the-park

MENU

BREAKFAST	
DIY breakfast	from £6.50
LUNCH	
Nettle gimlet	£7.50
Crab apple and elderberry sour	£7.50
Cornish crab, avocado and pea shoot salad	£9.50
Roasted wild Cornish sea bass, fennel, chervil essence	£19.50
Broccoli and almonds	£3.90
William pear, hazelnuts and milk chocolate crumbs	£6.00
DINNER	
Autumn Menu (six-course tasting menu)	£52

Clockwise, from top left: Inn the Park's oasis of calm (inset: and its splendid cocktails); the craft of Morgan M; Breads Etcetera use their loaf

DINNER

Morgan M
Smithfield

For clever use of seasonal ingredients, there are few finer exponents than Morgan Meunier. His restaurant, formerly a destination dining venue in Islington, has moved to a larger, two-room space but maintains the balance between formal fine-dining and the relaxed atmosphere of a fancy front room.

Thankfully he's also kept the menu the same, with the emphasis on the seasonal and options of tasting menus (an Autumn Menu for carnivores and From the Garden for veggies) or à la carte. The Autumn option brings ambitious, comforting flavours with the textures of mushrooms, game and puy lentils and thick, rich sauces.

Meunier continues to create crafty, complicated plates. His dishes – including the Autumn starter of watercress soup with frog legs persillé – all nod to the modern without ever being anything less than classically French.

morganm.com

STEPHEN LENTHALL, WALLPAPER COURTESY OF TIMOROUS BEASTIES

STOCKING FILLERS

Our resident savant **Rob Haynes** seeks out some traditional gifts with a twist

The Savoy Cocktail Book
First published in 1930, the Savoy Cocktail Book could seem dated. It is also currently out of print. But don't let these things put you off, old fruit - it is a true classic, and second-hand editions of the imbiber's bible are available online. Harry Craddock's definitive guide to mixing the perfect pick-me-up offers a sophisticated sip of the style and panache of an era when the drinks were as sharp as the suits and as smooth as a silk stocking.
From £6.71, abebooks.co.uk

Cookie stamper
Nothing shows you care about your party guests more than laying on a few plates of home-baked, cookie-shaped goodness. And nothing shows off that baking better than a stamp to signal you've had a hand in making the finger food. Choose between the self-promoting ("Home made") and the pushy ("Eat me"). Also good for leaving your mark on paté, chocolate mousse and smoked salmon roulade…
£10, suck.uk.com

Warninks advocaat
What makes Christmas so special? The abundant good will? The marginally-improved TV schedule? No - it's the booze. You really can't get away with drinking advocaat at any other time of year (although Mr Craddock might beg to differ - see above), so now is the time to indulge. This crazy Dutch liqueur is a guilty pleasure concocted from egg yolks, brandy, vanilla and sugar, and forms the core ingredient of the time-honoured Snowball - mix with lemonade and a dash of lime juice, and chug.
£13.99, drinksdirect.co.uk

Cohiba robusto cigar
Sigmund Freud once famously quipped, "Sometimes a cigar is just a cigar". And Sigmund Freud was wrong. The Cohiba is far more than a simple stogie but, to be strictly fair to the grandfather of psychoanalysis, he was speaking in a time before the dawn of Cuba's most famous export. Made in honour of Fidel Castro, the Cohiba brand boasts the country's finest tobacco leaves rolled by the finest hands on the finest thighs… You get the picture. Rich relaxation for the smoking connoisseur.
£25.20, simplycigars.co.uk

Funky hipflask
The gentleman's hipflask was once a moulded, rounded piece of drinking apparatus. No longer. Bringing angles to tippling is designer Tom Cecil, who has created a jauntier drinking vessel capable of carrying two shots of your favourite cockle-warming beverage. Made from sheets of welded metal, the flask is available in finishes of brass and stainless steel, and in black or white. A worthy - albeit pricy - update to a classic.
£350, tomcecil.co.uk

Analogue camera
The click may be a synonym for the digital age, but among camera-loving folk it remains an analogue meme. The Blackbird Fly clearly panders to enthusiasts who will enjoy its 33m lens, which focuses knife-sharp images onto (still available) 35mm film. Held at waist level to accommodate a gaze into the viewfinder, the Blackbird suits considerate photographers who appreciate the value of every click.
£85, conranshop.co.uk

ON THE ROCKS

The occasional swift one after work, or a bottle of wine a night? Alcohol is an accepted relaxant but how do you know if you're drinking too much? **Wendy Saunders** finds out

There's a lot of evidence to suggest that alcohol is the coping tool of choice for the professional classes. The latest research from the Office of National Statistics shows that households classified as managerial or professional counted the highest proportions of both men and women who had consumed an alcoholic drink in the last week. People who exceed recommended drinking limits on at least one day every week tend to come from the professional classes too.

These statistics come as no surprise at CABA. Drinking remains part of the culture for professional people as an accepted or even expected way of networking with clients and, while we receive relatively few enquiries from chartered accountants who believe that they may have a problem with alcohol, excessive drinking is common among those who are suffering from stress, under the threat of unemployment, experiencing family problems or having difficulty handling a wide range of other issues. In a high pressure job where grabbing a bottle of wine is an established method of relaxing, the dangers are all too apparent.

If you believe that you may be drinking too much, how do you tackle the problem?

A good idea is to keep a drinks diary for a couple of weeks. There are many excellent resources available to help do this easily. The NHS Live Well website contains an alcohol assessment tool, a desktop drinks tracker and even an iPhone app. All will help you to work out whether you are drinking too much.

If you find you are outside the guidelines, then there are simple strategies that can easily be adopted. If you do drink, choose a lower strength option; alternate alcoholic drinks with soft drinks; simply opt for a smaller measure; and make sure there are at least a couple of days a week when you don't drink at all.

The benefits will soon become clear. At one end of the spectrum, you will probably feel better in the mornings, enjoy better sleep patterns and perhaps even find that you lose weight. At the other extreme, getting to grips with alcohol today may mean that you do not become one of the 210,000 people that a recent article in *The Lancet* estimates will die of avoidable, excessive alcohol consumption during the next few years. Drinking too much increases your risk of cancer, cirrhosis of the liver and high blood pressure. It's a sobering thought.

ALCOHOL ADVICE

Men should not drink more than 3 to 4 units of alcohol on most days of the week

Women should not drink more than 2 to 3 units of alcohol on most days of the week

If you've had a heavy drinking session, avoid alcohol for 48 hours

Wendy Saunders is head of strategy and development for the Chartered Accountants' Benevolent Association (CABA). Contact CABA at caba.org.uk or by calling 01788 556366

MARIA CORTE

1

2

3

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5

SIX OF THE BEST
TABLETS

6

1 IPAD 4 £400
This fourth iteration of the class-defining tablet offers a step up in performance over the previous model, launched only six months earlier. The resolution and performance of the retina display is simply stunning. If your budget will stretch this far, this should be a no-brainer. Apple's App Store remains the destination of choice for most developers and its first-mover advantage means it is packed with thousands of apps. Great for all sorts of media, including music, films, games and books.
Best for: Overall performance.

2 IPAD MINI £270
Critics questioned the need for this shrunken iPad, but once again Apple has created an astonishingly covetable gadget. It looks and feels great, the retina display makes even the most mundane web page or game look good while high-definition games look incredible. The mini also comes with all the advantages of the App Store. The perfect present for Apple lovers looking to fill a gap.
Best for: Gadget-loving mobile gamers.

3 MICROSOFT SURFACE £400
Opt for the smaller of the two Surfaces on offer and it's clearly pitched as a tablet. With an array of user interface options, this is designed with user choice in mind, while the magnetic cover and keyboard and connectivity that includes a USB port make this feel closer to a netbook than a tablet. Windows and Microsoft Office applications are bundled here along with a pared down version of Windows 8. Contrarians will love the fact it's not made by Apple. They might love the price a bit less.
Best for: Apple deniers and contrarians.

4 KINDLE FIRE HD £160
The first generation Fire's improved HD replacement comes with Amazon's own version of Apple's much-criticised "walled garden" approach to content. Pretty much anything you want to download, read or play with on the Fire has to be bought through Amazon. Thanks to Amazon's high-profile presence in e-retailing and content streaming, this is less of a chore than it might be. So, for example, those playing with Fire are able to stream any of Lovefilm's 5,000 titles, while the existing Kindle bookstore offers an almost unlimited selection of titles.
Best for: Heavy readers who want a little bit more.

5 GOOGLE NEXUS 7 £160
Described by gadget magazine *Stuff* in glowing terms – "As a powerful, portable media consumption device the Google Nexus 7 leaves all other tablets, including Amazon's Kindle Fire HD, in the dust" – the Nexus 7 is built by Asus and runs on the latest ludicrously named, food-themed Android operating system, Jelly Bean. It includes a quad-core Tegra 3 processor and is clearly focused at those who want to consume lots of media on the go. The 1280 x 800 screen is sharp and impressive, although iPad Mini users won't rush to trade theirs in. This is nevertheless a serious contender for those tablet users who really don't want to invest Mr Jobs's legacy with any more wonder (or cash).
Best For: Devourers of mobile content.

6 SAMSUNG GALAXY TAB 7.7 £480
Billed in some quarters as "the thinking man's tablet", Samsung's second generation Galaxy Tab is more likely to become labeled as gadget esoterica than it is to gain a reputation for ubiquity. Samsung seems to be placing its bets elsewhere in its range, despite this being a superior performer. It has all the elements – a fast processor and good OS, excellent screen, great speakers – to succeed. It is also burdened by a hefty price tag, a less than riveting app store and, worst of all, it is extremely hard to get hold of one.
Best for: Those who like to show they know their gadgets.

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RICHARD ANSETT

LIFE AFTER WORK

DRIVEN BY GOOD TURNS

After a high-powered career in practice, Gerald Russell says he's taking it easy. **Penelope Rance** discovers what that means for the former ICAEW president

I'm deliberately not doing a great deal," says Gerald Russell of his retirement. "A portfolio career is not for me. I don't want to be a full-time NED. I am doing some charity stuff, which is all I want to do."

A snapshot of Russell's career in practice reveals why he is loathe to fill his retired years with board positions and consulting. "All my family are lawyers, but my father didn't think the law would be right for me. I didn't do well academically at school, but I got a position with Whinney Murray [now part of Ernst & Young], qualified and stayed for life. I was in Tehran for two years – we left during the revolution."

He worked with Lloyds of London, investigating the insurance scandals of the 1970s and 1980s. He became marketing partner at a time when advertising restrictions were ending, making the role up as he went along. In the late 1980s Russell ran the E&Y practice in Reading, then its fastest growing office, and managed the southern region before returning to London as managing partner to combine two offices. "You had your boring days, but the work had a dynamic that kept my interest," he says.

He has also been ICAEW president. "It was a nice way of putting something back after an interesting career. It is without a doubt the best accounting professional body. Action is taken – ICAEW is not merely bureaucratic. But it appears that way in the eyes of many, a view which needs to be changed."

Having stepped away from the profession, Russell still manages to fill his days. He was chair of the finance committee for Action for Children for eight years. "It's fascinating – charities face the problems that big business does, plus the challenge of voluntary incomes drying up. It's a very uncertain time."

He works with ICAEW Foundation and has left a legacy to the bursary fund, to help people who can't afford to train as accountants. "It's a thank you for my career."

Russell was also chair of the finance committee of a girls' school and now chairs the board. "I've tried to do things around youth and children. I have five of my own, and I think the more you can do for children early on, the better it is for society. It sounds sanctimonious, but I don't mean to be – it's just that it's very important.

"Charities face the problems that big business does, plus the challenge of voluntary incomes drying up. It's a very uncertain time"

"I've also just attended my first meeting of the finance committee of the RNLI because my hobby is sailing. They get no government support, but fortunately are much loved by the public."

After retiring in 2008, Russell sailed across the Atlantic in his 37ft yacht, Que Será (a family motto), as part of the ARC (Atlantic Rally for Cruisers) fleet, raising money for charity. "I walked out of the office and onto the boat," he says.

But it's not all altruistic. "For the first time I have time for myself. I'm really keen on classic cars and I am keen to get back to the standard of golf I played when I was 18. My advice is: think about what you want to do, then do it and enjoy it."


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