INTELLIGENCE AND INSIGHT
economia
FEBRUARY 2015 | ICAEW.COM/ECONOMIA
ISSUE 35 | ACCOUNTANCY | FINANCE | BUSINESS

All the world's a stage

Sally O'Neill, chief operating officer at the Royal Opera House, sings to her own tune

SUSTAINABILITY JASON COWLEY **PUBLIC FINANCES** PAUL JOHNSON **THE DOUBLE IRISH**


"With tailored advice, I took my business to the next level"
Andrew Ramroop OBE, CEO of Maurice Sedwell
Businesses can now get a range of bespoke advice from mentoring to exporting to finance. To discover how Maurice Sedwell benefited from Government support and how you can too, visit greatbusiness.gov.uk/accelerate
BUSINESS IS GREAT BRITAIN

After much wrangling and debate we are finally edging towards a picture of what the future holds for audit. What isn't clear is how the UK will choose to enact the EU directive.

In response to pressure from ICAEW and others, the government has extended the period for responding to the consultation issued in December on how it should adopt the directive. Would-be respondents now have until the middle of March to get involved. It is positive that the government is willing to listen to the profession, but the discussion document gives no hint that there is any vision in government for how the future of audit might shape up.

While there is a clear ambition to improve audit quality, there is little detail about how that might be achieved. It is one thing to keep an open mind, and the government has already pledged not to "gold-plate" EU directives, but what does it really hope to achieve? The directive left open a lot of detail for individual member states to decide. Even on major issues such as mandatory rotation, tendering and non-audit services there is wriggle room.

The directive was driven by a conviction that increasing independence between auditors and clients, combined with greater competition in the audit market, would lead to improved audit quality. In fact there is little definitive proof that these links are anything like as clear cut.

But there is a widely-held perception (crucially among policymakers) that audit failures occur where firms are too close to clients, too busy selling non-audit services to offer sufficient challenge to management, or too confident no one will take away the work.

On some issues a quiet consensus has emerged. Few now question the requirement for firms to tender every 10 years and rotate auditors every 20 years. And these should be straightforward to implement. But perversely the consultation document suggests too many possible exemptions, thus introducing unwelcome and unnecessary complexity.

The picture is even less clear when it comes to providing non-audit services. There is talk of blacklisting certain services or even "whitelisting" (i.e. allowing firms to only offer agreed services). Sadly, the reality will rarely be black and white. Placing too many restrictions may backfire if it results in fewer mid-tier firms seeking audit work and thus reduces competition.

Potentially the most difficult issue is that of the regulation and oversight of audit. The directive calls for a single "ultimate competent authority" to be named. In the UK this will be the Financial Reporting Council (FRC). Does this require a rethink on the FRC's accountability? In the past ICAEW has called for the FRC to be named as a non-departmental government body and now could be a good time to reconsider this. Other issues include the FRC's relationship with the Scottish parliament and how it works with recognised supervisory bodies.

There is a great deal at stake and the profession can and must get engaged in the debate. Let's hope that having extended its ears, government uses them.

We need more honesty from politicians on their tax plans

VAT is a simple, powerful and effective means of raising tax revenue. For many tax experts and economists, taxing consumption is among the more efficient revenue generators.

But for politicians, raising VAT is apparently too toxic to be given serious consideration (in public at least). This is not a new phenomenon. Tax rises are rarely things politicians enjoy promising ahead of elections. And VAT is easily presented as hitting key voters, such as pensioners or the much-vaunted "hard-working families", hard.

But is this lack of an honest debate on VAT part of a more pernicious failing in politics in the run-up to the election? In an age where elimination of the deficit has become the only acceptable fiscal objective (and where low or no economic growth will be the norm), higher taxes and lower public spending are essential. It is a hard balance to get right, but unless they face these realities, it will take even longer for politicians to win back public trust.

The new Passat. With Car-Net Guide & Inform.

When you're on the move you need the right information at your fingertips. The new Passat gives you just that. From traffic information, weather, news and where to have lunch, it's all covered. Car-Net Guide & Inform from Volkswagen makes sure you're never out of the loop.

Model shown New Passat R-Line 2.0-litre with optional metallic paint, 19-inch Verona alloy wheels, LED premium headlights and sunroof.
reflect real driving results. Official fuel consumption in mpg (litre/100km) for the Volkswagen Passat range: urban 43.5 (6.5) – 62.8 (4.5);


www.volkswagen.co.uk/passat
New Passat

ICAEW
in this issue

"If you start trying to play safe, you end up with a bland product. The arts are important for this country"
p36 Sally O'Neill, chief operating officer at the Royal Opera House and ICAEW member

"The accountancy profession has an important role to play, helping to promote greater transparency of financial information for a more informed public debate, encouraging robust financial leadership in the public sector and improving interaction with financial markets"
p42 Martin Manuzi, ICAEW regional director, Europe

68
ICAEW MEMBER
Lisa McCartney

"Some may say that the declining choice of auditor is a failure, and maybe that is something the Audit Quality Forum could address more in the future, along with how to build justifiable and sustainable trust in auditing'"
p34 Charles Bowman, chairman of ICAEW's Audit and Assurance Faculty

"We need to put issues around the environment and society at the heart of operations and ask how we can change what we do"
p74 Richard Spencer, ICAEW head of sustainability

"Bank capital ratios and risk-weight assessment figures are probably the figures looked at most by analysts and other stakeholders. There are more and more concerns about the reliability of those numbers"
p78 Iain Coke, head of ICAEW's Financial Services Faculty

MORE ICAEW COMMENT

36

Contents
February 2015

HIGHLIGHTS

THE AUDIT

OPINION

COVER: CHARLIE BEST

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

TWITTER 50
We asked, and once again you've responded with enthusiasm. Online this month we revealed the top 50 most influential sources of finance news and information in social media, voted for by *economia* readers and ordered by Leaderboarded and Klout

AUDIT
Business secretary Vince Cable has decided to extend the consultation period for the discussion document on implementation of the new EU audit directive and regulation (see our *Leader* this month)

Digital highlights
icaew.com/economia

TAX
HMRC revealed its top 10 excuses for late-filing this month. In response, George Bull, senior tax partner at Baker Tilly, lists the worst excuses HMRC has told accountants

FINANCIAL SERVICES
KPMG's new cloud accounting software takes on the mid-tier and high-street accountants and... Google

ELSEWHERE ONLINE

Margaret Hodge calls for better accounting of tax relief

A 25% increase in fraud cases going through UK courts

PwC top employer of 2015 graduates

Income tax celebrates its 216th birthday

ECONOMIA A.M.

Look out for economia a.m. Our daily early morning news round-up

icaew.com/economia

Contributors

PEFC Certified
This product is from sustainably managed forests and controlled sources
www.pefc.org

Total average net circulation July 2013 to June 2014 137,640

recycle
When you have finished with this magazine please recycle it.

CONTRIBUTORS

David Adams
Richard Ansett
Anders Åsland
Charlie Best
Caroline Biebuyck
Charles Bowman
Alison Coleman
Jason Cowley
Suki Dhanda
Sandra Haurant
Tang Yau Hoong
Paul Johnson
Nicky Johnston
Aron Vellekoop Leon
Liz Loxton
Felicity McCabe
Cathy Newman
Sophia Schorr-Kon
Jane Simms
Xenia Taliotis
Peter Tayloer-Whiffen
David Vintiner
Peter Williams

THANKS TO

Deborah Chaplin
Charlie Mellor
Susie Moir
Tina Nielsen

MEMBER PANEL

Clive Bawden
Duncan Cheatle
Dennis Cox
Stephen Dunstan
Carla Edgley
Daniel Garcia
Mark Garratt
Jia Ge
Stuart Jones
Fiona Hotston Moore
Rebecca Pridham
Ejaz Ul Haq
Abel T. van Staveren

ICAEW

Director of communications
Harry McAdoo
Marketing director
Sue Best
Head of IP and publishing Andrea Eklund
Head of media relations
Simon Thompson
Publishing relationships manager Susan Bentley

ECONOMIA

Editor-in-chief
Richard Cree
Editor Amy Duff
Deputy editor
Laura Powell
Features editor
Penelope Rance
News editor Julia Irvine
Chief sub Martin Cloake
Deputy chief sub
Jacquetta Picton
Senior sub Nina Bryant
Sub Francesca Cotton
Associate online editor
Raymond Doherty
Online writer
Ellie Clayton
Junior online writer
Oli Griffin
Design director
Ewan Buck
Art editor Sarah Barnett
Deputy art editor
Mehmet Sem
Senior designers
Penny Clements,
Henrik Pettersson
Designer
Emily Black
Picture editor
John Kilpatrick
Group ad director
Alex Segger
Deputy ad manager
Miraj Vyas
Senior sales executive
Naomi Jones
Sales executive
Louise Smale
Recruitment advertising
Simone George
Jamie McGregor
Lauren Murphy
Jennifer McManus
Senior account manager
Tina Paw
Senior account executive
Gina Cavaciuti
Senior research executive
James Rayment

PCP

Managing director
Dan Davey
Sales director
Stuart Charlton
Group editor
Michael Jones
Group art editor Ian Hart
Group account director
Sam Gallagher

Production director
Angela Derbyshire
Production manager
Rob Manning

CONTACT US

Advertising
020 3096 2662
advertising@progressivecp.com
Recruitment advertising
020 7920 8535
icaewjobs@icaew.com
Editorial
020 3096 2680
economia@icaew.com

economia **is published by Progressive Customer Publishing (PCP) 20 Farringdon Road London EC1M 3HE progressivecp.com**

Printed in the UK by Polestar Bicester

Subscriptions: economia.icaew.com/subscriptions

ISSN 2049-4009

Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA

T: +44 (0)20 7920 8100

F: +44 (0)20 7920 0547

E: economia@icaew.com

icaew.com/economia

In review

THE INTERNATIONAL PICTURE

$45.19

Brent crude oil price (per barrel, Jan 15)
The lowest price since March 2009

THE OIL PRICE CRISIS escalated last month, with Brent crude prices falling to a six-year low, and the North Sea oil industry "close to collapse" according to Robin Allan, chairman of the independent explorers' association Brindex.

Major oil and gas exporter Premier Oil announced plans to cut spending on development by 40% in the next year and said it would write off $300m (£198m) due to disappointing 2014 results. BP said it would cut 200 jobs and 100 contractor roles.

Energy secretary Ed Davey ordered an urgent review into the North Sea oil industry, to identify the key risks and measures the government might take to mitigate them.

Global oil prices have been in decline for the past seven months, following a fairly stable period of pricing between 2010 and mid 2014, at about $110 (£73) a barrel. The price plunge is partly a result of Saudi Arabia slashing oil prices.

ELSEWHERE IN THE WORLD

The euro slumped to a 10-year low against the dollar last month, falling by 1.2% to $1.1753. It followed hints from Mario Draghi, president of the European Central Bank, that the bank could start quantitative easing. He said: "We are making technical preparations to alter the size, pace and composition of our measures." It is the euro's weakest level since December 2005.

New year's honours list

ICAEW members scored a clutch of awards in the Queen's New Year's Honours List 2015. Dianne Thompson, former group chief executive of Camelot, was made a dame in recognition of her services to the National Lottery and charitable services.

Members Anne Richards, chief investment officer at Aberdeen Asset Management and Elizabeth Corley, chief executive of Allianz Global Investors, were awarded CBEs for their contributions to the financial services industry.

Honorary ICAEW member and corporate governance guru Sir Adrian Cadbury, who gave his name to the first corporate governance code, also became a member of the Order of the Companions of Honour in recognition of his services to business and the community in the UK, particularly in Birmingham. Other notable mentions include Julie Deane, founder of the Cambridge Satchel Company (and cover star in *economia's* June 2014 edition), and EY partner Liz Bingham who were each awarded an OBE for their services to entrepreneurship and equality in the workplace respectively.

For more accountancy news visit economia.icaew.com

1,164
the number of people on the New Year's Honours list

General election 2015: the mud slinging begins

Shadow chancellor Ed Balls came under fire for refusing to detail proposed spending cuts and tax rises under a future Labour government.

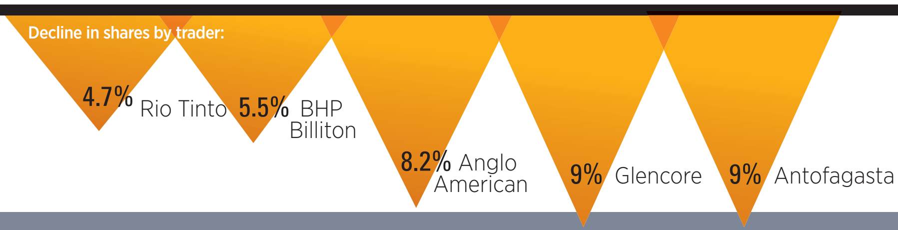
It followed comments from chancellor George Osborne who accused Labour of trying to "perpetrate a grand deceit on the British public" by declining to reveal its deficit reduction plans and the release of an 82-page dossier, which analysed Labour's spending commitments and claimed a Labour government wanted to spend an additional £21bn in its first year.

Balls dismissed the forecasts as "a dodgy Tory dossier riddled with untruths and errors on every page".

COPPER CRISIS

6%

plunge in global growth forecast for 2015



Source: World Bank

JP Morgan Chase faces hefty legal fees

JPMorgan Chase's earnings were hit by $1.1bn (£724m) in new legal charges as the largest US bank prepared to settle with the Department of Justice over charges of foreign exchange manipulation. The bank's disclosed legal charges have amounted to more than $25bn (£16bn) since 2010.

It follows disappointing quarterly earnings at the bank, with net income declining to $4.9bn (£3.2bn) in the fourth quarter from $5.3bn (£3.5bn) a year earlier. In a statement responding to the charges, chief executive Jamie Dimon focused on the "strong momentum and expense discipline" of the bank, pointing to a "record year for the firm for net income and EPS".

CFOs positive for future of the UK economy

CFOs are positive for the UK's economic prospects in 2015, a survey by Deloitte of the FTSE 350 companies has found. The majority said they believe that now is a good time to absorb additional risk on company balance sheets, and 88% believe the UK is a good place to do business. However, 60% also admitted they were entering 2015 with higher levels of uncertainty for their business. In all 119 large UK businesses took part in the study.

Meanwhile, a study of 90 economists, conducted by the *FT*, revealed similar levels of optimism, with 77 believing decent growth rates will endure another year.

Late tax returns: worst excuses revealed

HMRC released a list of silly excuses for late tax returns last month, with some particularly imaginative ones including: "My dog ate my tax return, and all the reminders" and "I was up a mountain in Wales and couldn't find a postbox or get an internet signal".

Other unsuccessful attempts to avoid the late penalty payment include: "My girlfriend's pregnant." "I live in a camper van in a supermarket car park." And: "Barack Obama is in charge of my finances."

Ruth Owen, director general of personal tax at HMRC, said: "People can have a genuine excuse for missing a tax deadline, but owning a pet with a taste for HMRC envelopes isn't one."

PA, GETTY

Do acts of terrorism have a significant economic impact?

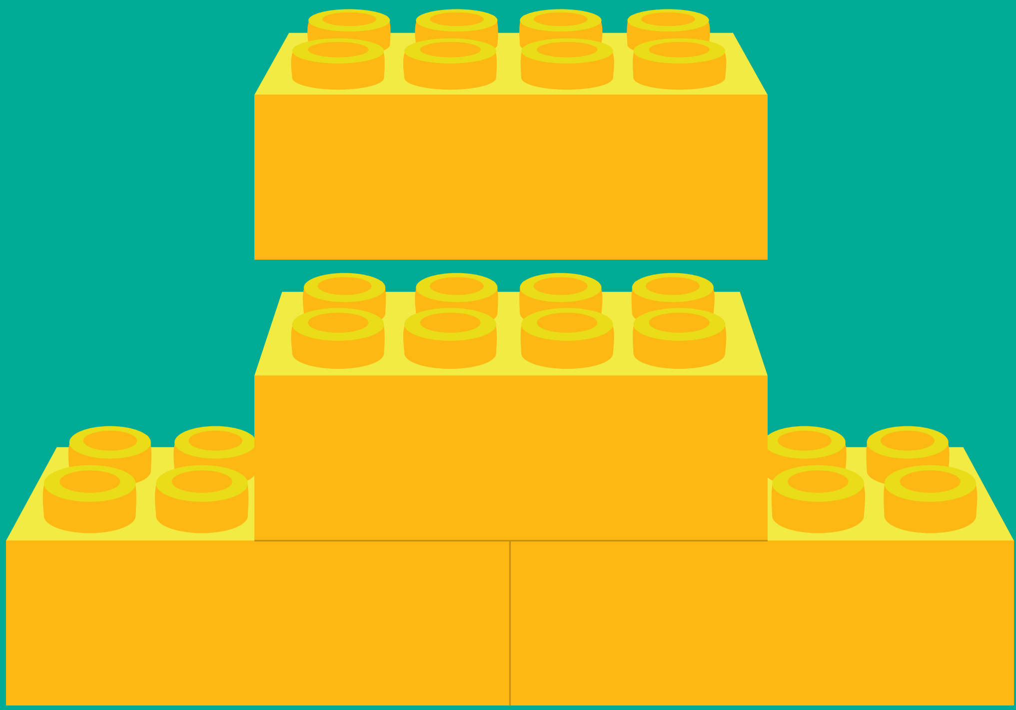
In the wake of the Paris terrorist attacks, here's what two experts said on the debate:

YES: "I think repeatedly over time this will cause people to cocoon. They'll stay in their homes. They're not sure what to do, where it's safe to go out. And it ultimately will have an impact on the economy. We're in a global economy, we're all interrelated, so I think we'll eventually all pay a price for those pressures." *Bill Johnson, former CEO of Heinz*

NO: "Business confidence is really not affected when an attack occurs in a wealthy country. The economy has a tremendous way of equilibrating and adjusting to risk. People know the security forces will do their job, and a central bank can take action if needed." *Todd Sandler, professor of economics, University of Texas*

"When Margaret Hodge walks down the street, people stop to shake her hand - rare indeed for politicians. She turned the dull-sounding Public Accounts Committee into the most rigorous scrutineer, excoriating wrongdoers and backsliders. Watch bankers, tax avoiding CEOs, ministers and permanent secretaries quail under her sharp tongue. No wonder people love her - except those arraigned before her"

Journalist Polly Dunbar on Margaret Hodge, chairman of the PAC and one of *The Guardian's* Heroes of 2014



Good month Bad month

Our round-up of the winners and losers of the last month includes the eurozone, Rolls-Royce and horsebox owners

FTSE 100 CEOs
The amount earned by FTSE 100 CEOs passed the average annual salary of the rest of the full-time workforce by 6 January, according to the think tank High Pay Centre. Assuming executives began their working year on Monday 5 January, by late afternoon on "Fatcat Tuesday" they had earned £27,200, the UK average salary.

MITCH THE TAX MAN
Mitch the Tax Man, the tax director of London-based firm, Adler Shine, was voted number one in *economia's* top 50, a round-up of the most influential sources of finance news on social media. Others shortlisted include accountancy speaker and writer @ BookMarkLee and Xero managing director @garyturner.

ROLLS-ROYCE
Rolls-Royce sold a record number of cars last year, breaking the 4,000 mark for the first time in its 111-year history. It sold 4,063 cars, up 12% from last year. Chief executive Torsten Muller-Otvos said that 80% of buyers were business owners.

OIL BARONS
Brent crude oil prices fell to a five-and-a-half year low of $45.19 per barrel last month, the lowest level since April 2009. Analysts said the fall may have been prompted by Saudi Arabia cutting prices to Europe, in an attempt to defend its market share. The prices of both Brent crude and US oil, known as West Texas Intermediate crude, have fallen by more than 50% since the middle of 2014.

HORSEBOX OWNERS
HMRC is clamping down on taxpayers it suspects are dishonestly claiming horseboxes worth hundreds of thousands of pounds as company expenses. Charles Homan, partner at UHY Hacker Young, said: "HMRC seems to be focusing attention in this area because they can be valuable assets. It shows how determined HMRC is to close every loophole."

EUROZONE
The eurozone economy suffered its worst quarter for more than a year, falling to 51.4 in December from an earlier estimate of 51.7, according to the Markit/CIPS composite purchasing managers' index.

ALAMY, PA/PRESS ASSOCIATON IMAGES, REUTERS

As I see it

Paul Dillon-Robinson is director of internal audit at the House of Commons and chairman of ICAEW's public sector audit committee

Knowing the difference between adding value and interfering is at the centre of running any department.

I really admire Admiral Nelson's leadership and trust in delegation. He was flawed but he learned from his mistakes.

I admire many more of those I meet at the 'bottom' of an organisation than some at the top.

I'm very self-critical and don't necessarily rate my successes as much as my failures.

PHOTOGRAPHY: FELICITY MCCABE

EARLY CAREER I benefited from the variety of experience in general audit at Deloitte, everything from manufacturers of manhole covers to international banks. The ACA also embedded in me the importance of taking tough decisions that are 'right', even if they are not popular.

ON SECONDMENT I spent 18 months in Deloitte's Cape Town office. It was towards the end of the apartheid era and a fascinating time to be in the country. I came back to a merged Coopers & Lybrand Deloitte and didn't feel I had a future in the firm so I joined the NHS.

PUBLIC SECTOR FINANCE Most professionals in the public sector will admit there is an altruistic element to being there. If - as an accountant or auditor - you can improve the environment in which public services are delivered, there is an element of personal reward.

BIGGEST BUGBEAR I get annoyed when people define a good manager as someone who is good at firefighting - particularly where the fire was caused by their inability to manage properly. Respect should be given to the quiet manager who prevents the fire or crisis in the first place.

GREATEST CHALLENGE When I was managing South Coast Audit (an NHS internal audit counter-fraud consortium), the NHS introduced a new pay system that hit our finances hard. Luckily I had the support of my directors of finance who trusted me to sort it out, which I did. But they were nervous months.

THE FUTURE The next few years in parliament will be interesting and I hope to play a part. Having trained non-executive directors on governance issues I ought to put my money where my mouth is.

From the top

ICAEW president Arthur Bailey on efforts to keep the Institute relevant in changing times

Have your say email *president@icaew.com*

In the last issue of *economia*, I talked about how involvement in ICAEW council affairs gives members the privilege of shaping institute policy and influencing the development of ICAEW priorities over the coming years. I was reminded of this, because at our most recent council meeting we discussed our strategic plan and how to keep ICAEW relevant to the membership and our wider stakeholders.

If we fail to stay relevant, then we will no longer be able to attract and train the best students, our membership will decline, our standards will suffer and our professional reputation will dissipate. So, for example, we are looking at how we might increase our understanding of members' needs so that we can develop a tailored experience which would provide bespoke access to existing and future ICAEW content so it is relevant to each individual member.

We are also considering how we can better facilitate interaction among members and between members and ICAEW on areas of interest. We need to remain relevant to employers by maintaining our qualification and by continuing to evolve the syllabus to meet their business needs on a cyclical basis.

We will also continue to explore diversity and access to the profession so that we can attract bright students from all walks of life. We need to articulate how chartered accountants provide value for business, practice and the public sector.

Ten years ago, we decided we wanted to become "an international body headquartered in the UK". Today, not only have we achieved our ambition but we have also established the ACA as a premium international accountancy qualification. But there is always more to do. This year we will be working with *The Economist* on an exciting new project delivering international business policy platforms. We have plans for the ASEAN region, which is one of the emerging financial centres of the future, and we will be growing our profile and impact in Africa.

ICAEW itself will not escape change. Conscious that we are now living in a rapidly changing, internet-enabled, global business environment, we have determined that we need to undergo a digital transformation and a systems update to ensure we can respond more quickly to the changing needs of members and achieve our strategic goals in an efficient, scalable and sustainable way.

So rest assured, we will be working very hard over the coming months to ensure that our members and our qualification remain in demand for many years to come.

PHOTOGRAPHY: DAVID HARRISON

ICAEW news and events

Successful lobbying secures extension on audit consultation, Labour launches election campaign and cyber security industry plugged

ICAEW SECURES BIS CONSULTATION EXTENSION

The Department of Business, Innovation and Skills has extended the consultation period on implementation of the new EU audit directive and regulation.

ICAEW chief executive Michael Izza wrote to business secretary Vince Cable describing the shortness of the original comment period - nine weeks covering the Christmas festivities and the profession's busiest time of the year - as "irresponsible".

The EU directive and regulation could bring significant changes to the audit regime, Izza pointed out, yet: "It is unlikely that all but the largest firms of chartered accountants or corporates will be able to devote much time to a considered response.

"This is of concern because the proposals will affect all listed entities, the smallest of which are audited by small accountancy practices that are least likely to respond within the deadline of 19 February."

The new deadline is 19 March 2015, one day before comments on the Financial Reporting Council's own document on audit changes are due.

Izza said: "I am very pleased that the government has listened to our concerns. The discussion document asks 54 questions, which imposes quite a task on any organisation or individual wishing to respond in full. The extra time will be welcomed by all respondents."

MILIBAND IN MOORGATE

A Labour government would cut the deficit every year without public services falling to "1930s levels", according to opposition leader Ed Miliband.

In a speech at Chartered Accountants' Hall launching Labour's election campaign, he vowed that his party could be trusted to stabilise the economy and cut the national debt with a "balanced approach". He pledged no unfunded spending commitments and confirmed Labour's manifesto policies would not require additional borrowing. He also promised to cut departmental spending across Whitehall and make £500m in annual efficiency savings in the communities and local government budget.

The NHS and aid would be protected from cuts, and the Labour manifesto would set out a very limited number of other protected areas.

He said he would raise funding from measures including a mansion tax, a tax on bankers' bonuses and a reversal of the cut in the top rate of tax. Labour also intended to cancel a further cut in corporation tax, cut business rates for small firms and ensure that those with incomes over £150,000 paid the 50p tax rate.

Miliband claimed the upcoming general election would be a "fight for the soul of our country. It is a fight about who we want to be. And how we want to live together".

MAUDE LAUNCHES CAMPAIGN AT CAH

The government has launched a new campaign to help build a larger talent pool to give the growing UK cyber security industry the skills it needs.

Speaking at the launch at Chartered Accountants' Hall, Cabinet minister Francis Maude said: "We should recognise that cyber security is a business of the future. It already employs some 40,000 people and is worth £6bn to the British economy."

UK Trade & Investment figures show that UK cyber security exports passed £1bn in 2014 - an increase of 22% on 2013. The government has an export target of £2bn by 2016. But growth is being held back by a severe shortage of skills, particularly at the smaller end of the market.

Maude said the government is keen to support businesses in this area, both to increase the resilience of the economy but also to make sure they are in a position to take advantage of the worldwide market for cyber security products and services.

£6bn

What the cyber security industry is now worth to the British economy

EVENTS

5, 10, 25 FEBRUARY
ESSENTIAL SRA ACCOUNTS RULES
Three in a series of roadshows around the UK during which the ICAEW Solicitors Group will look at changes and modifications the Solicitors Regulation Authority will be making to the annual accountant report. Manchester, Bristol.

4, 5 MARCH
FINANCE BUSINESS PARTNERING
Developing business partnering skills is the most effective way for finance professionals to lead change and add value to the business. Becoming a good business partner is an essential career step change. London

5 MARCH
FRS 102 – EMERGING ISSUES
This seminar provides an update on the new standard which companies are required to adopt for accounting periods beginning on or after 1 January 2015. Yorkshire and Humberside

5 MARCH
BUSINESS CONFIDENCE BREAKFAST
An overview of the latest business confidence and economic forecasts from ICAEW and the Bank of England, followed by a round-table discussion of the findings and business implications. Glasgow

The graph

In our statistical portrait of the last month, eurozone confidence is slipping, three major retailers are wobbling, but the year ahead is rosy for female entrepreneurs

1,773 tax returns filed on Christmas Day 2014

1,566 tax returns filed on Christmas Day 2013

Tax returns

+ 17,644 were filed on Christmas Eve

+ 11.2m expected to be filed for the 2013-14 tax year

Did you know that HMRC sent **flowers to 106 people** between 2009 and 2014 to say sorry for wrong payment demands?

0.5%

Inflation

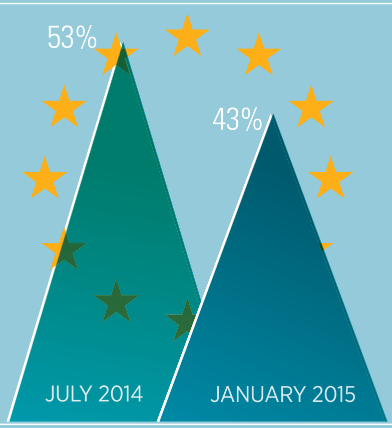
UK inflation fell to 0.5% in December, the joint lowest figure on record

Why?

Falling fuel prices

Fall in food prices due to supermarket price wars

Eurozone confidence slipping



according to a Lloyds Banking Group poll

Retail wobble

Retailers suffered their slowest December growth in six years with like-for-like sales falling by...

↓**0.4%**

MORRISONS

3.1% decline in like-for-like sales (excluding fuel) in the six weeks to 4 January

CEO Dalton Philips resigns from the supermarket after five years

10 loss-making **stores to close** in 2015

DEBENHAMS

0.8% decline in sales in last three months of 2014

8% fall in share price recorded in mid January

"The group has delivered a mixed and broadly disappointing update" Keith Bowman, equity analyst, Hargreaves Lansdown

TESCO

43 stores to close in 2015 – more than half of them Tesco Express

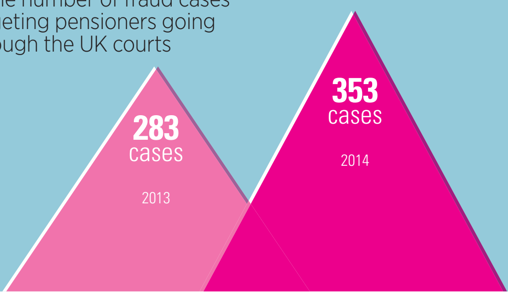
Shelved plans to open 49 new large stores

£250m cuts to reduce overheads by 30%

Downgraded credit rating to **junk status**

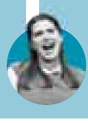
Granny fraud

Third consecutive annual increase in the number of fraud cases targeting pensioners going through the UK courts



140,000

How many new jobs will be created in 2015 by **female entrepreneurs**



"There are more women-led businesses in the UK than ever before" Jo Swinson, minister for women and equalities

£9,700,000,000

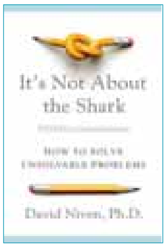
Amount Walgreens paid to acquire **Alliance Boots**, through the purchase of the 55% it does not already own

Shares fell **16%** following the news

economia March will be the women's issue

Book review

Amy Duff investigates whether it's possible to never worry about your problems again



IT'S NOT ABOUT THE SHARK: HOW TO SOLVE UNSOLVABLE PROBLEMS
DAVID NIVEN
(ICON BOOKS, £12.99)

What is exactly the wrong way to solve a problem? The work-shy will like the answer to this one. According to David Niven (author, not film star) it's not by working harder, longer and later but by thinking about the solution first. That's how Steven Spielberg made a generation terrified of sharks, says Niven. After months of painstakingly trying and failing to make a frightening Great White using prosthetics, the film director realised he was approaching this impasse the wrong way round. By rarely showing the shark on screen, just lurking in the deep accompanied by John Williams' shark theme, he realised he could create something truly frightening: *Jaws*. "Like staring at the sun and not being able to see the sky around it, we stare at our problems and cannot see anything else, much less a solution. Spielberg did not stare at his problem," says Niven.

You can solve a problem if you are willing to look for a solution, but nobody is saying it's easy. Focusing on a solution can be profoundly elusive; problems are seductive and compelling. So what's the author's advice?

At the end of each chapter, Niven includes what he calls "The Takeaway" and "Two for the Road": that is, a summary of the chapter and some self-help psychology to think about, plus two pieces of constructive advice. These range from the blindingly obvious – "when you are stuck, find a good distraction that takes you away from your problems" – to the more profound – "abstract art inspires unease, uncertainty and a reaction not unlike fright. But if you can overcome that impulse to turn away from the discomfort in art, you will have an easier time tolerating uncertainty in daily life without creating problems".

Is any of this helpful? It's fantastically well-researched. The main text in each chapter uses scenarios, experiments, and real-life events to explain how struggling with a problem just makes it worse and they're wonderfully diverse, if a little American-centric. Sometimes it's enlightening, sometimes it feels like wading through syrup. But when you do alight on the practical advice behind the yarns, it's thought-provoking and could possibly change the way you face life's problems.

IF YOU LIKE THE SOUND OF THIS, YOU MIGHT LIKE...

1. *Decision Making and Problem Solving (Creating Success)*, by John Adair. Techniques, checklists and exercises that will help you make and communicate business decisions with confidence.
2. *The Seven Habits of Highly Effective People*, by Stephen Covey. A holistic, integrated, principle-centred approach for solving personal and professional problems. Often cited as one of the most influential books ever written.
3. *Problem Solving 101: A Simple Guide for Smart People*, by Ken Wantanabe. This started out as a book for Japanese children but became a bestselling business how-to book in Japan and beyond.

Career clinic

Pity the overachiever, says Mark Freebairn, who just doesn't have the experience to match the projection of confidence

I have always tried to write these articles for the masses but on this occasion I am talking specifically to the overachievers among you. By this, I mean the annoyingly (sorry, brilliantly) young, light-on-experience-but-heavy-on-genius people we have all worked with.

For those of us that have never experienced life as a wunderkind, it goes as follows: you are made manager but look at your peer group and realise that you have worked for a lot less time, are a lot younger and can't display quite as much of that fabled gravitas as everyone else in the room.

As a result you start to project a certain image of yourself that you feel will gain more credibility. This is not down to a lack of confidence – it's because you want to be taken seriously and fit in.

Now that I find myself on the wrong side of an age I don't want to write down, I find myself echoing others I used to look at in disgust 20 years ago when I go to hospital, or solicitors and find myself dealing with someone who really doesn't look experienced enough to know how to cut me in half or write my will.

So I understand when those people feel they have to project an image that gives me greater confidence. To be fair, people who knew me years ago would tell you that I used to do the same.

So what's the problem? The issue is that as you get more senior within organisations and your experience starts to catch up with your level, you have to be very careful that you drop the projection. That's hard because in many cases you will have been doing it for long enough for it to become second nature. The challenge with that is simple. As we all become more emotionally intelligent, we start to pick up on this projection and we walk away from those engagements feeling like we only saw a mask and didn't see the real person behind it.

That was less of an issue when finance didn't engage commercially as it does now. But as finance has grown out into business on a much more operational basis, the engagements have become much more important and first impressions count.

Sadly I don't have an easy solution but I thought if more people were aware of the issue, more people would be able to resolve it. And that's my good Samaritan resolution dealt with. Normal service will resume next month.


xero
Beautiful accounting software
“Because Xero is a single ledger platform this has enabled us to get much closer to our clients”
GRANT SMITH, ARMSTRONG WATSON, TOP 100 PRACTICE
Cloud-based accounting isn’t just for smaller practices. An online approach to accounting is also perfect when you’re a multi-practice firm like Armstrong Watson. Read Armstrong Watson’s cloud story at **xero.com/armstrongwatson**
Forbes
Xero – Most Innovative Growth Company 2014
Sign up for free at **xero.com/partners**

Tales from the frontline

Former Selfridges' boss **Peter Williams**, now chairman at Jaeger, on the struggle facing retail in an e-commerce age

The retail sector is still trying to digest the internet. Nobody really knows how long the change is going to go on for. It has certainly not yet reached any mature mix between online and offline sales, but the impact has been profound.

This is something I am particularly interested in, having moved from the department store world, where I was CFO and then CEO at Selfridges, to become non-executive director at a number of retailers, some of them e-retailers and others bricks and mortar businesses. Among them, Rightmove, boohoo.com, ASOS, Blacks and Jaeger.

It is certainly a fascinating time to work in online retail – our lives are so time-precious, having a 'buy now' button when you're researching purchases means you don't have to wait. The crash, recession and slow recovery have adjusted people's spending habits and given us an even greater incentive to compare prices. That's why so many retailers are having to stay on their toes – people can check the price on Amazon, for example, so easily, it's a less forgiving environment.

Yet despite all of that, I don't think it's the death of the high street. Not everyone enjoys shopping on the internet and some of the purchases we make – fresh food, for example – require a physical location.

The changes in shopping culture simply mean everyone needs to be a lot more savvy about how they articulate their proposition and what the brand stands for, or the story behind the product. If you engage with that, you will do well. If you're a bit defensive, you're going to struggle.

Apple is a great example. It took an IT brand manufacturer to show the consumer electronic shops how to do that job in a positive way. The invitation to play, the architecture of the space, the simple point of sale – people pick up on the detail, and if you have enough of these little nuances, it makes a huge difference.

Some retailers are getting it. John Lewis has always been regarded as a safe business but it has done a lot of clever stuff online. The website is terrific, the breadth of merchandise is huge, it does click-and-collect via Waitrose, it's very joined up. But generally retail isn't nailing it.

One of the problems is that the people around boardroom tables tend to be in their fifties or sixties – so they're not going to get it. They'll be appreciative of it – I hope I am. But I wouldn't pretend that I know how the architecture of this comes together. My sense of it isn't from the gut and wheeling a digital guru into the board meeting once in a while isn't sufficient.

So we have to get to grips with digital, embrace the change and remember that running a business is a human activity. You can't do it all remotely. The best teams still get together in a room, have a common cause and a shared outlook.

The other thing that has changed in the 30-plus years I've been involved with business is FDs have to be much better communicators than ever. You have to be able to articulate what's happening – and in a language the people in buying or retail operations understand.

The challenge for the CEO now – and it's not a terribly new thing – is to make sure the business is keeping on top of new things as they come along. You have to have constant change. I'm not saying everything changes all the time – but some kind of change has to be ever-present. It's important that when you put the senior team together, the CEO has people who are not scared of change and can help him or her come up with ideas to move the enterprise onwards.

That's something I look forward to exploring further as I join the panel on managing board conflicts at ICAEW's FD Conference in May.

PHOTOGRAPHY: NICKY JOHNSTON

Michael Izza

"How refreshing it would be if we had numbers we could trust in the debate"

One of the less appealing aspects of the run-up to the general election is the rowing between political parties over the financial impact of their manifesto pledges. The three main parties set out their stalls on the first day back after the Christmas holidays and accusations have been flying ever since. How refreshing would it be if we had numbers that we could trust and could have a genuine debate about what would be best for our country?

In December, I wrote to George Osborne suggesting that the government should introduce urgent legislation under a free vote in the Commons that would allow the Office for Budget Responsibility (OBR) to assess the political parties' plans to tackle the deficit. It already does this for the government's public spending proposals. Having an independent assessment of all manifesto commitments, their strengths and their weaknesses, would give the public confidence that the parties' spending plans add up, and provide them with the critical information they need to decide where to cast their vote.

It's something that has gained cross-party support in recent years. Back in 2010, Osborne himself said that it was "genuinely a matter that should be debated in the House in a non-partisan way", although he seems less keen on the idea lately. Last June, during a Labour debate on the issue, Treasury financial secretary Nicky Morgan said that although the problems were not "insurmountable", the OBR still needed "time to establish itself fully as an independent fiscal watchdog before being drawn into the political heart of a general election". Yet three months earlier OBR chairman Robert Chote told the Treasury Select Committee that the move would offer the prospect of improving the quality of parties' policy development and potentially of public debate.

So far, very few countries have gone down this route although those that have seem to have benefited, according to think tank the Institute for Government. Its research into the experience of independent policy costing in Ireland, Australia and the Netherlands concludes that "these mechanisms can improve the quality of policies and deliver more informed public debate by encouraging parties to be open about the costs of their proposals".

ICAEW has long argued for greater transparency in all aspects of government finances and for the Treasury to act more like a finance department in a private sector business with a chief financial officer at the helm. No sensible investor would invest their money in an organisation without having first seen proper audited accounts. So why should taxpayers be expected to invest their hard-earned cash in unaudited election promises?

Michael Izza
ICAEW chief executive

TOP 5 MOST READ STORIES ONLINE

1. #economia50 revealed
2. Worst excuses for late filing
3. Grant Thornton acquires audit company
4. BIS extends audit deadline
5. Tories will cut IHT and freeze VAT

Your feedback

Online comment on FTSE 100 CEOs' pay continuing to rise steeply

For sure, FTSE 100 CEOs are smarter and harder-working than most of us are, so should earn a good bit more, but the gulf between bosses' and workers' pay just keeps growing and that doesn't make sense. Real life is not a game of *Monopoly* – when one person takes all the wealth off the board in *Monopoly* and the others are bankrupt, they can clear the game away and have supper together but, in real life, when one person takes all the wealth, the poor don't have much to eat.

D James

There is no way this lot are paying tax at 45p in the pound. I can well imagine they're paying thousands to tax advisers in order to find ways to avoid their full tax burden however. Unless of course the "financial planning" to avoid such tax is a freebie thrown in by the company on bebehalf of the shareholders they notionally represent.

Sean

With reference to the point above, an effective tax rate would be a key metric to looking at pre/post tax income rather than just absolute.

Other points: 1) How much do CEOs personally donate to charity? I know some that do.

2) An OCED research paper in December 2014 shows that income inequality suppressed UK growth by 9% since 1990. And over the last 30 years the top 10% earn 10 times what the bottom 10% do – a change from a ratio of 7:1 in 1980.

3) Some workers on minimum wage with two jobs probably have a similar work-life balance to CEOs – that's a fairness question too.

4) Joseph Stiglitz, in his book *The Price of Inequality*, questions if CEOs are 200 times more productive than the average employee. Remember Isaac Newton's quote: "If I have seen further it is by

standing on the shoulders of giants." My interpretation of this is that the success of organisation is due to the workforce, the accumulation of knowledge /efforts by previous generations, state-funded infrastructure, research, health, education – as well as the CEO.
Paul

While I am generally in favour of freedom for companies to set pay, I do think that there should be a (self-imposed) limit on the difference between a CEO of the company and the average employee, measured as a multiple. CEO salaries 1,000 times their median employee's salary seems avaricious! Nobody works in a vacuum and good people only get results if they have a good team.
Philip

In the debate *Are FTSE 100 bosses paid too much?* (*economia*, January 2015) Sam Bowman surely lets the cat out of the bag when he says "returns can fall or rise for reasons beyond the control of the boardroom". Quite, these people are not supermen and there can be no justification for paying one person 250 times more than the vast majority of other staff. Business is a team effort and this sort of vastly excessive pay is risking the reputation of our entire capitalist system.
David B

Online comment on the worst excuses received by HMRC for missing tax deadline
HMRC senior staff think they should be remunerated by reference to pay scales for equivalent jobs in the private sector. I remember early in 2012 Dame Lesley Strathie giving evidence before the Treasury Select Committee when she broadly acknowledged that HMRC is a shambles and said they might be able to sort it out in three years' time.

I just wonder if a partner in PwC was called before the senior partner exactly how long he could expect to be in post if he acknowledged that his bit of the business was a mess and he 'might be able to sort it out in three years' time'.
Charlie

Quite a few years ago an HMRC officer told me he could not answer my query as the office was being re-carpeted so he could not get to the file.
Helen Elliot

Online comment on Joseph Stigiltz's article *The Politics of Economic Stupidity*, in *economia*'s *Global Review 2014-15*
It seems like a contradiction but recessions rebuild confidence because the drop in prices gives people the idea that they are no longer overpaying for something, so they start spending.

That's why recessions need to have big drops in prices as happened in the US housing market. After that, growth restarts from a much lower base.

The US, Europe and Japan did everything possible, so they thought, to stop the recession. Unfortunately they only managed to slow the recession and, hence, stretch it out over years.

The drop in house prices in America led the recession so the government could not stop it. This drop led to growth in construction only as people started believing the housing market had bottomed out.

The rest of the economy which the government tried to prime with its spending has shown little growth so leading to a weak economy-wide recovery.
Malcolm Wilson

Paul Krugman also cries endlessly about the political and economic stupidity rampant in the EU and, to a somewhat lesser extent, in the UK and US. George Osborne's latest austerity proposals to reduce the "deficit" will further inhibit UK recovery. Surely someone at the Treasury must be whispering in his ear that a reduction in half-paid employment and a growth in well-paying jobs and GNP are more important than worries about capital expenditure reduction when interest rates are practically zero?
Gareth

ROOTS OF MISTRUST
No doubt "this most recent wave of hostility towards the European Project" (*economia* leader, December 2014) is driven partly by austerity and partly by the breakdown in public trust for large institutions. But surely for accountants hostility is also due to the report on page 16 of your December issue (*Good month, Bad month*)?

What member of our Institute would advise a client to part with money to an organisation where the auditors have refused to sign off the accounts for 19 years and where expenditure of £109bn was "affected by material error"?
David I Marks

The *economia* website is regularly updated with news and technical stories. To join the debate, visit economia.icaew.com

Either email us at editorial@icaew.com, comment online, or write to us at *economia*, Progressive Customer Publishing, 20 Farringdon Road, London EC1M 3HE. Letters and comments may be edited for clarity and space.

DELIVERING CERTAINTY TO BUSINESSES IN 2015

MEDICA PACKAGING

Manufacturer & Distributor

ASSET BASED LENDING – ACQUISITION

£3,700,000

"I could tell from the first meeting that Shawbrook Business Credit got it and they delivered exactly as they said they would, thankfully without even a single wobble along the way which would have lost me some sleep! Traditionally you would always have at least one back-up finance house, however in this case, the benefit from working with Shawbrook Business Credit exclusively in terms of expediting and therefore securing the transaction was enormous."

Layton Tamberlin, Sullivan Street Partners

WESTON BODY HARDWARE

Access Control Systems

ASSET BASED LENDING – ACQUISITION

£2,000,000

"Shawbrook Business Credit brought speed, flexibility and efficiency to the transaction and a willingness to discuss the appropriate finance for our business needs. We could tell from our first meeting that they were people we could talk to about potential roadblocks and always felt confident that we would find the best way to work round these together. We very much look forward to working with Shawbrook Business Credit as a successful partnership and are optimistic and enthusiastic about the future."

Matt Trobe, Managing Director

Jason Cowley

"Throughout Europe established parties are being undermined by radical nationalists and insurgents"

In Britain we like to tell ourselves that ideas and policies matter much more than the individual leaders articulating them; that people vote for parties not personalities. Yet no one can deny that character, personality and authority matter in politics more so than ever in an age of instant and mass communication. At moments of great national significance, such as during the recent terrorist attacks in Paris, a nation looks to its prime minister or president to speak to and for it, to capture the appropriate tone.

François Hollande, the socialist president of France, is widely considered to be a weak leader, whose ambition to remake his country from the left has largely failed. He has been mercilessly ridiculed - including by the cartoonists and satirists of *Charlie Hebdo* magazine. And yet, when the assassins struck and terror gripped Paris, he responded with dignity and restraint. He displayed the virtue that John F Kennedy is said to have valued above all others: grace under pressure.

A TALE OF TWO LEADERS

Unlike President Hollande, David Cameron is no ideologue. In fact, he's often accused of being a leader with no fixed beliefs whose ultimate purpose seems to be the pursuit of power as an end in itself. Once asked why he wanted to be prime minister, Cameron replied, with characteristic insouciance: "Because I think I will be good at it." This is the voice of the natural high-born English Tory pragmatist, who seeks the highest office because he knows he can.

It's fair to say the nation does not love Cameron. But neither does it dislike him. What he has, above all else, is respect. Is it enough to keep him in Downing Street?

For now, Cameron continues to be much more popular than his party, which has not won a general election for 22 years, has been decisively defeated in Scotland and struggles to win support in the north of England and inner-London.

By contrast, Ed Miliband is more unpopular than the party he has lead since 2010. At present, his personal ratings are poorer even than those of Michael Foot, who led Labour to election defeat in 1983. Miliband knows this and so do his MPs, which is why there's been such internal unrest over his leadership. So both parties have different election strategies: the Tories want David Cameron centre stage while Labour wish not to hide Miliband exactly, but to portray him as being one of a team of talents.

As for Cameron's election message, it is simple: he wants voters to focus on the economy now that the UK, with the exception of the US, has the fastest growth in the western world. The economy is the issue on which the Tories are most trusted, even though they have failed to deliver on their 2010 promise to eliminate the deficit in a single parliament (the 2014-15 budget deficit is forecast to be £91bn).

Miliband's central belief is that the "economy does not work for working people". As a result, he's determined to pick a fight with modern capitalism by intervening in markets, hence the idea of an energy price freeze as well as rent controls. He believes the state can be used to create a more "responsible" as opposed to "predatory" capitalism.

TIME OF INSTABILITY

If he becomes prime minister in May, however, Miliband would be attempting to effect far-reaching economic reform at a time of great instability. Throughout Europe established parties are being undermined or out-flanked by radical nationalists and insurgents. The eurozone is beset by debt and deflation crises. Islamic terrorism, a collapsing oil price, Russian revanchism, a slowdown in the Chinese economy, turmoil in the Middle East - all these factors are contributing to a sense of even greater uncertainty.

These are not propitious times for any leader to be embarking on a project fundamentally to restructure capitalism in one country, as Miliband aspires to do and as Hollande attempted to do before him. That Miliband seldom speaks about wealth creation and the role of business, except largely in pejorative terms, reiterates just how much he wishes to succeed on his own terms. It's an ambitious project, but is Britain really ready for Milibandism?

Jason Cowley is editor of the *New Statesman*

Cathy Newman

"The election campaign has kicked off and the claims and counter-claims have been coming thick and fast"

And they're off. The longest general election campaign in British history has begun. But while it's set to break records for longevity, it doesn't look like it's going to set a new standard for honesty. The claims and counter-claims have been coming thick and fast, so the rapid rebuttal unit at FactCheck HQ has had to up its game. So here goes.

Chancellor George Osborne declared that "in the first year in office alone, a Labour government would increase borrowing by £20.7bn". He appeared to have good grounds for this claim, having based it on data dredged from the bowels of the Treasury and analysed by civil servants. The dossier the chancellor produced took every spending commitment by a Labour frontbencher and costed it.

The problem is the Conservatives asked the civil servants to cost spending pledges that have since been ditched by Labour. They've treated criticism of coalition cuts as a firm promise to reverse those cuts, and they've made a whole raft of other assumptions.

By far the biggest so-called spending commitment in the list is the £3.7bn price tag of giving the Green Investment Bank new borrowing powers. However, although shadow chancellor Ed Balls advised the government in 2013 to give the Bank those borrowing powers in 2015, he never actually committed Labour to doing so.

PUTTING IN CONTEXT

The Institute for Fiscal Studies delighted Labour recently by describing it as "the most cautious" of the three main political parties, praising the opposition for managing "not to announce an overall net giveaway". And it castigated the Tories for having the biggest "candour deficit" when it comes to the gap between the cost of their policies and their pledge to balance the books.

What, though, of Labour's poster trumpeting that "the Tories want to cut spending on public services back to the levels of the 1930s"?

The Office for Budget Responsibility is the supposed source, but it requires a bit of context for accuracy. Spending on public services is forecast to fall to about 35% of GDP in 2019-20 but it's only at its lowest level since 2002-03 in real terms.

That said, economists like putting the figure in the context of the overall size of the economy, i.e GDP, because it takes account of population change and wage increases.

STATISTICAL FUN AND GAMES

The Conservatives got in a bit of hot water over their poster depicting a long road stretching over the horizon – not least because the road in question turned out to be en route to Weimar. But it was the small print that proved worth perusing, notably the government's boast of "1.75 million more people in work. 760,000 more businesses. The deficit halved."

First, 1.75 million more in work. After the last general election (from May to July 2010) there were 29.325 million people working. By August to October 2014, that had risen to 30.796 million. That equates to 1.471 million more people in work. Why the difference, we asked Tory HQ? They argued the baseline should date from the three months before they took power, when 29.048 million people were working. On that basis, their figures stack up.

So what of the number of new businesses created? ONS figures suggest there have been 163,275 of these between March 2010 and March 2014. But Tory HQ directed us to business department stats on "business populations". These figures include unregistered businesses that don't pay VAT or PAYE and have no employees – self-employed people in other words. So yes there are 760,000 more businesses, but 707,200 of those have no employees.

And finally, the deficit halved. Really? It was only a month ago that prime minister David Cameron was proclaiming: "We have got the deficit down by a third." It turns out George Osborne's poster was contrasting the deficit as a share of GDP this year (5% since you asked), to what it was in 2009-10 (10.2% of GDP). That's the only justification we can find for the Tory claim to have halved the deficit.

So when it comes to spending, the chancellor prefers not to state his figures as a percentage of GDP, but when it comes to shrinking the deficit, it's another story. Funny that. And I don't need to tell you, between now and 7 May, there will be plenty more where that came from.

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

Paul Johnson

"None of the parties is keen to suggest that increasing tax is an option, or set out a strategy for taxation"

Each year since 1981 the Institute for Fiscal Studies (IFS) has published its Green Budget - green in the sense of a green, or consultative, paper rather than green in the sense of environmental. Its purpose is to put into the public domain accurate, independent and readily usable information to inform the debate about the public finances and policy options in the forthcoming budget.

It has become, over that time, a significant event in the fiscal calendar. Around 400 fiscal nerds turn up to hear IFS economists talking about tax policy, public spending and the deficit, while hundreds of thousands read it (or download it: ifs.org.uk).

Anyone who has tried to read Treasury and Budget documentation will understand the need for something like the Green Budget. We try to set out the issues and figures much more clearly, and unlike any government document we provide a fair assessment of policy options.

A staple of Green Budget analysis has been to question the official public finance forecasts. Under the last government we would typically suggest that, even on the basis of their own economic forecasts, the Treasury's fiscal forecasts were too optimistic.

With the independent Office for Budget Responsibility (OBR) in place we no longer find ourselves doing quite that. But we are able to analyse a much wider range of scenarios and policy options than they are, and to pass some comment on policy decisions. The OBR is a much more open institution than the Treasury ever was so we have more data and information to analyse.

FOCUS ON CHOICES

This year we are, inevitably, focusing on the public finances and public spending choices. The challenge facing the next government, which will have to run a full-blown spending review during 2015, remains formidable. Our structural deficit - the part that won't go away as the economy grows - is judged by the IMF to be among the very largest in the developed world.

Big cuts for 2015-16 have already been signed up to by all the main parties. Looking forward though, there is a big difference between Labour and Conservatives. Because Labour would be happy to borrow to cover capital spending, they need to find relatively modest cuts of £7bn or so after 2015-16. The Conservatives will need to find more than £30bn of cuts to meet their balanced budget rule. If they continue to protect, and indeed add to, spending on health and pensions then the consequences for spending on the rest of public services will be severe. The Conservatives may find it hard to make the cuts implied by their fiscal plans. Under Labour's plans the deficit, and perhaps more importantly the national debt, would be higher.

Given the importance of these issues this year's Green Budget includes three chapters on public finances, one on public service spending, one on health spending specifically and one on social security spending.

UNEXPLORED OPTION

Of course there is another leg to the fiscal stool - taxes. None of the parties is ever keen to suggest that increasing tax is an option. And none has ever set out a strategy for taxation. That's extraordinary when you think of the strategy papers on every aspect of public spending. We try to fill part of that hole.

In 2011 we published a major review of tax policy - the "Mirrlees review", named for Nobel Laureate Sir James Mirrlees who oversaw the work. In this year's Green Budget we set out some of the options that a new government is likely to consider should it decide to raise taxes after the election (despite not having shared any such plans with the electorate before the election). History is clear on this. Post-election budgets tend to involve tax increases. Pre-election budgets do not.

In an innovation this year, we are pleased to be working with ICAEW, which is providing its own take on the fiscal situation, looking at the public finances not from the standard point of view of public finance accounting but by looking at the government's balance sheet. This brings a new and important perspective to the way we think about the challenges facing government over the long run.

Paul Johnson is director of the Institute for Fiscal Studies
He is speaking at ICAEW's FD Conference in May

Anders Åslund

"Putin's leadership approach seems incompatible with any solution to Russia's current economic woes"

As 2014 came to a close, an enormous financial crisis erupted in Russia. World oil prices had fallen by almost half since mid-June, and the rouble plummeted in December, finishing the year down by a similar margin. Russia's international reserves have fallen by $135bn (£89bn), and inflation has reached double digits.

Things are only going to get worse. The current oil price will force Russia to cut its imports by half – a move that, together with the continuing rise in inflation, will diminish Russians' living standards considerably. Add to that a severe liquidity freeze, and a financial meltdown, accompanied by an 8-10% decline in output, appears likely.

Russia's ability to negotiate its predicament hinges on its powerful president, Vladimir Putin. So far, he has pretended that there is no crisis at all. But Putin cannot pretend forever. And when he finally does acknowledge reality, he will have little room for manoeuvre.

ADMITTING DEFEAT

Putin could withdraw troops from eastern Ukraine, spurring the US and Europe to lift economic sanctions against Russia. But this would amount to admitting defeat – which Putin is not prone to do.

Short of initiating a major war, Putin has few options for driving up oil prices. Even before the oil-price collapse, crony capitalism had brought growth to a halt – and any serious effort to change the system would destabilise his power base.

Putin's leadership approach seems incompatible with any solution to Russia's current economic woes. Though accurate and timely statistics on Russia's economy – needed to guide effective measures to counter the crisis – are readily available to the public online, he claims not to use the internet.

Instead, journalist Ben Judah reports, Putin receives daily updates on Kremlin politics, domestic affairs, and foreign relations from his three key intelligence agencies. His actions suggest that he considers economic data to be far less important than security information.

There is no dearth of economic expertise among Russian policymakers. But policymaking is concentrated in the Kremlin, where economic expertise is lacking. The last economic heavyweight in Putin's personal circle was Alexei Kudrin, who resigned as finance minister in 2011.

Putin makes all major economic policy decisions in Russia. As a result, economic policymaking is fragmented and dysfunctional. In Russia, unlike in most other countries, the central bank does not retain the exclusive right to intervene.

When the rouble tumbled in December, the finance ministry – which holds almost half of Russia's foreign reserves, £111bn, in two sovereign-wealth funds – deemed the bank's intervention to be insufficient. So it announced that it would sell £4.6bn from its reserves to boost the rouble – a move that caused the exchange rate to overshoot on the upside.

SHARP DECLINE

When the rate plummeted again, the Kremlin urged the five largest state-owned export companies to exchange a portion of their assets into roubles, leading to another overshoot, followed by another sharp decline. Such uncoordinated interventions are exacerbating currency-market turmoil.

Russia's fiscal situation, determined by Putin's arbitrary budget management, is hardly better. Putin's priorities are clear: first come the military, security apparatus and state administration; then major infrastructure projects. Social expenditures (primarily pensions), needed to maintain popular support, come last. Oil revenues are no longer sufficient to cover all three.

Putin must shelve some of his large, long-term infrastructure projects. Though the decision in December to abandon the South Stream gas pipeline is a step in the right direction, it is far from adequate. Likewise, he should follow finance minister Anton Siluanov's recommendation to cut public expenditure, including on social programmes and the military, by 10% this year.

Russia faces serious and intensifying financial problems. But its biggest problem remains its leader, who continues to deny reality while pursuing policies and projects that will only make the situation worse.

Anders Åslund is a senior fellow at the Peterson Institute for International Economics in Washington, DC.

Charles Bowman

"Auditing has changed but has it made any difference? Crises continue to hit businesses"

Governments still make many economic decisions that affect us all; however, the people in international boardrooms have an increasing influence over the global economy.

The financial crisis has changed the popular perception of capitalism and increased the general public's interest in and engagement with business. While businesses are again generating growth and employment, trust in companies remains low. Scandals and crises continue to hit individual businesses across sectors and industries. This has a knock-on effect on the wider business community, raising questions about accountability.

What exactly are society's expectations of business today? How can business leaders steer organisations to generate sustainable wealth while minimising the risk to society of doing so? How can organisations make themselves – and remain – trustworthy, engaging effectively with society and all their respective stakeholders?

There has certainly been a lot of debate over the last few years in the wake of the financial crisis. A slew of governance and reporting changes have resulted, increasing transparency, improving communication and focusing regulation.

EXTRA MILE

Auditing and accounting are central to these changes. Markets are demanding more, encouraging some companies to go beyond the minimum required by standards on, for example, the extended auditor's report. Companies are disclosing more information, for example around their ethics and sustainability. Critical to this evolution is continuing dialogue with the widest possible group of stakeholders.

On 9 March the Audit Quality Forum (AQF) will bring together some 300 business leaders, policymakers, regulators, members of the finance and accountancy profession, NGOs and the wider public for a frank debate on the responsibilities of each stakeholder group and how they can best interact to increase trust in business, something which is in everybody's interest (icaew.com/aqf). Using the model pioneered by the globally unique AQF, it has maintained the UK's accounting profession as world-leading. Keynote speakers including the Lord Mayor of London, Alan Yarrow, will be asked to contribute to a debate into how to address the business, economic and social issues we face, chaired by Daisy McAndrew, ITV's economics and business editor, at Mansion House in the City of London.

QUALITY AND CONFIDENCE

It is 10 years since the AQF was set up to promote quality and confidence in audit. Some believe it was formed as a *quid pro quo* for limiting the liability of auditors in the UK. But this has not happened much, as any limitation would have had to be agreed by the shareholders. The AQF has, however, been influential in enabling stakeholders to reach agreement on other thorny topics such as adopting ISAs, naming the audit partner in the UK, developing the 2006 Companies Act, audit inspections, tendering, and extended audit reports.

These issues have still not been resolved in the US or indeed in some other parts of the EU. Some may say that the declining choice of auditor is a failure, and maybe that is something the AQF could address more in the future, along with how to build justifiable and sustainable trust in auditing.

Auditing has changed but has it made any difference? Scandals and crises continue to hit businesses. Questions of accountability and the relevance of audit continue to be raised.

However, progress and growth will always come with risk. Auditors don't always get it right, and the AQF, among other initiatives, helps them respond to the needs of their stakeholders through dialogue educating everyone in the process. It's a unique opportunity for the financial establishment to talk to its customers – the public – about how to generate the wealth we all need while minimising the risks in doing so. If other industries followed the AQF's lead we might start to rebuild the public's trust in business, which is vital for economic growth and raising everyone's standard of living.

Now that would be an exemplar which I think we could all agree is worth striving for.

Charles Bowman is chair of the Audit Quality Forum and a partner at PwC


"UK Export Finance helped us build our business overseas"
Robert Winter, Director of Financial Solutions at JCB
When JCB started trading in a new and challenging market, UK Export Finance provided the insurance, and the confidence, they needed to build the business with their overseas distributor.
To see how UK Export Finance can help you achieve overseas growth, visit:
gov.uk/making-exports-happen
UK Export Finance
EXPORTING IS GREAT
BRITAIN
JCB
LOADALL

A delicate balance

As chief operating officer of the Royal Opera House, **Sally O'Neill** must grapple with public funding cuts while competing to secure some of the world's top-class (and top-paid) performers. An impossible task? That's not the half of it, discovers Laura Powell

Photography by Charlie Best

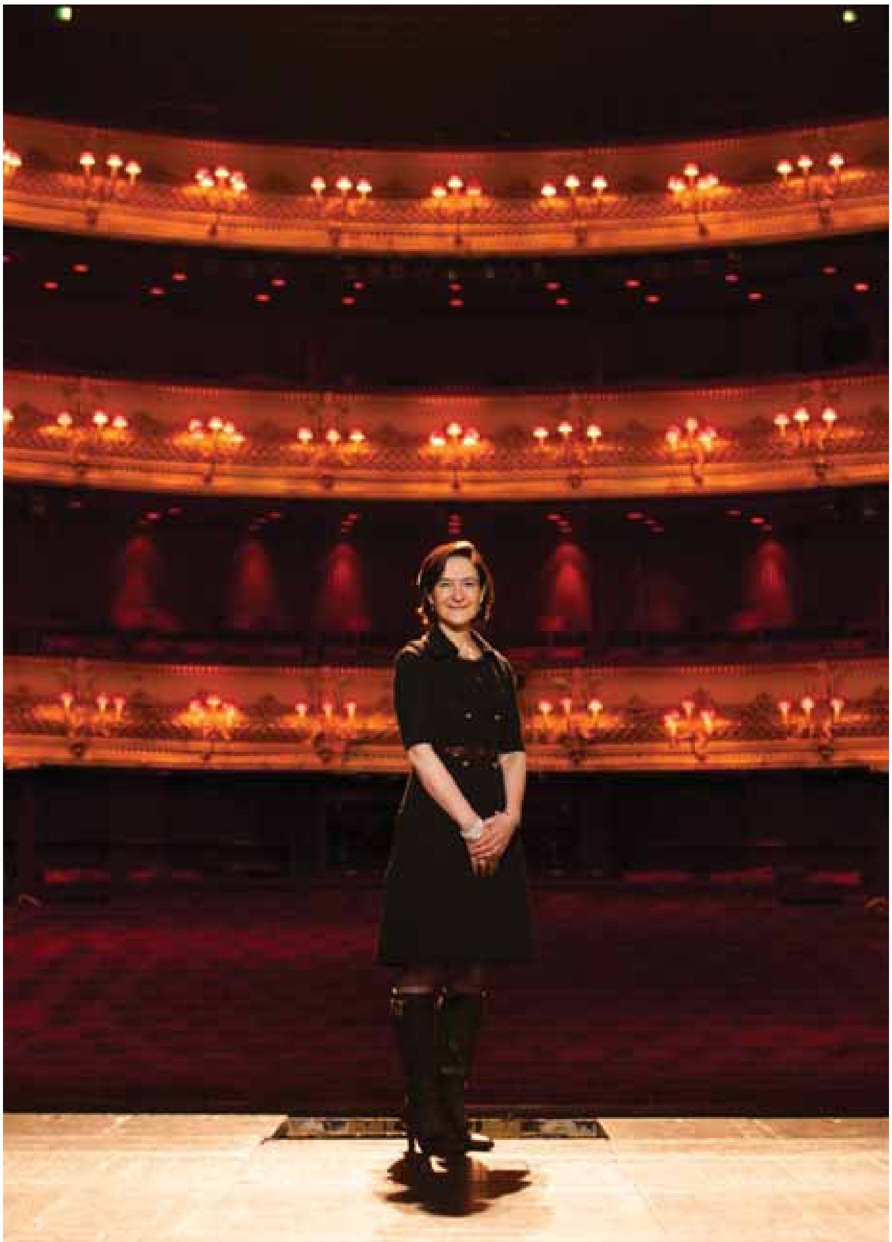
Midway through the interview, Sally O'Neill starts singing. "Da-da-da-duh-duh-daaa. Da-da-da-duh-That's from *La Boheme*. Even people who've never been to an opera say: 'Ooh yes I've heard this in the adverts'. It's the same with *Carmen*. You know - dum, dum, du-dum, dum. Dum-de-dum-de-dum..." It's not a typical moment in an interview. But then, there is little typical about chartered accountant Sally O'Neill, the chief operating officer of the Royal Opera House and, previously, its finance director and interim chief executive.

On a purely superficial level, O'Neill looks more like a Mayfair art gallery owner - she wears an Alexander McQueen dress and a fur gilet that she slips on and off during the interview. Her office, overlooking Covent Garden Market, smells like a department store cosmetics hall (Jo Malone hand cream, she explains later), and in the centre is a pretty china plate piled with almond macaroons she picked up from Carluccio's.

After just five minutes speaking to O'Neill, it becomes apparent that her personal beliefs aren't exactly typical for a finance professional, either. She is the opposite of risk averse and profit driven, she is adamant that it is important to stage new and therefore risky opera and ballet productions even though she predicts some will be money-draining flops. And she talks a lot about "the value of arts to the country, not just in hard economic value, but the art for art's sake value".

She explains: "New commissions are expensive, but if you start trying to play safe, you end up with a bland product no one will come to see. You have to allow a few of those new productions to fail. It's only by taking the greatest risks that you produce something amazing, such as *War Horse* or *Matilda*." Later, to reinforce this point, she adds: "I always think your artistic aspiration should outweigh the amount of money you have to put on."

Beneath that risk-taking, creative-minded and charmingly-left-field exterior belies a finance professional with a sharp eye on the figures whose role requires finding a difficult - nigh impossible - financial balance. She must grapple with huge public funding cuts and keep ticket prices low: "It's important we sell 40% of tickets for under £40 so everyone can afford to come"; while at the same time doling out hefty fees to secure top-class performers, while supporting the opera and ballet directors in those expensive, risky new productions."



CAREER HIGHLIGHTS

- **1980–1983** MA in natural sciences, University of Cambridge
- **1983–1987** Auditor, Spicer and Pegler
- **1990–1997** Financial controller, National Theatre
- **1997–2001** Chief accountant, QVC
- **2001–2003** Commercial controller, Channel 4
- **2004–2009** Finance director, Historic Royal Palaces

Striking this balance, says O'Neill, partly comes down to trust in her team. "A lot of that trust comes from evidence. I've worked with Kasper [Holten, director of opera] for four years and most big risks have paid off." But above all, balancing it comes down to accurate forecasting. There isn't much room for inaccuracy, given that income in 2013 was £112m and the contingency was, according to O'Neill, roughly £2m.

Adding to that challenge is the fact that the Royal Opera House operates on two conflicting time scales. On the one hand, performers are booked, and their fees agreed upon, between four and six years in advance. Yet public funding from Arts Council England, which accounted for 24% of the Royal Opera House's income in 2013, is rarely announced until the year before. Given that funding has been cut for four consecutive years, making sure the books balance often comes down – for want of a better expression – to a game of chicken. "It can get pretty scary. Two or three seasons out, the year never quite balances," she admits. Though, she adds, it comes together at the end.

There are few better qualified for the challenge than O'Neill, who grew up on a diet of "musicals and theatre", and attended her first opera, a touring production of *La Traviata*, aged 11. Though she read natural sciences at the University of Cambridge, she was determined to work in arts administration and spent much of her free time stage managing and acting in fringe theatre. Her starring roles included Lucy in *The Lion, the Witch and the Wardrobe*.

However, a discussion with a careers adviser at Cambridge diverted her plans. "I must have been the sixth or seventh person that day to say I wanted to work in arts administration. She said: 'Why don't you get a professional qualification first?'" Which is why O'Neill joined Spicer and Pegler (now Deloitte) in Cambridge, qualifying as an ACA in 1987. "I look back on it fondly. I learnt a lot and I was with a group of likeminded graduates. It was rather like an extension of university, but wearing smarter clothes," she says. After qualifying, O'Neill briefly joined the British Film Institute, before moving on to the National Theatre, where she was responsible for a team of 12. This was quite a leap for a 26-year-old with no management experience; so much so that she almost didn't apply for the role. "I remember saying to a friend: 'That job would be perfect for me in three years' time'. But my friend said: 'Idiot, go for it now. What's the worst that could happen?' It was a stretch at the start, but do I regret it? Not for a minute."

Later in the interview, O'Neill admits that she has spent some time ruminating on these sorts of career decisions, partly because she is currently reading career self-help book, *Playing Big*, by Tara Mohr. She says: "Mohr talks a lot about an inner critic that holds us back and is always telling us: 'You'll be crap at this'. But what I'm beginning to feel is that if anything has held me back, it's probably been myself."

These self-deprecating remarks are at odds with her rapid career trajectory. After seven "happy years" at the National Theatre, O'Neill entered the world of television (Granada, QVC and Channel 4) before becoming finance director at Historic Royal Palaces, the charity that runs the Tower of London and Hampton Court Palace with a then £55m turnover. The latter role she talks about fondly, citing an influential mentor she met there.

This is perhaps why O'Neill had reservations about joining the Royal Opera House in February 2009, at a time when the extent of the financial crisis and its fallout was becoming stunningly apparent.

"It was such a febrile time," she says. "I was thinking I must be mad to go from an organisation that didn't have any public funding to one that was heavily reliant on public funding at a time when public funding was going to be a real issue."

"I always think your artistic aspiration should outweigh the amount of money you have to put it on"

But she had no such reservations when she accepted the interim CEO position four years later, bridging the gap between Tony Hall's departure (to join the BBC as director-general) and Alex Beard's arrival from the Tate, where he was deputy director. "I didn't hesitate," says O'Neill. She adapted easily, she says, to the different styles of Hall ("well liked, very kind, a lot of time for people" and Beard ("a real intellectual, I admire his ability to think things through").

Likewise, both chief executives supported her endeavours to modernise what was, in some quarters, an archaic institution, particularly the IT department. "We were having a lot of IT problems when I arrived," she recalls. Given that box office income is roughly £40m a year, and that the majority of these transactions took place through an online system that was "creaking at the seams and often crashing", modernising it became O'Neill's priority.

Her huge turnaround project involved migrating the old server room, "which was in the building beneath a leaky kitchen", to a cloud-based server and merging two separate IT departments, one of which looked after the infrastructure and technical issues, the other that

historical canon of white, European, classical tradition." And on top of that, dealing with – to put it bluntly – divas. This, she explains, comes with the territory and is something she also witnessed at the National Theatre. "It helps if you just let them get it out of their system and have a bit of a hairdryer moment," she says. But, she adds: "One of the truisms I've found is that often it's not the people you expect to be the divas who demonstrate the diva-ish behaviour."

This is small fry compared to her major challenge: public funding cuts. Since 2010, the grant has been reduced by 11% (equivalent to £11.8m), and last July it was announced there would be a further reduction of 3.7% between April 2015 and March 2018. Speaking about these cuts, O'Neill says: "Arts Council England had a difficult job to do, and it did the best it could." But, she warns: "The Department for Culture, Media & Sport [which funds Arts Council England] is quite rightly not a protected department in the way health and education are. I strongly believe we shouldn't be unfairly penalised among the unprotected departments. The arts are important for this country."

One of the criticisms long directed at the Royal Opera House – and one that cropped up again when the latest cuts were announced – is the question of the generous (or overgenerous depending on who you speak to), salaries and fees it pays its executives and performers. Responding to this, O'Neill argues: "This is a world-class institution and we need to compete internationally to bring in the likes of Placido Domingo, Anna Netrebko and Angela Gheorghiu. Having said that, we are below median in terms of

looked after the website and creatives matters. "Bringing those two departments together, and all of the cultural changes that went with it, was enormous," says O'Neill. "We wisely warned people 'this is going to be a really rough period' and thank goodness we did." So, is it running smoothly yet? O'Neill laughs. "It will. We are getting to the end of a bumpy road. We have, in 15 weeks, taken our infrastructure forward 15 years. It's been a massive, massive change. We've really come an enormous way."

Other challenges on O'Neill's priority list have included making opera more accessible. She explains: "It's a challenge because we need to reflect the increasingly-diverse community within which we live, while acknowledging that we have a

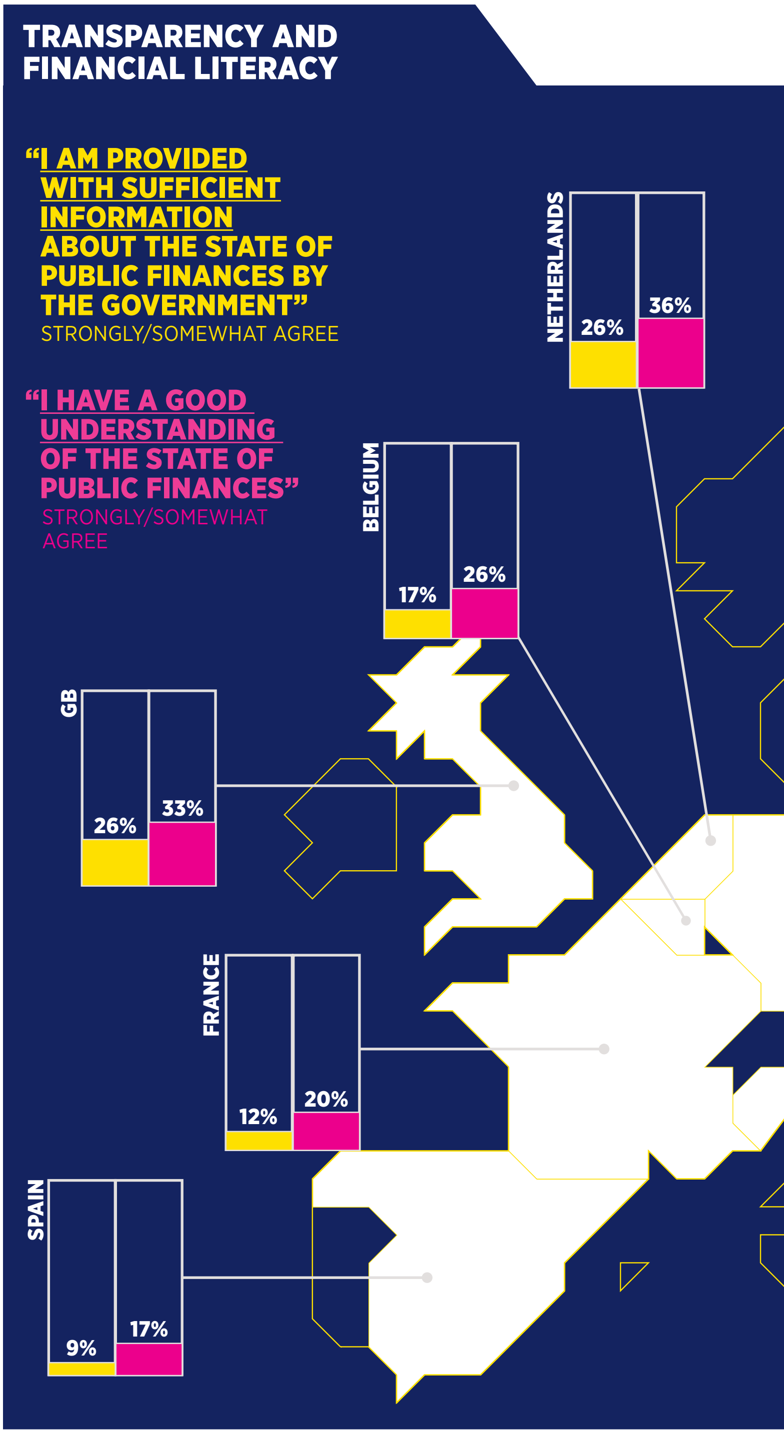
international fees." The chief executive's pay has been reduced since 2013, she adds.

Nonetheless, money remains an issue: namely saving more and raising more by finding alternative income streams. "That's enormous pressure," she admits. "We were fine in 2014, but 2015 and 2016 will be difficult. We're an international house so we rely on the health of the opera and ballet community outside the UK. A lot of opera houses in Europe are under huge strain, and we were sad to see the New York City Opera Company fold."

It's a challenge she intends to overcome, having no plans to leave her position. Of course, most executives claim they have no plans to leave their post – but in O'Neill's case, it rings true. She explains: "People are saying to me I should be applying for CEO roles now I've done the interim CEO role for a bit. But it's 24/7. You're the person phoned at 3am and it's a constant pressure I'm more comfortable living without. Plus, I don't feel I'm ready yet." Referring back to the Mohr book, she adds: "I don't think that's my inner critic speaking. I think it's my inner mentor saying it."

IN DOUBT OF OUR LEADERS

Europeans struggle to understand public finances and distrust governments to manage resources effectively, research by ICAEW and PwC shows. So what can be done to educate them and to restore it?



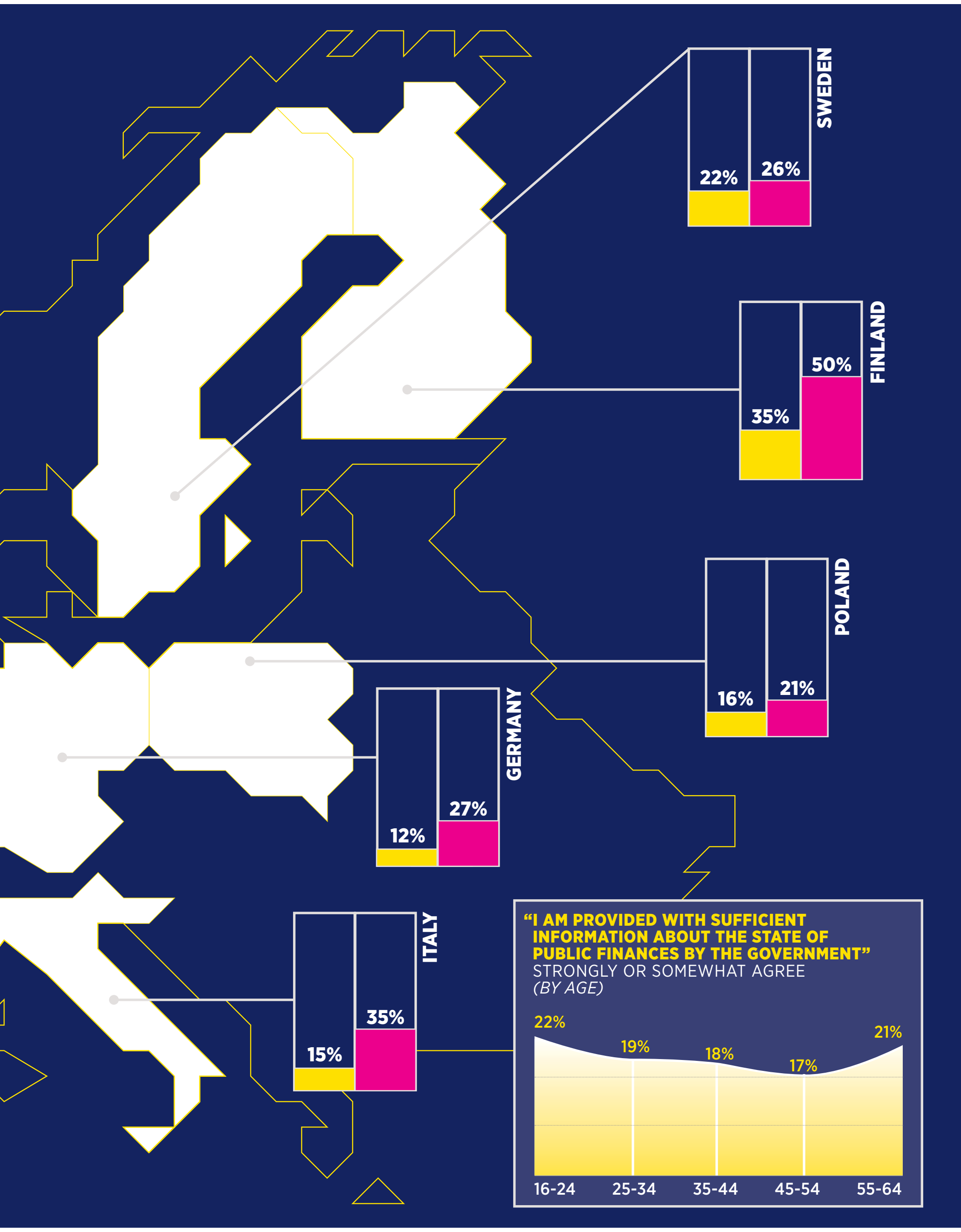
European populations have little understanding of public finances, do not trust their governments to handle them and believe there is a need for better planning and management of public spending, according to research carried out by ICAEW and PwC in late 2014.

The research, entitled *Trust in public finances: A survey of citizens in 10 European countries*, is part of the two organisations' joint *Sustainable public finances - EU perspectives* initiative. Its aim is to promote discussion among policymakers and stakeholders on how to improve public sector accounting and financial management in Europe.

The survey profiled people in countries across Europe, including a wide geographic spread and drew on countries both within and outside the eurozone. ▶

There is strong support for better information and more transparency in public finances across Europe, particularly in Spain, where 83% either strongly or somewhat agree, as well as in Italy, Poland (both 76%) and France (73%). There is less demand in the Netherlands (56%) and Finland (54%) for this, despite a craving for more and better quality information. This trend rises with age, peaking at 71% for 45- to 54-year-olds.

"I BELIEVE THE GOVERNMENT SHOULD MAKE IT EASIER FOR ME TO UNDERSTAND THE STATE OF PUBLIC FINANCES AND HOW PUBLIC MONEY IS SPENT"

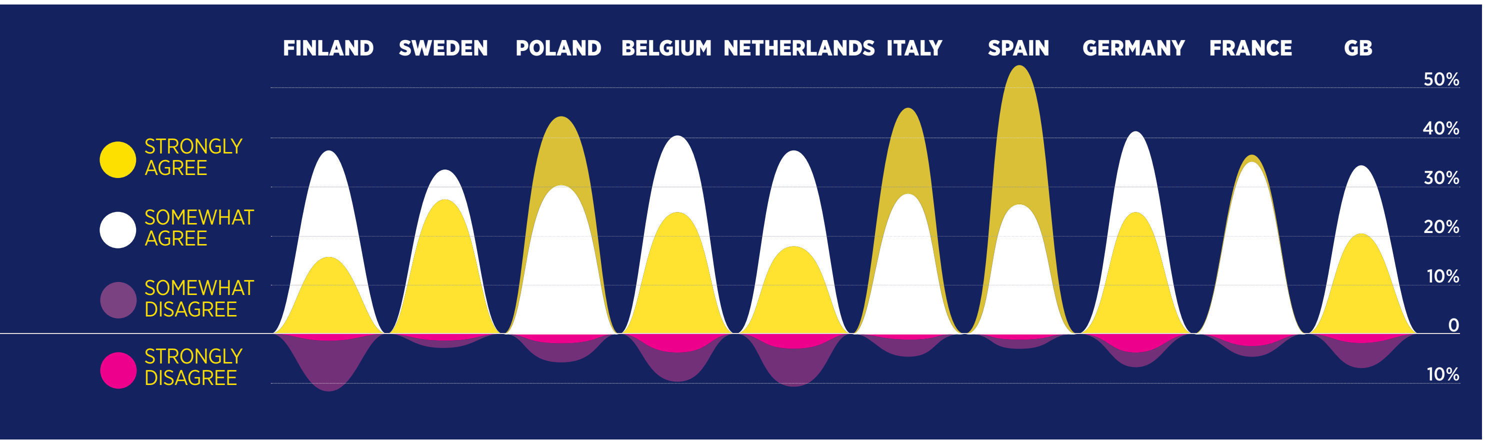


On the whole, European citizens do not feel they have a good understanding of the state of public finances, with two in three admitting this is the case. This is most notable in Spain, France and Poland, as opposed to in Italy, the Netherlands and in particular Finland, where half the population think they have a good understanding and so feel better informed.

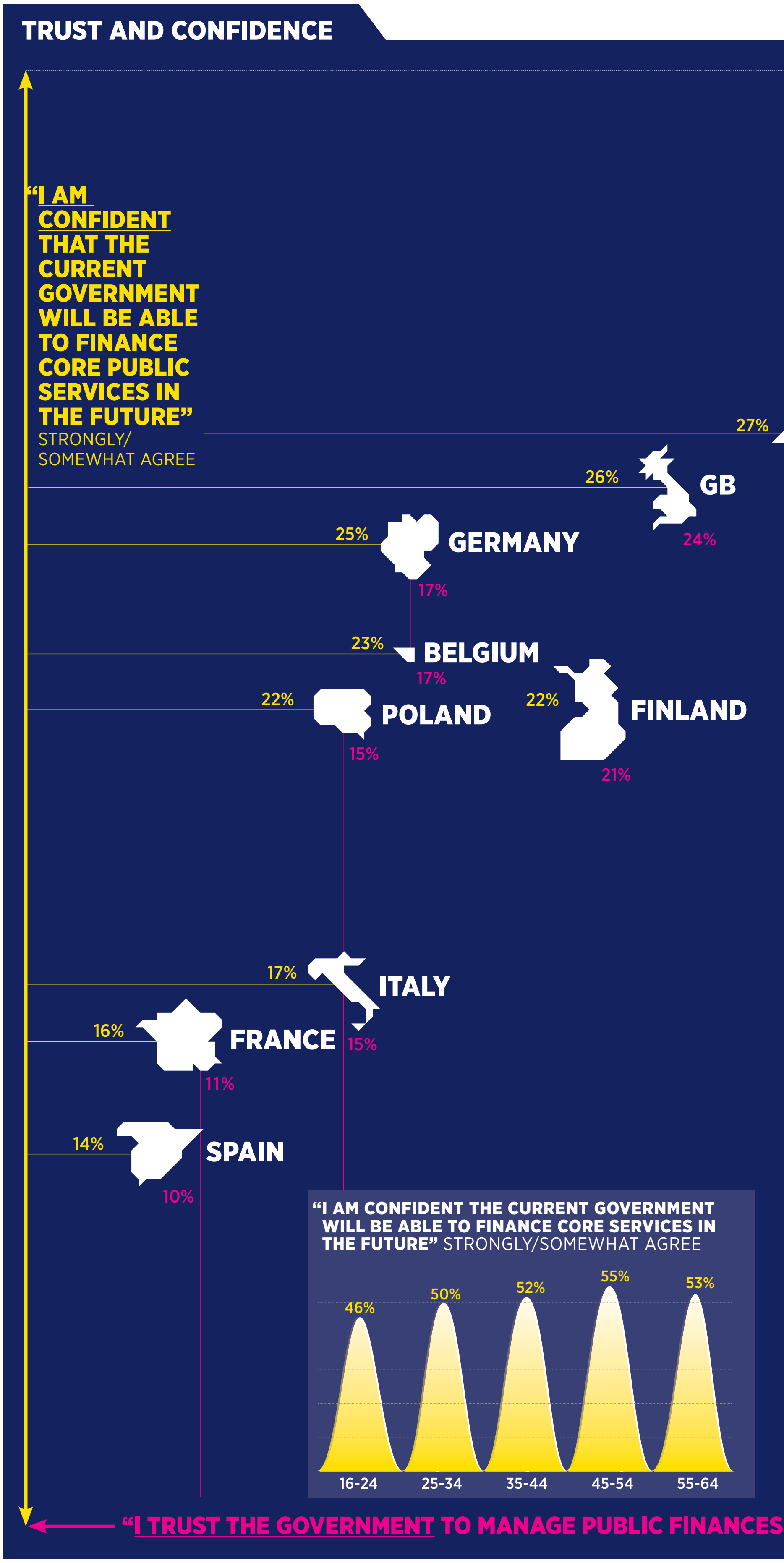
There is a close link with the degree of information individuals feel they receive from their government in helping them understand the state of public finances. On average, less than 20% across Europe feel they are provided with sufficient information by their government.

There are some significant geographic differences, however, with just 9% in Spain, 12% in France and Germany, and 15% in Italy agreeing they receive enough information. Those in Finland feel best kept up to date, with 35% saying they are provided with enough material, although even there it remains well under half the population. Just over one in four in Great Britain (26%), and the same number in the Netherlands, feel they have enough to gain an understanding.

Men feel better informed than women (22% compared to 16%), while those aged 16-24 and 55-64 are most likely to feel they have enough information, although this remains low, at 22% and 21% respectively. This figure falls to just 17% for those aged 45-54.



TRUST AND CONFIDENCE

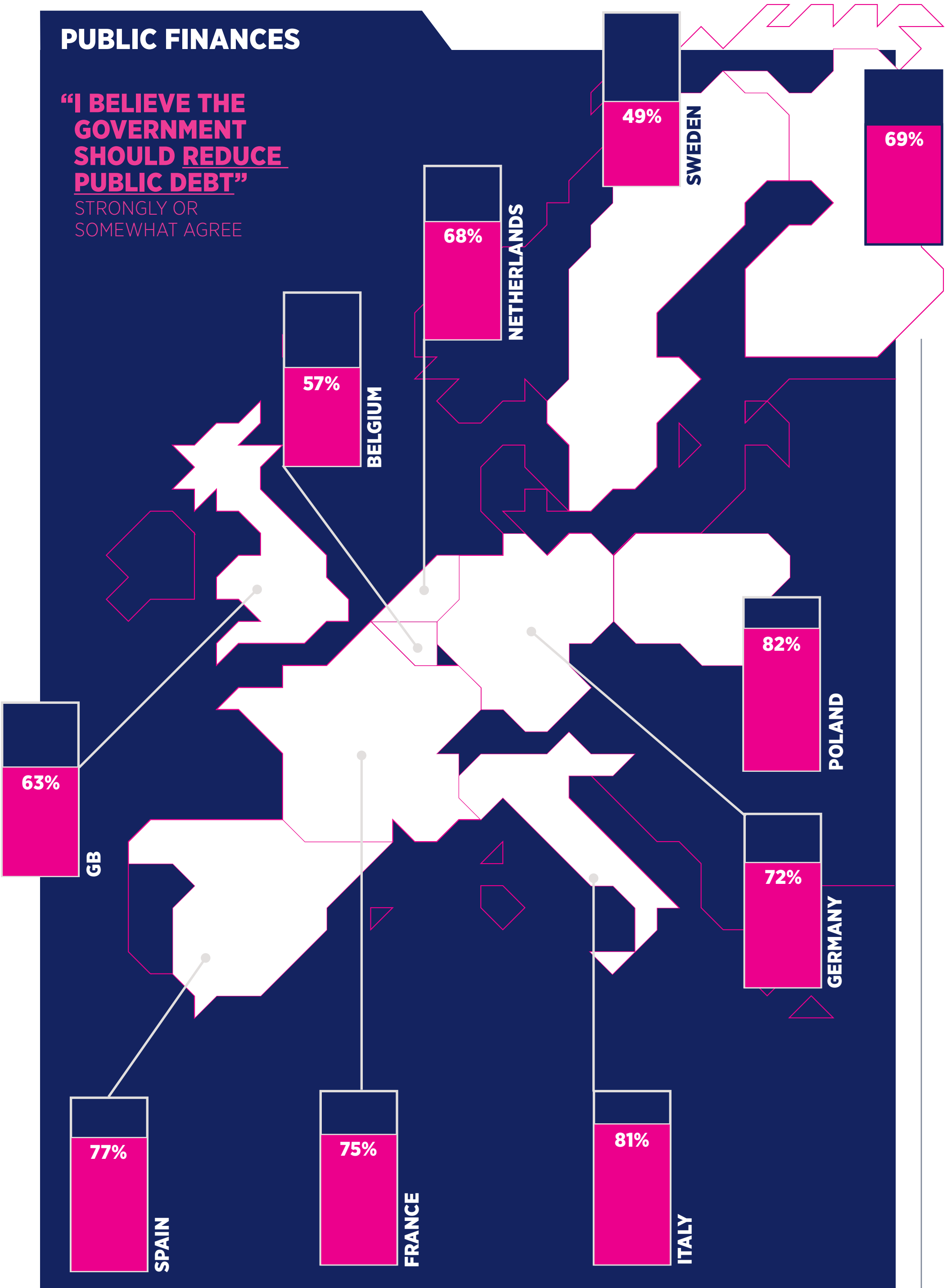


Europeans have low levels of trust in their governments' ability to manage public finances. More than two-thirds of people do not trust their governments on this, and in some cases this rises to 90%. Spain has the lowest levels of trust (10%), followed by France (11%) and Italy (15%).

Interestingly, Finland also has a low level of trust (21%) despite a relatively high degree of understanding and information around public finances. The most trusting nation, at 31%, was Sweden, while under a quarter of those surveyed in Great Britain (24%) have faith in their government's ability to manage public finances.

This feeling also translates into a lack of confidence in the potential for governments to finance future spending commitments, with low levels across the board. Again, this was most notable in countries where economies have struggled recently, such as Spain, France and Italy. Around a third of people in Sweden expressed confidence in their government, making it the most trusting nation by some distance.

There is little divergence by gender for either trust in the ability to manage public finances or confidence around being able to fund future services, although women tend to be slightly less trusting and confident than men. Trust and confidence fall with age, peaking in the 45-54 group, mirroring financial understanding trends.



Across Europe, there is strong backing for government action to reduce debt, with seven in 10 Europeans agreeing this should be a priority. Again, there are regional variations; this feeling is – perhaps understandably – highest in those countries where the economies have suffered most, particularly Italy (81%), Spain (77%) and France (75%).

The feeling is strongest in Poland, however, at (82%), where the economy has performed better. Sweden (49%) and Belgium (57%) are least concerned about reducing debt, while 63% in Great Britain believe this needs to be reduced.

There is also a clear demand for better financial planning and management, and to spend money more efficiently in the future. More than three-quarters of Europeans regard this as important, with Italy, Poland, Spain and Finland feeling most strongly, while those in Great Britain, the Netherlands and Sweden appear to be less concerned.

ACTION POINTS

Martin Manuzi, ICAEW regional director, Europe, describes the results as a "strong call by citizens across Europe for greater transparency, democratic accountability as well as more effective and efficient public expenditure".

He adds: "The accountancy profession has an important role to play, helping to promote greater transparency of financial information for a more informed public debate, encouraging robust financial leadership in the public sector and improving interaction with financial markets."

Patrice Schumesch, global public finance and accounting partner at PwC, believes the public sector should adhere to the same kind of reporting requirements as those applied to the private sector. "In private companies you have fixed reporting requirements and those that are listed have to use international standards," he says. "It's only by having those that you have the foundations for good reporting."

It's a view echoed by Michael Theurer, a German member of the European Parliament and the Economic and Monetary Affairs Committee, who welcomes the ICAEW and PwC Sustainable Public Finances initiative. "The crisis revealed worrying episodes of inaccurate reporting of deficits and debts, be it public or private entities," he says.

"One of the main lessons to draw from this is for efficient and effective public audit and political oversight and, therefore, we need efficient and effective management and control. Now that we have got the ball rolling, we should be pushing for answers and more debate on public finances."

GREEN FIELDS

For agricultural businesses, exploring the opportunities and benefits that renewable energy brings is crucial. So which types of renewable energy are farmers using, and how are they financing them?

Alison Coleman
Financial journalist

The UK government has set the nation a challenge; by 2020, 15% of its power needs to be generated from renewables. Achieving this will require a large-scale adoption of green energy production across all industries, and leading the way is Britain's agricultural sector.

According to a 2013 *Farmers Weekly* survey, 38% of farmers had invested in renewables, with the most popular technology types being solar PV (66%), wind (30%) and biomass for heat (21%). Meanwhile, a report by the Farm Power Coalition estimated that there is between 10GW and 20GW of unfulfilled renewable energy generation potential on UK farms.

Over the past five years the adoption of renewables by farmers and growers has become more important in helping them mitigate soaring energy costs, provide security on fuel pricing, and benefit from green energy incentives provided by the government, including the Renewable Heat Incentive (RHI) grant scheme. The initiative offers consumers and businesses financial incentives to switch to renewable heating solutions. Those participating simply have to install a renewable heating system to receive quarterly payments from Ofgem depending on the system's heating output.

Renewable technology is also crucial to the sustainability of farming. Letting land for energy development projects can help diversify and stabilise future income, and using land for energy developments while maintaining farming operations can reap additional benefits. Farms that have installed ground mount solar schemes on pastureland and are still able to graze sheep there find it doubly resourceful.

Becoming self sufficient on energy consumption is very appealing, and as storage technologies develop things will become more interesting, says David Grindley, director at Savills Energy, a real estate service specialising in the development and trading of energy assets and infrastructure.

He says: "Waste products are created from some farming enterprises and the opportunity to utilise this waste to create energy may be an important factor depending on your proximity to anaerobic digestion (AD) plants. In short, the ability to let premises and receive a rental income or self develop are good investment models now, as well as in the future."

Agricultural take-up of green energy production has been improving across all renewable technologies, with solar and biomass proving particularly popular in energy intensive sectors such as broiler chickens. "There are immediate benefits in terms of cost savings, and in some cases improved output. However, they are also seen as means of future proofing against energy cost rises in sectors where those costs are a key component of margins or returns," adds Grindley.

"Farmers are now achieving reduced energy bills and benefiting from a guaranteed income from the UK government that is fixed for 20 years"

Hiten Sonpal, senior director, Green Energy Finance, Lombard

PRIMARY SOURCE

Solar power could replace coal as the world's primary electricity source by 2050, according to the International Energy Agency. Solar power technology, often referred to as photovoltaics or solar PV, converts light energy from the sun into electrical energy. The three main methods include rooftop-mounted PV panels, ground-mounted panels deployed on unplanted areas, and large arrays of panels laid across entire fields.

Many agricultural buildings have already been transformed to deliver future energy needs through solar technology and, in light of the government's 2020 green energy targets, it is a trend that will continue over the coming decade.

Hiten Sonpal, senior director at Green Energy Finance, Lombard, has worked with farmers who originally invested in solar to help generate electricity for their farm and sell some of it back to the grid. After seeing attractive returns, however, many of them divested further in biomass boilers and anaerobic digestion.

He says: "Farmers are seeing the true potential of renewables and also securing future energy prices by generating their own power rather than relying on volatile energy prices where we have seen double digit increases for the past 12 years. In 2010 the government introduced the feed in tariff and in November 2011 the RHI, so farmers are now achieving reduced energy bills and benefiting from a guaranteed income from the UK government that is fixed for the next 20 years. But this incentive will not be there forever. Early adopters will benefit from a higher tariff as the incentive continues to digress as more and more people sign up."

AD is another source of renewable energy, and one that is particularly appealing to farmers and landowners. Farm waste, including animal manure, spoiled vegetables and grass silage, is fed into special AD tanks, where it breaks down and releases methane gas. This is used to fuel a Combined Heat and Power (CHP) unit, which powers the generator that sends the electrical energy that has been produced to the National Grid. Excess heat from the CHP is harvested and distributed to heat buildings, to carry out commercial processes needing heat, and for drying grains, crops and woodchip/logs for biomass fuels.

INNOVATION

As a renewable technology it is generating interest and activity from sector experts. Yorkshire-based heating specialist HCS Mechanical Services is currently working with AD specialist JFS & Associates to deliver innovative biofuel projects that convert farm waste into renewable heat.

Two farms near Thirsk in Yorkshire are benefiting from one of these AD schemes to provide cost-effective and sustainable heating for each of the farmhouses and all of the buildings housing livestock. This scheme is now being extended to a neighbouring farm to also provide heating to the farm stock buildings on this property.

Wind farms are a contentious issue among many rural communities, nevertheless the harnessing of wind power to generate renewable energy has enabled farmers to diversify their operations and become more financially secure, with the added bonus that their land is contributing to the generation of clean, reliable energy.

Farm wind specialist Endurance Wind Power has installed nearly 600 wind turbines in the UK, 90% of which are on farms, including that of Arwyn and Cerian Ellis. The couple farm 270 acres of upland grazing and hill ground at Ty Isa near Llanfihangel Glyn Myfyr in Conwy County Borough. With the farm's income under constant threat from volatile beef and lamb prices, they are always looking for ways to expand, improve and diversify.

It was for that reason that they recently bought a neighbouring smallholding consisting of 27 acres of land, farmhouse and agricultural outbuildings. In addition to the rental income from the farmhouse, the Ellis's entered into a land rental partnership for a medium-sized wind turbine on their land. Working with Endurance, the Ellis family saw the installation of a 50kW E3120 turbine last May, which will provide them with a regular, index-linked income over 20 years.

With one turbine successfully installed and generating a guaranteed rental income, a second turbine will soon be erected, providing the farm and the family's next generation with greater long-term financial security.

Biomass is a renewable source of fuel that produces energy from waste residues. Green energy experts have estimated that biomass boilers could save farmers up to 45% of heating costs – costs that constitute around 55% of the average business's energy consumption.

RENEWABLE

As a renewable technology, biomass is well suited to the rural farming sector because of the storage space available, which is required both for the boiler and for the wood fuel. Farmers can also use any waste wood for the system that they may have available, and it can be recycled into wood chip fuel, reducing costs even further.

Worcestershire beef farmer Jim Farrant installed a biomass boiler to reduce the cost of providing heat and hot water for his farmhouse, farm office and meeting room. His previous heating and hot water system had been run on an expensive oil-fired boiler. Farrant says: "My decision to look seriously at a renewable energy system was driven by the tariffs, or subsidies, available from the government's RHI. Without it I would not have gone ahead."

He had initially looked at a ground source heat pump solution, but with an abundance of timber on the farm, chose a biomass boiler solution. The total cost of installation was around £48,000, however, factoring in the potential savings from no longer having to buy oil, plus the RHI payments, Farrant estimates that this solution will pay for itself within five and a half years.

"My decision to look seriously at a renewable energy system was driven by the subsidies available from the government's RHI"

Jim Farrant, beef farmer

"I will continue to receive approximately £6,000 a year in RHI payments until 2034 so, overall I am looking at return on investment of around 19% over 20 years," he said.

According to Paul Dean, general manager and sales director of renewable energy specialist Ecovision Renewables, the investment made in renewable energy can typically be returned within six years, thanks to fuel cost savings that can be as high as 50% and the RHI scheme income.

He says: "By switching to renewable energy, and securing the current high levels of grant payments, farmers will be going some way to securing the future of their farm and their home, not only for their generation but for the next generation too."

Renewable technology not only has the potential to contribute significantly to the UK green energy targets, but also to the economic viability and long-term sustainability of the farming industry. As the global population expands, this will prove crucial in meeting the rising demand for food.

FIT FOR LENDING

Issue two

If only a minority of SMEs seek external advice when applying for finance, should accountants be making a better case to businesses that they're a great source of knowledge and guidance?

2

According to a report in *Forbes* last month, small businesses are driving the job recovery in America and politicians are optimistic that growth will continue this year. Around seven million of the 10.9 million jobs added since the financial crisis were created by start-ups and small enterprises, reports *Forbes*, and according to Small Business Administration (SBA) administrator Maria Contreras -Sweet, small businesses have led the comeback from the downturn. "For 15 straight quarters, small firms have contributed to employment growth - accounting for as much as 80% of job gains in any given quarter," she says.

But small firms in the US aren't exempt from the access to finance handicap. The SBA, a federal government agency, was created in 1953 to help small businesses and, over the last decade, has offered debt financing, surety bonds, and equity financing to America's small businesses at a time when many are still being denied access to credit.

According to the *Wall Street Journal*, citing research from the Federal Reserve Bank of Cleveland, small business lending never quite regained the ground lost during the financial crisis, so larger firms benefited from the eventual economic recovery. That means, says *Forbes,* alternative sources of finance will gain traction this year.

This scenario rings true for small and medium-sized enterprises in Europe, too. As the rating agency Fitch's latest report on European SME funding conditions reveals, bank lending is declining in Spain, Italy and Portugal. Citing the European Central Bank's *2014 SME Access to Finance Survey*, Fitch said that Italian and Spanish loans volumes have slowed compared to 2013. While UK banks are less restrictive, adds Fitch, the system still suffered from a bottleneck in transferring credit to the economy. UK SMEs have a good rate of return on capital and assets and relatively low lending rates, but still had a rejection rate of 9.7%.

On a more positive note, stable funding conditions are reported in France and Germany. Indeed, compared to firms in Greece, Spain and Italy, for example, German SMEs tend to find access to finance the least pressing of their concerns. Competition among banks to serve Germany's vibrant business sector is intensifying, says Reuters. Morgan Stanley and JP Morgan have a strong presence in corporate Germany while Deutsche Bank AG has actively sought to expand its services to the country's SME sector.

Perhaps this is because the outlook is more positive and the economy more stable in Germany. The country's card may have been marked by its weak ending to 2014, where exports fell sharply in November and industrial output also declined. But in January, Germany balanced its federal budget for the first time since 1969, helped by strong tax revenues and low

"There are plenty of people out there making a good living and doing alright, and they've been given a right kicking by banks wanting borrowing repaid at short notice, or saying the value of their security has fallen so they can't have as much"

Peter Hollis, chairman of ICAEW's practice committee and owner of Hollis and Co

Main reason for seeking finance (2014)
Purchase fixed assets
43%

Awareness of different forms of external finance (2014)
Government/local authority grants
67%

German banks, such as the Deutsche Bundesbank, are competing hard to serve the business sector

In the Netherlands
38.7%
of SME loan applications were rejected – more than twice the European average

47%
of entrepreneurs state that lack of bank lending could be a major barrier

interest rates. Yet even in Europe's biggest economy, where the Mittelstand sector of privately-owned small and medium sized companies is renowned, bank lending remains a dominant source and there is some concern over access to funding for smaller firms.

Economy minister Sigmar Gabriel has said: "Start-ups are the lifeblood of our economy," and "we have to do everything in our power to ensure that German start-ups get access to better funding sources and can develop into successful companies."

According to the Bank of England's latest credit conditions survey, small businesses in Britain are at least becoming a safer bet for lenders. A report in the *FT* in January said there was a pick-up in corporate lending in November 2014. It quoted Howard Archer, chief UK and European economist at IHS Global Insight, as saying: "The underlying picture in bank lending to businesses has been looking healthier. There are welcome indications from the Bank of England's regional agents that credit conditions are improving for smaller companies."

But in a further twist, demand for credit seems to be falling among smaller firms. The fear is that the "minnows" of the economy are being deterred from trying to borrow by the costs involved (the credit conditions survey findings suggest small firms are having to pay an increasingly big premium over the rates paid by larger firms in order to get credit) and the impression that they are likely to fail.

According to Peter Hollis, chairman of ICAEW's practice committee and owner of Hollis and Co in Sheffield, this lack of desire in the SME sector to borrow is because they've had their fingers burned in the past, and terms and conditions can be onerous. "There are plenty of people out there making a good living and doing alright, and they've been given a right kicking by banks wanting borrowing repaid at short notice, or saying the value of their security has fallen so they can't have as much. A lot have been taken to the edge and survived; they haven't got an appetite to go back."

According to a survey of its members, the Institute of Directors says that family, friends and credit cards have become the go-to cash sources for many business owners, with just a third having turned to their bank for a loan in the last three years (55% prefer to use retained earnings, with 15% asking family or friends for funds, and 12% using credit cards).

Hollis confirms the trend: "Over the last seven or eight years there has been a lot more borrowing from family and friends. People are re-mortgaging their houses to put money into their business, and there's more

FIT FOR LENDING

Issue two

borrowing on credit cards for business purposes. I've been in to clients where they've been short of money, can't get anything off a bank, and operating five or six credit cards for business use."

But if small businesses want to invest for growth they are bound to require external finance that's more long-term. Are businesses leaving themselves vulnerable to shocks further down the line if they're uninformed about the finance options available, ill-prepared for meetings with lenders and not ready for expansion or the upturn?

Clive Stevens, executive chairman at Reeves & Co in Kent, appreciates that there are two sides to this story. On the one hand, he says: "Banks really aren't a risk business. If I take a bank perspective, the market seems to have money to lend and all the banks show willing. But only something like one in five businesses are going in with a sensible, well-structured and well-presented business plan. There is an absolute need for accountants to help people prepare their business cases, stress test their business plans and give advice in that area."

When Vince Cable announced the new and improved British Business Bank (BBB) in 2013, ICAEW chief executive Michael Izza said that although it would create a more level playing field for UK companies competing with companies such as those in Germany, "money is one thing, how to manage it is quite another".

Since then of course, the BBB and ICAEW have collaborated on *The Business Finance Guide* – a journey from start-up to growth that sets out the wide variety of sources of finance available to companies. It focuses on the market as a whole, offering several tools and ideas to help businesses weigh-up their options, make decisions and plan how they will finance expansion. But there's nothing like a chat with an accountant to focus the mind and ensure that financial mismanagement or poor business planning does not stymie entrepreneurs.

So why, in its 2014 research of 1,000 SMEs, did the BBB find that only 18% seek external advice when raising finance and just half spend less than an hour reviewing their finance options? Are accountants missing a trick by not marketing themselves better as the go-to source for help and advice? Or do businesses think that they know the ins and outs better than anyone?

Mark Hildred, managing partner at Moore Thompson, says that he occasionally comes up against a client who needs encouragement to see the benefit of paid-for advice.

"We market the fact that we're proactive, that we can assist in helping raise finance by appraising a business, doing various forecasts, and up-to-date management information. If the business has historical results that aren't great, that's a big obstacle for lending. It's not easy to get your client to understand they've potentially got a trade-off between cost and benefit," he says.

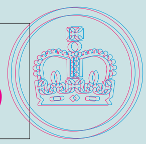
BRITISH BUSINESS BANK

TOP 10 TIPS
FOR GROWTH BUSINESSES SEEKING FINANCE

Small and medium-sized businesses play a key role in the UK economy, accounting for over 99% of firms and employing almost 60% of the private sector workforce.

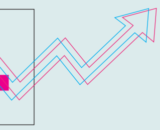
Many of these businesses require access to external finance to grow, create jobs and invest. The finance market can appear a daunting one, but there are some easy steps that any business can take to improve its chances of gaining funding.

3



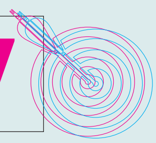
UTILISE TAX-RELIEF
When seeking investment your business may wish to make potential investors aware of three HMRC tax relief schemes – the Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Venture Capital Trust Scheme.

4



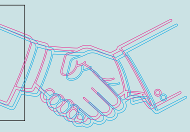
INVEST IN MANAGEMENT
A strong management is the backbone of a successful company. Businesses with a full management team and advisory board in place will increase investor confidence and become more attractive investment propositions.

7

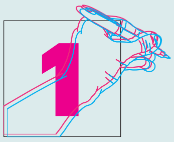


SET REALISTIC TARGETS
Ensure your business sets realistic KPI and milestone targets that can be relayed back to investors. Doing so will help you implement your business plan as you grow, and help investors monitor the progress of their finance.

8

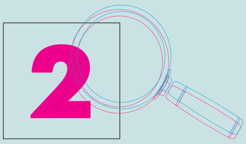


WORK WITH INVESTORS
In some investment circumstances, such as receiving equity finance, growth businesses should be aware that investors may wish to input into the strategic direction of the business.



PREPARE A BUSINESS PLAN

A robust business plan helps potential investors understand the vision and goals of the business, and brings focus to management's understanding of the business strategy.

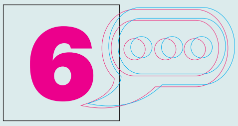


DO YOUR RESEARCH:

The funding landscape has evolved considerably over recent years; think about how appropriate and attainable the various forms of finance may be. Our ***Business Finance Guide: A Journey from Start-up to Growth***, published with ICAEW, brings clarity to the different funding options.

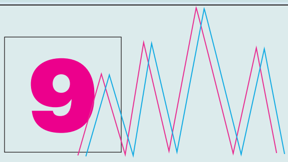
MANAGE YOUR CASH

Before seeking external capital, it is vital your business is managing cash effectively. A weekly cashflow forecast is essential, as is an understanding of the volume of cash and working capital required to grow.



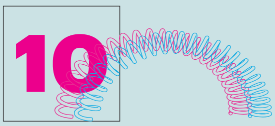
USE EXTERNAL ADVICE

In the early stages a business is likely to require outside advice to ensure that it is 'investment ready'. Sources of advice include trade associations, such as ICAEW, whose Business Advice Service offers micro businesses free advice.



KNOW YOUR MARKET

A review of the potential upturns and downturns in your respective market needs to be carried out and their impact assessed. Doing so will ensure your business is prepared for any unforeseen market developments.



BE FLEXIBLE

Your business plan may have been produced when the business was little more than an idea. Circumstances change, so you must ensure you make regular fresh assessments of where your business is and what new challenges you may face.

"There are clients who think 'I know my business, I can just do it myself'," he adds. "What accountants should be doing is coaxing those clients into accepting there are significant benefits to using a good accountant because they can effectively make the difference between getting credit or not. We had three examples of that in the last few months of 2014 – we're talking significant amounts of over £1m."

In Hildred's view, there is an appetite from banks to lend to good businesses as long as the basics are presented well. He says: "Businesses need a good business plan, it's as simple as that: business plan, profit/loss and cashflow forecast, which is what banks love. Entrepreneurs need to understand the problems in the business and troubleshoot them before putting the application in. If there's a problem but also a solution then it may not adversely affect credit availability," says Hildred.

The evolution of alternative sources of finance is certainly keeping the profession on its toes. There's a lot to learn, and it's not just about how to present to sexy peer-to-peer lenders. As Stevens points out, Kent county has a number of local government funding initiatives and Reeves & Co "has been having a lot of success presenting businesses and business plans to those lenders as well as the banks. These local county council-type generated funds are definitely filling a gap."

So, based on the BBB 18% figure, does Stevens think accountants might be failing to market themselves properly to smaller businesses? "Probably," he says. "I would have liked to have thought that chartered accountants were the first port of call for expert advice and I do think sensible people would prepare properly and seek advice." So the question then is, what skills are businesses looking for in an accountant? "Do you go to a chartered accountant, or to a friend of a friend? People, frankly, put more trust in friends than in unknown expertise before they know it." Chartered accountants therefore could afford to be more marketing savvy – advertising their skills as "the best source of independent, qualified, proper advice that is backed up by insurance as well".

Hollis would like to see more transparency and information in the finance sector so that accountants and business advisers have everything they need to help SMEs get fit for lending. Even in the depths of the recession, he says, banks were saying they were open for business and lending. "The reality is that they aren't and they weren't." He would like more data about what finance is available for SMEs "that gets down to the nitty gritty about what lenders will and won't do. There needs to be a follow-up to the *Business Finance Guide* showing how these institutions operate, what they're interested in and how you go about applying. You could waste a lot of time by applying for finance and not getting it," he says.

LIVING THE DREAM

Proving that life-changing dreams can come true, auditors Adam Goodall (left) and Samuel O'Connor have turned their fledgling idea into a share of a global company. David Adams reports

Most of us have fantasised about a dramatic career change: resigning from the desk job to retrain as a fighter pilot, or perhaps an opera singer. Many of us have also spent some time in the office discussing with colleagues the half-formed business idea we have that could change our lives forever. But for most of us these things will only ever be dreams.

Adam Goodall and Samuel O'Connor are among the few who have successfully turned one of those casual conversations into a business – and genuinely changed their lives as a result. In the summer of 2014, their two-year-old electronic audit confirmation service, ProConfirm, was acquired by US electronic confirmation specialist Confirmation.com for an undisclosed sum. The transaction brought to an end the first chapter of their entrepreneurial journey, which started when Goodall and O'Connor met while training as auditors at PwC.

Like most of the best business ideas, the concept they developed is as simple as it is useful: replacing a manual, postal process with an electronic one. Until very recently, the audit confirmation process still consisted of auditors sending and receiving written confirmation of financial assets from banks in the post. It was a process that often resulted in confirmation documents being lost or delayed, increasing costs and creating difficulties for auditors, their clients and the banks.

O'Connor recalls an audit conducted at PwC that required confirmations of 100 bank accounts at 30 banks, and a dedicated team spending a whole week simply chasing up confirmations. Goodall remembers a board of directors waiting to sign off an audit but unable to do so because a single document was missing.

According to research they conducted in 2013, 40% of audit firms have had to delay signing an audit opinion because of missing bank confirmations, 66% have asked clients to chase up confirmation requests at banks, and 60% have experienced delays because requests were sent to the wrong address.

Goodall and O'Connor estimate that such problems cost European organisations about £250m per year. The paper-based process is also vulnerable to fraud: for example, the notorious 2003 Parmalat case in Italy was perpetrated when a forged confirmation was sent to an auditor, helping to hide a £11.2bn debt.

The solutions that ProConfirm and Confirmation.com have devised help this part of the audit process to happen electronically, securely and within a few days at the most, rather than weeks or even months, as can be the case with the postal system. The average time taken to complete the process has been reduced from 20 days to two.

Although the idea is simple, turning it into a profitable reality was not. The route Goodall and O'Connor have taken to reach this point has not been straightforward. O'Connor, who is 32, left school at 16 and spent several years working and travelling, doing a variety of quite different jobs in different places, including working for a non-profit ecological research organisation in Brazil.

By then he had decided to return to academic study. Having passed his A-levels he completed a degree in business management at Kingston University, graduating in 2008 and taking a graduate position at PwC, where he met Goodall, who is four years younger and had completed a maths degree at Durham University.

They became friends and later housemates. Training as auditors they both became painfully aware of the problems created by the existing confirmation process and wondered how they might create an electronic version. In 2012 they decided to take radical action and resigned from PwC to develop the idea, while taking other jobs to pay the bills.

"We were a little bit rash, because we decided we needed to build a software platform that could do this

40%

of audit firms have had to delay signing an audit opinion because of missing bank confirmations

66%

have asked clients to chase up confirmation requests at banks

60%

have experienced delays because requests were sent to the wrong address

PHOTOGRAPHY: SUKI DHANDA

– but neither of us had a clue how to do that," O'Connor admits. Luckily, they found someone who could: Matt Cowen, then technical director of a digital marketing technology company. He built the ProConfirm platform, using .NET technology to ease integration with corporate systems, and incorporating multiple layers of security.

Meanwhile, the jobs O'Connor and Goodall had acquired provided valuable business experience. O'Connor was a commercial finance manager for Virgin Media, while Goodall was senior finance manager at Futureproof, a marketing agency.

"That was the making of us," says O'Connor. "The combined experience we acquired outside audit really helped. Adam was running HR, finance and operations for a small company. That really formed the foundation of what we had as a start-up."

Over an 18-month period they started to build relationships with audit firms and banks and with trade associations, including ICAEW and the British Bankers' Association (BBA), while Cowen worked on the platform. Only when the prototype was complete did Goodall and O'Connor resign again from their day jobs. "We were told quite early on by quite a number of people that it's not really going to happen until you quit your jobs," says Goodall. "We eventually decided they were right."

O'Connor says the old proverb about hungry wolves being the best hunters proved apt. "I left my job about two months before I got married and we were just buying a house, so it was not an ideal time," he says. "But it was the right time for the business."

They then attended Seedcamp Week in Berlin, in November 2013: a week of competition to secure funding from the Seedcamp fund, Europe's largest investment and mentoring programme for start-ups. Matters were complicated by the fact that they had also set themselves the task of achieving ISO 27001 certification a week later.

"Adam was sitting in Starbucks writing security documentation while I was pitching to one person after another," O'Connor recalls.

They didn't win Seedcamp, but both now say the experience helped crystallise their ideas about exactly

what they wanted to do with the business. Meanwhile, they achieved the ISO certification thanks in large part to the way Cowen had designed the platform with security at its heart.

Goodall and O'Connor then sought additional assistance from an old colleague, Terry Hopcroft, European software sector leader at PwC when Goodall and O'Connor worked there, who has almost 40 years' experience in audit.

"We'd been keeping him up to date with how things were going, and eventually we asked him to take more of an active role," says Goodall.

"He came on board as chairman at Christmas 2013. Having Terry really helped us to build relationships with audit firms."

Goodall and O'Connor have been based in the swanky high-tech surroundings of Level39, the "technology accelerator space" on the 39th floor of 1 Canada Square at Canary Wharf, since the start of 2014. As they hire more staff they will move up to Level39's High Growth Space on the 42nd floor.

The views across London are wonderful but its location, surrounded by banks and the offices of auditing firms, is its most useful asset. "The fintech [financial technology] scene in London is

"We were told quite early on by a number of people that it's not really going to happen until you quit your jobs. We eventually decided they were right"

world-leading and this is the epicentre," says O'Connor.

By spring 2014 ProConfirm was finally reaching the point where major auditing firms and the banks were interested. But they had not yet signed up any end users and still had no money coming into the business. Like many entrepreneurs, they had been relying to a large degree on the generosity, support and patience of their families.

Meanwhile, one theme that kept coming up with auditors and banks was a desire not just for a UK-wide electronic confirmation solution, but for an international solution. That's when Confirmation.com got in touch.

Brian Fox, president and founder of Confirmation.com, is also an accountant, who started his career as an auditor for EY in Dallas. He had also quickly identified the problems, delays and potential for fraud created by the paper-based audit process and returned to business school in the late 1990s to work out how to crack electronic confirmation.

He launched Capital Confirmation in mid 2000 but faced a long struggle to gain critical mass, running the business from his grandparents' garage until he finally secured business angel funding in 2003.

Starting with one bank and one auditing firm in Nashville, the company grew. "We had 200 firms using the service in 2008; by early 2009 we had over 5,000 accounting firms globally," says Fox.

While this growth happened largely through word of mouth recommendation, Confirmation.com now processes more than £659bn in confirmation information each year, is used by over 700 banks in more than 60 countries, and around 12,000 accounting firms in over 100 countries.

By late 2013 its second largest user base was in Europe, primarily in the UK. There was clearly a good opportunity to expand, but Fox and his colleagues had almost no knowledge of this market. Then he found ProConfirm's website.

"I sent Adam and Sam an email, saying 'I'd like to get to know you'," he says. "The next time we were in London we arranged a meeting. It was fantastic to find someone else who understood this issue. I thought they had a lot of energy, they understood the marketplace and the need for this service; and it just made all the sense in the world to join forces."

"We already knew the market and they wanted to get up and running here quickly," says Goodall. "They had the funding, the infrastructure and the experience of doing this for 14 years. We felt that by combining that with our UK expertise and relationships we had put together we could get something delivered that would tick the global box."

The ProConfirm system has been integrated into the Confirmation.com platform and O'Connor and Goodall are now employees and shareholders of the US company, heading up Confirmation.com UK. The next phase will be to encourage audit firms to use the Confirmation.com platform for other interactions with business partners or clients. In November 2014 the company acquired LegalConfirm, a US company that processes legal confirmations electronically, and in December it signed a partnership deal with the BBA to deliver a service for banks, BBA Confirmations.

So the future seems bright for O'Connor and Goodall – but do they actually still like each other? Company co-founders don't always remain fast friends. "We get on incredibly well," says O'Connor. "Adam was an usher at my wedding. We both know who is best at which thing and we're not precious about that. Finding people with the huge level of resilience you need to start a business and make it a success is incredibly difficult. I thank my lucky stars that we've found each other."

What has helped has been their shared vision and desire to make it a reality, says Goodall. "You see lots of articles about start-ups being a sexy thing, but the reality is you're living frugally, you're spending 24/7 working on it and you've got to believe in it to keep going."

Accountancy is often regarded as an industry full of risk-averse people, which can be a very good thing. But Goodall and O'Connor are examples of accountants prepared to take big, entrepreneurial risks, and their success is proof that sometimes those risks pay off.

£659bn

the value of work Confirmation.com, which has integrated with ProConfirm, processes annually

700

banks use Confirmation.com across more than...

60

countries worldwide

"You see a lot of articles about start-ups being sexy, but the reality is you're living frugally, you're spending 24/7 working, and you have to believe in it to keep going"

HIRE POWER

Jobseekers may be in abundance in accountancy, but that doesn't mean finding the perfect employee is easy. Sandra Haurant speaks to specialist recruiters about the challenge of wooing the best candidates

Recruiting the right person for a job sounds easy enough. Market the vacancy in the right places, harvest CVs from a variety of suitable candidates, interview, then sign on the dotted line...

Unfortunately though, as ACA Charlie Jones found out, recruiting can be hit or miss. Jones qualified at PwC before going to work in industry, where his job involved recruiting staff, often through different recruitment agencies. He found external recruitment companies were all too often approaching the issue as a numbers game - bombarding firms with CVs without really honing down the choice to the right candidates.

While Jones was discovering the shortcomings in recruitment approaches, his brother Joe was working as a senior recruitment consultant; their father, Mike, was also a chartered accountant. They had all experienced frustration with recruitment agencies. "We decided that most were sending over as many CVs as possible to see if any stuck. Too many [third parties] provide the best person they have, and not the best person there is," says Jones.

So they decided to set up their own consultancy, Orleans House, to offer a better way to fill accountancy roles. "We thought we could do it differently; we understand the qualifications and the skills needed, as well as the personal fit. We have chartered accountant input on everything," he says. The company compiles rigorous long-lists before coming up with a definitive shortlist, having taken the time to match people's soft skills and technical qualifications with companies and their culture, as well as tracking candidate availability and monitoring activity in various sectors.

Much of the company's work is at the more senior end of the market, where Jones says it benefits from a long-established network of potential candidates. But the market is hugely competitive - newly qualified accountants find themselves in the fortunate position of being extremely employable. And while jobseekers work hard to ensure their CVs stand out, a competitive market place means firms must make just as much effort if they want to attract the best candidates.

ENTRY LEVEL CHALLENGES

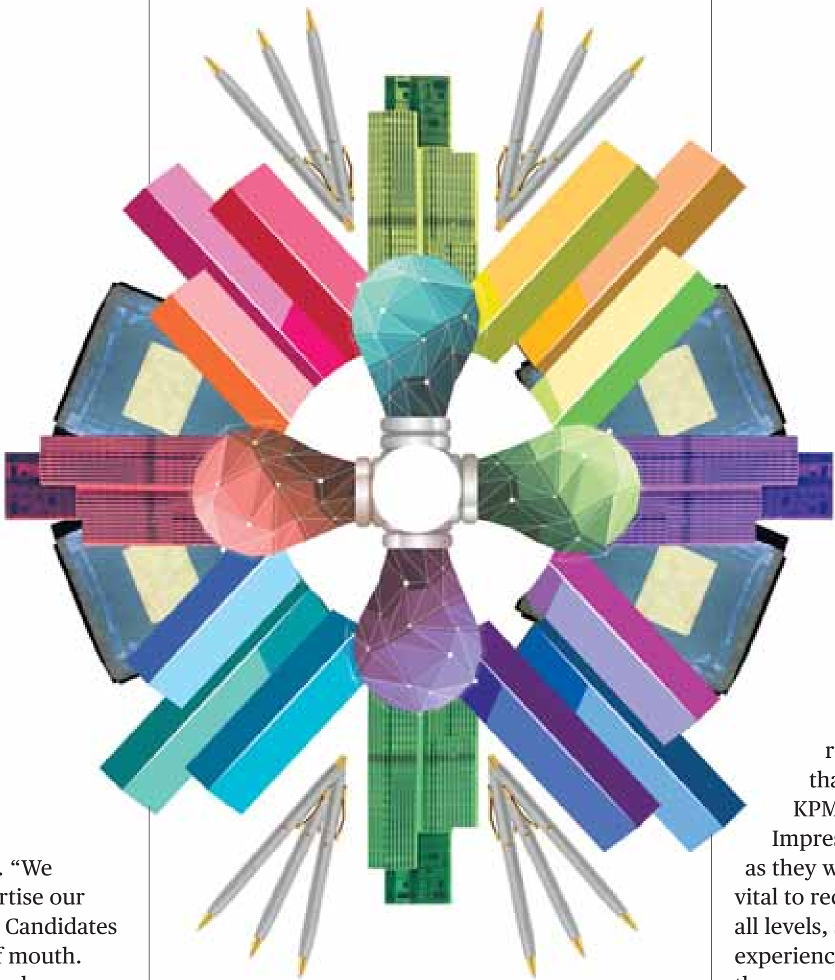
Candidates have more choice than they did before. And with choice, comes bigger challenges for employers to woo the best. Graduate recruitment at Britain's top employers is set to reach its highest level for more than a decade this year, according to the latest report from research firm High Fliers. Starting salaries are up, too.

Sharon Spice, ICAEW director of Global Student Recruitment, says: "We are expecting big changes to graduate recruitment this year. Employers will need to look beyond offering job roles and secure salaries. Instead, they will need to make themselves known and have something different to offer.

"They might offer other incentives that matter to students like investment in their career progression, good work/life balance, international opportunities and a supportive workplace culture. That is why professional qualifications and development programmes are more important than ever in attracting the best talent in finance."

The Big Four all announced increases in their intake of graduates last summer and while there are many graduates and school leavers applying for jobs, there are also plenty of employers vying for the best of the bunch.

"It is more competitive now than it's ever been," confirms Alex Symon, head of recruitment at KPMG. "The Big Four recruit, in large numbers, in every area, so we



have to be on our game," she says.

Meanwhile, London firm Harris & Trotter takes on two graduate trainees a year, explains partner Stephen Haffner. "We don't really have to advertise our graduate positions at all. Candidates are 99% through word of mouth. They might have done work experience here, or know people who already work here. And a few come to us through our website."

Andrew McLaren, partner at Beever and Struthers, advertises on icaewjobs.com, the Institute's jobs board. And as one of the top 10 accountancy firms in the north-west, there is plenty of interest among graduates. But finding school leavers has been a different matter, says McLaren. "We need candidates to be bright and capable of passing the exams, so we ask for three Bs at A-level. The challenge is finding people with those results who are not going on to university."

Part of the problem, adds McLaren, is a lack of decent careers advice at school. He regularly speaks at local schools and is frequently told by parents and teachers that they were not aware that pupils could go straight from school into accountancy training.

Indeed, raising awareness about the aptitude required, as well as the skills that will be developed on the job and where a trainee position may lead, plays a large part in successfully recruiting new starters. PwC recruits between 3,000 and 4,000 full-time members of staff each year, including about 1,000 graduates on accountancy training contracts. Richard Irwin, director of student recruitment at PwC, says: "A lot of what we do is about challenging the stereotype. Too many people think it's about being at your desk with your calculator.

"You will be training to become a qualified chartered accountant, but the kinds of skills required for having a successful career with us are things such as the ability to build great relationships, to look at a business commercially, while also developing great technical skills. We need to really help them understand that a career in accountancy is really a career in business."

WOOING CANDIDATES

The challenge for PwC – not just with graduates but senior hires too – is to get people to re-evaluate their perceptions, says Irwin. "Those who have not been in the recruitment market for a long time will be thinking of us as an accountancy employer. We have to get them thinking about the power of the brand," he says. When marketing a job, companies also need to reflect what's going on in the wider culture of the firm, adds Symon: "Our clients are our candidates, and vice versa. We want to weave the same message into our recruitment marketing so that when you experience KPMG, it's consistent."

Impressing a candidate as soon as they walk through the door is vital to recruiting the best talent at all levels, says Symon: "The experience the candidate has when they come into the firm for interview has to be second to none, because that is what will differentiate us from our competitors," she says. "It won't be salary, it won't be benefits; as they are similar among the Big Four."

She likens the experience to that of a consumer. "As a customer I will go to a particular store because of the experience I have. It might be more or less expensive, but that won't be why I pick it; it will be because I know I am going to get great service. That is what our candidate experience should be like. We have had graduates who have had more than one offer, but their experience here set us apart."

Diversity is a challenge at every level, adds Symon, from school leavers up to partners. Irwin agrees: "Accountancy, as a career, is one that hasn't been attracting a high enough proportion of women, for example. We have an aspiration for our firm to be 50% female. As a progressive employer, we think it's wrong to select staff based on anything other than merit – as well as being illegal, it would be contrary to our philosophy.

"In terms of how we assess people it will always be exclusively on merit, but as long as we are not getting that [50/50] split, we are missing out on the best people," he says.

According to Symon, it's important to insist on diverse shortlists from recruitment agencies to ensure that the candidate is the best-qualified, chosen on merit and from a wide variety of backgrounds. "We need to ensure we are working with the right third parties, and that they, within their own businesses, have a structure around diversity. We don't want to work with suppliers that don't understand it, and believe in it completely, as we do. Having the right third parties is critical."

PAINFUL GOODBYES

In some cases, whether working with third parties or not, waiting for the right candidates to apply is ineffective. A good recruitment consultant will be able to tap into a network of potential - and that includes head-hunting. This comes with its own set of difficulties. "It's about really understanding the candidates and knowing whether a role is suitable," says Jones. "It's bad news to convince someone to leave a role to go into a new job which turns out not to be right for them. We have to know them well enough to know which roles would suit them. A lot of the best people are in roles, so the question is do they want to move, can we head-hunt them out?"

Head-hunting frequently happens at a senior level, but it is also used widely in recruitment for more junior roles. Many newly qualified chartered accountants are starting to realise they are hot property, with regular calls from head-hunters. "So many companies want to take on newly qualified ACAs," says Jones. "Companies want to take on people who are early in their careers and who will want to grow with them."

This may be positive for the hiring firm, but it can make life difficult for the firm the ACA is leaving behind. McLaren at Beever and Struthers explains: "Staff being head-hunted is a big problem. You used to expect that they would stay for two years after qualification, but these days, some go almost as soon as they qualify," he says.

Faced with a gap, the Beever and Struthers is finding solutions to the problem, such as taking on sandwich-year students to cover the shortfall. But the significant investment made in staff training means it's painful when a newly qualified staff member takes their skills elsewhere. This harsh reality reinforces the view held by KPMG's Symon that a firm really needs a strong brand and ethos to appeal to candidates from the start if it can hope to retain them.

Most firms have an idea of the length of time they hope staff will work with them, though ultimately, how long they stay is a personal choice. At PwC the aim is for people to think on a five-year horizon "through to becoming a manager" says Irwin. "It's critical that we retain our highest performers, but it's more about how we help individuals achieve their career aims, and if we are progressive about that and help someone find the right opportunity for them, whether that is within the firm or outside it, then the likelihood of them being an advocate of the future or someone that will rejoin us is that much higher."

To help with this phase of career development, KPMG has set up a special transition office where staff can recieve assistance in moving on. Adds Symon: "We have made an investment in people and we hope that will be rewarded. But the reality is people move on. And we need some degree of turnover; every healthy organisation does."

But if the candidate is right from the start, the fit should ensure a long-term relationship even beyond direct employment. Symon says: "We consider that people are linked to us for a lifetime. We have a strong alumni network; people do not usually go to main competitors, but they do move into industry, and that benefits us enormously."

HOW TO SPOT A HIGH CALIBRE APPLICANT

Commercial acumen: In today's business climate it is essential for candidates to express how they can provide commercial value. This is true for all levels of employees, and may include improving efficiencies, negotiating contracts or sourcing new revenue streams.

Ability to identify weaknesses: Candidates must be self-aware and able to offer some indication of their shortcomings. In so doing, candidates should indicate what steps they've taken to overcome their weaknesses.

Measurable, relatable successes: Candidates should have a good understanding of the role they've applied for and be prepared to cite measurable successes that relate to the desired job. Doing so will demonstrate their interest in the role and how their qualities would add value to the organisation.

Ability to set goals: Candidates should be excited about the desired role and provide goals they would like to achieve in the position. These should be measurable and relate back to the success of the company or their department, not the individual and their personal career trajectory.

Insightful questions: The best candidates have done their research not only about the company but also about the industry and competitors. Having questions that demonstrate a candidate's knowledge of the company, the industry or competition will set them apart from the rest.

Phil Sheridan, managing director, Robert Half UK

UNDER NEW MANAGEMENT

Few corporate activities set the nation's heart racing and the politicians' rhetoric flowing quite like a move by an overseas predator on one of the UK's national treasures. Jane Simms examines why

Illustration by Tang Yau Hoong

The capitulation of confectioner Cadbury to US conglomerate Kraft Foods in 2010 was the result of an offer the board felt it couldn't refuse. But while directors, advisers and shareholders profited handsomely from the deal, other stakeholders were underwhelmed.

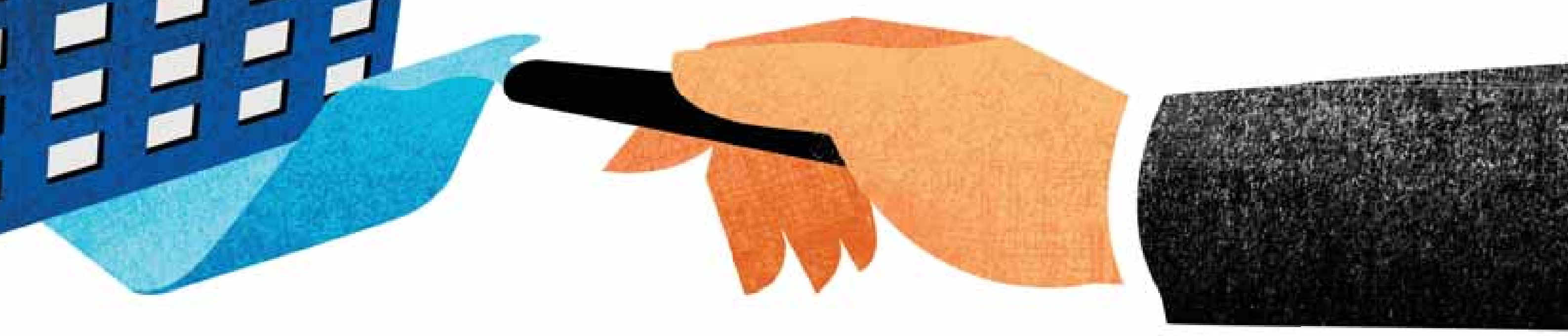
There was widespread regret that one of Britain's most loved, long-established and socially-responsible brands had fallen prey to what was felt to be a faceless foreign financial engineer, and bitterness lingers over Kraft's closure of Cadbury's Somerdale manufacturing plant, with the loss of more than 400 jobs. MPs were furious when Kraft CEO Irene Rosenfeld refused to appear before a parliamentary committee to explain why the company had reneged on its promises to keep the plant open.

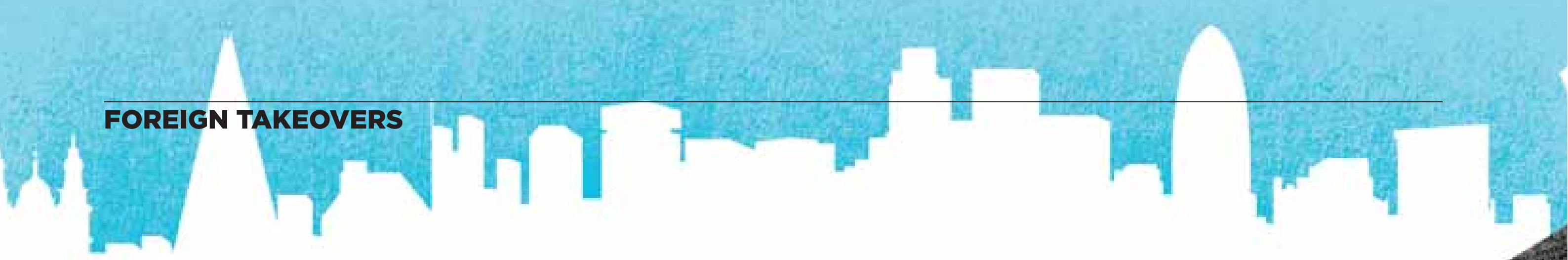
As David Petrie, head of ICAEW's Corporate Finance Faculty says: "MPs don't like sand being kicked in their face by the CEO of a business that has acquired a well-known and well-loved UK company. It was the arrogance of it that led Secretary of State for Business, Innovation and Skills, Vince Cable into discussions about what could or couldn't be done." When US pharmaceuticals giant Pfizer launched a bid for AstraZeneca, one of the UK's two remaining major pharma firms, hackles rose again.

The bid failed because the board felt it undervalued the company, but critics of the deal breathed a sigh of relief given Pfizer's questionable track record on research and development and the fact that its main motive appeared to be tax inversion – that is, moving its corporate headquarters out of the US to reduce taxes.

AstraZeneca's narrow escape (or stay of execution – the cooling-off period after which Pfizer can renew its pursuit recently ended) reignited the debate about whether the UK government should have greater intervention powers to protect "national interests".

Following consultation with organisations including ICAEW, which consulted widely with its members, the UK Takeover Panel introduced a new regime in January this year to regulate statements of intention made by bidders and targets in the course of an offer. Under the regime, parties can choose between making a post-offer





undertaking (POU), which is treated as a binding commitment, or as a statement of intention, which is not binding (but which is not consequence-free under the Code).

But some feel this doesn't go far enough, particularly given other countries' more protectionist stances. France and the US, for example, regularly play the national security card to fend off unwanted foreign advances on businesses whose strategic importance is debatable. "The French certainly stretched that argument a bit with Danone," says Scott Moeller, finance professor and director of the M&A Research Centre at Cass Business School. "Does the French army eat yogurt for breakfast or something?"

The UK is an open market but, in fact, northern Europe and Australia are similarly liberal, and, whatever barriers the French might try to erect, France is subject to the same foreign takeover rules as the rest of the EU, Moeller points out.

Some people believe the UK could be more open still. "We should have been cheering the Pfizer deal," claims David Haigh, CEO of brand valuation company Brand Finance. "It may have been driven by tax advantages, but it would have been the Americans who lost out: the UK would have profited from having Pfizer headquartered here."

And, of course, there are strong precedents for successful foreign investment in the UK. Indian conglomerate Tata, German giant BMW and Japanese manufacturers Honda and Nissan have rejuvenated the UK car industry.

"Data from the Society of Motor Manufacturers and Traders makes very pleasing reading," says Petrie. "More units are being produced in the UK now than when the industry was at its 'peak' in the mid-1970s - and more efficiently. It is also creating tens of thousands of jobs. It's a clear case where foreign ownership has delivered clear gains to the UK economy."

Jonathan Hall, president of consulting for North America at marketing consultancy Added Value, points out that Tata, as well as applying world-class manufacturing techniques to Jaguar Land Rover, which it bought from Ford in 2008, saw the market potential more clearly than previous managements. It has built Jaguar and Land Rover into global brands: sales in China alone are now higher than total sales at the time of the takeover, and, says Hall: "Those brands are arguably more British than ever."

Clearly, an acquirer's stewardship is more important to the success of an acquisition than its nationality. Mark Goyder, founder-director of the think tank Tomorrow's Company, points out that Tata is widely admired for "its great stewardship values". Tata's main holding company is majority-owned by philanthropic trusts, making it less susceptible than many large corporations to the pressures of having to deliver short-term shareholder value.

Yet there can also be "quite dramatic downsides" to foreign direct investment (FDI), warns James Meadway, senior economist at the New Economics Foundation.

"The basic problem is that FDI tends to be more mobile than domestic capital, especially where production is cost-sensitive," he says, illustrating the point with reference to the dramatically changing fortunes of Wales over the decades since the 1980s.

The government responded to the decline of traditional industries such as coal mining by encouraging FDI, and Wales grew rapidly during the 1980s and early 1990s due to investment by overseas firms keen to take advantage of low production costs and the proximity of the European export market. But the expansion of the EU prompted a

WHAT DOES "BRITISH" REALLY MEAN THESE DAYS?

Added Value's Jonathan Hall says the heightened sensitivity in France, the US and the UK to threats to national corporate icons is a symptom of global uncertainty.

Speaking to *economia* before the attacks in Paris, he said: "We're still in the wake of a great recession, and we're worried about the rise of China, the growing terrorism threat and now ebola. At times like these a large proportion of the population holds on to establishment figures and symbols for certainty and reassurance."

But it's difficult to define a British company these days. "Is it based on where it was founded, where most of its shareholders are, where its manufacturing is concentrated, the nationality of its CEO or where it's domiciled for tax purposes?"

As David Petrie points out, it's very difficult to determine exactly who owns what of global multinational businesses. Pfizer's chairman, chief executive and most of its senior executives are foreigners; most of its employees live, and most of its revenue is generated, overseas.

Most big companies are now international hybrids – Brand Finance's David Haigh points out that more than half the shares in UK listed companies are owned by overseas investors, and that some of the most British of "British" brands are in foreign hands.

"Gieves and Hawkes and Harvey Nichols are owned by the Chinese, Fortnum & Mason by Canadians and Harrods by the Qataris," he says. "Does that make them any less 'British', particularly when foreign owners seem to have a greater recognition of British brand values than we do?"

shift of manufacturing to even cheaper places, like the Czech Republic, and then, with globalisation and falling transport costs, to east Asia.

"When your plant is owned elsewhere it can be shut down immediately, and Wales suffered very badly from that," says Meadway. "In all, 171 plants closed and 31,000 jobs were lost between 1998 and 2008." And even where foreign investors are in it for the long term, many of the highest-value jobs - in design, technology and research and development, for example - typically remain in, or shift to, the owner's home country.

Both Cable and shadow business secretary Chuka Umunna are talking a good game. Both support a widened "national interest" test, for example. At present the government can only block a takeover where national security or economic stability is threatened, or where a foreign company is set to acquire too dominant a position in the media.

Cable has said he wants to rewrite the definition to protect companies that own "critical infrastructure" in the UK and firms that receive public funding for science and R&D. He has also suggested the government could intervene if it doubted the motives of the foreign bidder - tax inversion, presumably, being a case in point.

Umunna also wants to address the short-termism that he believes results in deals being pushed through that are in the interests of a narrow group rather than the economy as a whole. For example, he would like to see greater transparency on advisers' incentives, voting rights restricted to shareholders who have held shares for at least six months and a further clarification of the law requiring directors to make recommendations based on the interests of all stakeholders, not just shareholders.

But those who argue that Britain is best served by "leaving it to the market" fail to recognise that, actually, Britain is already protectionist - witness the fortune it has spent on keeping the financial services industry afloat over recent years.

"Financial services enjoys enormous privileges as 'a national champion'," points out Meadway. "It even has its own minister. But it isn't useful. It created no net jobs between 1997 and 2007, and it created no wealth - other than a considerable amount for some working in it."

While politicians "do a lot of jumping up and down and shouting every so often, there is no systemic thinking about what needs to be done", argues Meadway. "The government should look at the kind of economy it wants to build - and

healthcare, which we do well, might be one industry to focus on."

John van Reenen, director of the Centre for Economic Performance at the London School of Economics, agrees, but suggests that building excellence in such strategic industries might best be served by welcoming foreigners in rather than trying to keep them out.

He explains: "When you create a successful base, you attract more companies to it, and they bring skills, useful competition and so on."

Indeed, he believes that the biggest advantage of foreign takeovers is the injection of management expertise they bring with them. He explains that when Nissan first set up its Sunderland factory in 1984, cynics said it could never replicate Japanese productivity levels using British workers and managers, given British industrial relations, onerous regulations, the different culture and so on. But the car plant became, and remains, the most productive in Europe thanks to Japanese management practices and culture.

Likewise, adds van Reenen, US firms get more productivity out of their computer investments because they manage people better than their British counterparts. "There is a big question mark over the quality of British management," he claims.

"I have been working on measures of quality of management for 10 years, and, overall, the UK fares worse than either the US or Germany."

So it seems that the UK government's best defence against foreign takeovers might be to help raise British managers' game to the point where shareholders believe that they are the best people to run them.

And better quality managers might also be more proactive in terms of seeking longer-term shareholders, suggests Goyder, who points out that the UK is more exposed than other markets to dispersed shareholdings. In Continental Europe there are more state holdings, while countries like Japan, India and the US are rich in the kind of hybrids (family/trust/listed) that are not only more resistant to takeovers, but, according to Tomorrow's Company research, out-perform others too.

"The best CEOs and boards know that they don't need to be passive about who owns them," says Goyder. "Many of the chairmen and CEOs we interviewed for our report *2020 Stewardship* said that they would like 50% of their shares to be owned by long-term stewards. Even 25% gives effective controls. So why don't they target more of these people? That creates a pattern of ownership that becomes self-reinforcing."

Those who would pull up the UK drawbridge against foreign investors could do us more harm than good. Studies demonstrate the benefits of openness to growth and productivity, says van Reenen, while Added Value's Hall points out that some of our more protectionist neighbours are having to dismantle their own barriers to entry because they are impeding their growth.

"Spain is rushing through legislation designed to open its markets to attract entrepreneurs," he says. "And France may be forced down the same route because of pressure for change from the younger generation, who are leaving in droves for what they see as the more dynamic UK economy."

For the moment, France remains largely protectionist. Last year industry minister Arnaud Montebourg announced a decree requiring prior state approval for most foreign bids as part of its battle with General Electric over its €13.5bn (£10.6bn) deal to buy Alstom's energy business. The government also spurned a bid from American media giant Yahoo to buy French online video site Dailymotion in 2013.

But critics argue that such foreign investment could be a shot in the arm for France's sluggish economy.

Mountebourg insists the new decree is narrower in scope than the remit of the Committee for Foreign Investment in the US (CFIUS), a cross-ministerial apolitical body that assesses all foreign bids according to their impact on a range of factors, including security, the economy and jobs. But Cass Business School's Moeller says that CFIUS "rarely stops a deal taking place".

We'd be disadvantaged if we became protectionist ourselves, says Petrie. And other than a bit of tinkering around the edges, Moeller believes that the UK government's practice of looking at each deal on its merits will continue to serve us well. "You can't say that foreign acquisitions are either good or bad; there really is no one-size-fits-all policy," he says. "We would lose more than we would gain by arguing for reciprocity – and rather than bringing ourselves down to the lowest common denominator we should be a beacon on the hill, an exemplar of how to do it better."

CAREER IN A NUTSHELL

- **2012–present** Director, PLYT
- **2002–2012** Career break to raise children
- **1999–2002** Owner, SanSou
- **1997–1991** Product strategy and licensing finance director, AstraZeneca
- **1996–1997** Finance planning manager, Index
- **1992–1995** European internal auditor, and other roles, Kellogg Co
- **1989–1992** External auditor, Touche Ross

PHOTOGRAPHY: FELICITY MCCABE

GAME ON

Lisa McCartney hopes to turn her numeracy game into a national competition and TV show. Xenia Taliotis gets a sneak preview

Lisa McCartney's ambition for PLYT, the numeracy board game she invented with her husband Ian, is to develop it into both a TV game show and a national competition. On paper her ambition sounds like that of a dreamer, but once you speak to her you realise that only a fool would doubt her. She wants to have the competition up and running within 18 months, and is actively seeking sponsors to make it happen.

"Running a national competition would be one of the most dynamic, engaging ways in which to boost the nation's numeracy," she says, "but I need help. If there are any companies who want to join me helping British children and adults overcome their fear of numbers, I'd love to hear from them."

The McCartneys launched PLYT – the name is an amalgamation of play and multiply – in September 2013, but invented it in 2008 when their children, Ella and Thomas, then aged five and seven, were learning their times tables. "We wanted a game that would help them learn as they played. There was nothing on the market that fitted the bill," she says.

"We hunted high and low for something we could play as a family, something that gave each player an equal chance of winning, whatever their level of numeracy, and which didn't require the more able players to dumb down to let younger ones win. When we couldn't find what we wanted, we created PLYT, using a make-do-and-mend board and pieces purloined from other games."

Within weeks of playing PLYT the numeracy skills of their children vastly improved, something their teachers noticed. "They asked us what our secret was, so we had a hunch we might be on to something but the timing wasn't right to show it to anyone. All we had was the tatty old board we'd made, which was too Heath Robinson to show."

Four years later, when Ian was off work recovering from Lyme disease, they found the time to make prototypes, and buoyed by the overwhelming response from everyone who played the game, they poured thousands of pounds from their savings into producing it.

"We wanted to manufacture in Britain, but the costs were prohibitive so we went through a US company that used factories in Hong Kong," she says. "I know you've featured other entrepreneurs in *economia* who've faced similar problems. We'd love to spend our money in Britain, but it's not possible at this stage. We've been lucky with our factory – we didn't get any nasty surprises when our order shipped – but we did have to place a minimum order of 5,000 and pay up front."

McCartney is a one-woman band at present. She handles all merchandising, PR, marketing, supply chain and intellectual property issues, and even some of the dispatch – the rest is managed by Amazon. Her accounting brain is still switched on, though, and she has been meticulous in her planning and research – PLYT has been tested and endorsed by the charity National Numeracy and by independent research agency Askyourstaff, which found that seven- to 13-year-olds who played once a week improved their numeracy by 30%, while adult players saw a 22% improvement.

Sales for now are predominately online. Much as McCartney would love to see PLYT in department stores, the complex distribution deals between games publishers and stores make this impossible. While she doesn't rule out business with someone who can get PLYT the exposure it deserves, she is not ready yet to hand it over to a big manufacturer. "PLYT was invented with one specific purpose – to build people's confidence with figures," she says, "and we wouldn't want to go into partnership with someone who wouldn't honour that and have it at the fore of their marketing.

"We think it's a crying shame that generation after generation says they're rubbish at maths. Our game won't turn everyone into a maths genius, but it does help people become more numerate."

Would she go on *Dragons' Den*? "Perhaps. We've already been through a similar process as finalists of The Pitch, Britain's largest competition for small businesses, which is sponsored by ICAEW. We had to write a three-year financial plan, produce a web video and deliver a three-minute pitch to 200 entrepreneurs, investors and judges, so I don't think we'd find going into the Den too daunting."

PLYT is not McCartney's first entrepreneurial venture. Before she had her children, she ran a successful soup and sandwich shop, SanSou, which she sold as a going concern in 2002. Before that, she was part of a team at Kellogg that launched three successful products. "I've always been interested in business – that's what I did my degree in – so this feels like the culmination of all my knowledge and experience," she says. "I joined Touche Ross after university partly because one of my grandfathers was an accountant and I wanted to follow in his footsteps, and partly as I knew the training would be second to none."

Once qualified she moved into business, working for Kellogg, Index – part of the Littlewoods group – and AstraZeneca. Rapid promotions at each company broadened her experience and she has held senior positions in product development, marketing, financial planning and licensing.

"I'm using every skill I've got," she says, "and I'm grateful to my accountancy training. It's hard-wired my brain to consider every move I make. The entrepreneur in me sometimes wants to rush at things, but my risk-averse accountant's head always puts the brakes on to slow me down and make me think things through."

McCartney the accountant knows how to calculate risk, think strategically and do the most thorough research. After that, though, it's time for McCartney the entrepreneur to step forward and transform dreams and schemes into reality.

Technical
The top five

Risk-weighted assets, new audit regime and reform, Google tax and complex supplier arrangements

RISK-WEIGHTED ASSETS FRAMEWORK

Capital measures are among the most important information that banks produce for depositors, investors and regulators, and risk-weighted assets (RWAs) are the most judgemental element in their calculation, says ICAEW.

As RWAs are not currently audited - or indeed particularly reliable - ICAEW has decided to develop a framework for assurance which will provide a consistent basis for independently examining them.

"If a bank wants to flatter its market image, it is most likely to be through manipulating its RWAs," says Financial Services Faculty head Iain Coke. Though lack of comparability can be blamed on subjectivity in the capital rules themselves, he adds, the controls around RWA production may not be as robust as those around banks' financial statements.

ICAEW is talking to stakeholders about a proposed standard model it will soon put out for formal consultation. See page 78 for our feature on RWAs.

BIS ON THE NEW AUDIT REGIME

The responsibility for regulating and inspecting firms that audit public interest entities (PIE) will transfer to a "single competent authority" - most likely the Financial Reporting Council (FRC) - when the EU audit directive and regulation are implemented in the UK next year.

But the government has not closed the door on the possibility the recognised supervisory bodies (RSBs), which include ICAEW, will be able to retain their powers to license firms for all other non-PIE audit clients. This is welcome news as it had been thought the Department for Business, Innovation & Skills (BIS) might transfer all aspects of audit regulation to the FRC, including licensing of the smallest firms. The proposal is one of many in a major discussion document from BIS on audit regulation that sets out how mandatory rotation of audits, audit fees and caps, non-audit services, and enhancing the role of audit committees, will work.

The deadline is 19 February. A separate, formal consultation document will follow.

gov.uk

FRC ON IMPLEMENTING EU AUDIT REFORM

The FRC is consulting on the amendments to its framework of auditing and ethical standards for auditors that are necessary to implement the new EU audit directive and regulation.

In certain areas, the UK's current regime already goes beyond the EU legislative requirements, so the FRC wants views on whether to keep the current provisions in place, align them with the legislation or extend them further.

Other questions focus on: how far the principles of independence (including those relating to non-audit services) should be applied to auditors based outside the EU whose work is used during an audit; the definition of a PIE, which is more widely defined under the EU legislation; the provision of, the cap on and the black list of certain non-audit services; and auditing standards. The deadline for comments is 20 March.

frc.org.uk

GOOGLE TAX DETAILS REVEALED

The draft Finance Bill 2015 has details of the proposed diverted profits - or Google - tax (DPT) aimed at preventing multinationals shifting their UK profits overseas. The draft clauses introduce a new power for HMRC to assess the amount of profits companies have diverted and require them to notify the department if they think they are liable for DPT. Once HMRC has issued a charging note, the company has 30 days to pay. DPT will apply at a rate of 25% and will be effective from 1 April 2015.

Business leaders say the proposals risk undermining the OECD's BEPS project. ICAEW says the government's haste to force through the legislation ahead of the election means it will not get "the scrutiny it needs". The deadline is 4 February.

gov.uk

FRC ON COMPLEX SUPPLIER ARRANGEMENTS

The FRC has called on the boards of retailers (such as supermarkets), suppliers and other businesses to provide investors with better information on their accounting policies, judgements and estimates that arise from their complex supplier arrangements. It says it will focus on such disclosures in its review of audits and accounts in 2015.

It says the fees, contributions, discounts, offers and volume rebates in these arrangements often amount to significant sums and impact on operating margins and other key metrics. "Where this is the case, it is essential investors understand the basis and extent of judgements, estimation involved and the potential uncertainties affecting the accounts and future prospects," the FRC says.

It points to a number of IFRS that provide relevant guidance on accounting policies and disclosure. They include: IASs 1, 2, 8, 18, 34, 37 and 39.

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

ILLUSTRATION: ARON VELLEKOOP LEON

Key developments

EMPLOYMENT

Holiday pay ruling limited

The government has moved swiftly to protect UK businesses facing potentially huge costs in backdated claims over holiday pay.

From 1 July this year, the length of time employees will have to make claims for backdated pay through employment tribunals will be limited to a maximum of two years.

The move follows the recent decision in the Employment Appeal Tribunal (see *Business blasts overtime pay decision*, *economia* online) in the cases of Hertel UK and Bear Scotland, which means that all UK employers have to include non-guaranteed overtime pay when calculating workers' holiday pay. This is overtime that employers are not obliged to offer but a worker is required to work if it is offered.

In the outcry that followed, the Department for Business, Innnovation and Skills set up a taskforce of representatives from government and business to assess the financial exposure that employers face and come up with ways of reducing the impact on businesses.

The limitation will be effected through changes made to the Employment Rights Act 1996. Workers will still be able to make claims under the existing arrangements until the end of June.

gov.uk

Pay transparency likely

Pay transparency moved a step closer recently when parliament voted overwhelmingly in favour of a new Bill that would force companies to publish details about the gap between earnings of their male and female employees.

The 10-minute rule Bill, brought by Labour MP Sarah Champion, places a duty on ministers to implement s78 of the 2010 Equality Act, which requires employers with over 250 workers to publish wage data, making transparent any existing gender pay gap within their organisation and the reasons behind it. Pay transparency was originally included by Labour in the Act but dropped by the Coalition.

To coincide with the Bill, Labour released an analysis of figures from the Office of National Statistics that revealed women earn an average of £209,976 less than men over a lifetime. It also showed that the pay gap is at its lowest since records began in 1997 at 9.4%.

A tainted reference

Providing references can cause major headaches for employers, as the City of Bradford Metropolitan District Council found out to its cost recently.

The claimant, Mr Ahmed, was facing the possibility of redundancy and was offered an alternative post subject to a CRB check and a reference. The manager, Anne-Marie Baker, who offered to write the reference, had no knowledge of his work but she had earlier investigated a grievance involving a protected disclosure that he had raised and she had developed a negative view of him.

She deliberately wrote him a negative reference that was also misleading, knowing that it would affect his position in relation to the new post.

Jani Rashid, the officer appointing the new post, considered (wrongly) that Ahmed had misled him about sickness absence, and Baker did not disabuse him. The offer of the job was withdrawn and Ahmed was made redundant. When the case came before the Employment Tribunal (ET), Ahmed won his claim for ordinary unfair dismissal, but not for automatic unfair dismissal as a result of making the protected disclosure. He appealed.

The Employment Appeal Tribunal allowed Ahmed's appeal. It said that the ET should not have separated Baker's motive for writing the reference in such a way as to ensure he was not redeployed from the reliance that Rashid put on it.

As his honour Judge Serota said in his judgement: "The fact that Rashid did not realise he was being misled by the reference does not sanitise the effect of the reference and does not exonerate Bradford as the employer from a decision that ultimately was significantly... influenced by an infected reference that came into existence as a result of a protected disclosure."

employmentcasesupdate.co.uk

FINANCIAL REPORTING

Amendments to FRS 101

The Financial Reporting Council (FRC) has issued a consultation document containing proposals to streamline financial reporting for entities within groups.

Qualifying entities are allowed to apply the recognition and measurement requirements of EU-adopted IFRS while reducing the level of disclosures. Although the entities' accounts are not regarded as international accounting standard accounts, the FRS 101 framework they are prepared in needs to be updated to ensure consistency with EU-adopted IFRS.

The proposed changes, contained in FRED 57, *Draft Amendments to FRS 101, Reduced Disclosure Framework*, stem from a number of amendments made to EU-adopted IFRS by the International Accounting Standards Board.

The FRC says that it intends to consult separately over the coming weeks on amendments that may be necessary as a result of implementation of the new EU accounting directive.

frc.org.uk

Guidance on annual reporting changes

The FRC has issued guidance on the changes to annual reporting requirements that may affect companies for the first time, along with some examples of best practice learnt from early adopters of other changes.

Areas covered include the clear and concise principles and practical guidance on their use, the revisions to the corporate governance code relating to going concern, alignment (or otherwise) of auditor's and audit committee reports, complex supplier arrangements by retailers and other businesses, and recent output from the Financial Reporting Lab.

frc.org.uk

Better disclosure moves

The International Accounting Standards Board has issued amendments to IAS 1, *Presentation of Financial Statements*, as part of its project to improve presentation and disclosure in accounts.

The amendments are designed to encourage companies to apply professional judgement in determining what information to disclose in their financial statements.

For example, they stress that materiality applies to the whole of financial statements and that including immaterial information can inhibit the usefulness of financial disclosures. They require companies to use professional judgement in determining where and in what order information is presented in the financial disclosures.

The amendments can be applied immediately but are mandatory for annual periods beginning on or after 1 January 2016.

As part of the same project and in response to investors' requests for improved disclosures about an entity's financing activities and its cash and cash equivalents balances, the board has also published for comment proposed amendments to IAS 7, *Statement of Cash Flows*.

The deadline for comments is 17 April 2015.

ifrs.org

Narrow-scope amendments published

The IASB has amended three of its reporting standards to bring clarity to the requirements when accounting for investment entities. The changes also provide relief in particular circumstances, which will reduce the costs of applying the standards.

The narrow-scope amendments affect IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities*, and IAS 28, *Investments in Associates and Joint Ventures*. They can be applied immediately but will become mandatory for annual periods beginning on or after 1 January 2016.

ifrs.com

REGULATION

Market regulation tightened

Chancellor George Osborne announced recently that traders who rig foreign exchange and other key markets will face up to seven years in jail. The new rules are due to come into force in April.

At the same time, the Financial Conduct Authority (FCA) said that in future it would regulate seven more major UK-based financial benchmarks. They include: the Sterling Overnight Index Average (SONIA) and the Repurchase Overnight Index Average (RONIA) - which both serve as reference rates for overnight index swaps; WM/Reuters London 4pm Closing Spot Rate - which is the dominant global foreign exchange benchmark; ISDAFIX, the principal global benchmark for swap rates and spreads for interest rate swap transactions; London Gold Fixing and LBMA Silver Price - which set the price of gold and silver in the London market; and ICE Brent Index - which acts as the crude oil futures market's principal financial benchmark.

The FCA intends to publish the new rules within a few weeks.

fca.org.uk

TAX

EU VAT place of supply changes

On 1 January, changes to rules relating to the EU VAT place of supply of services came into operation. These affect the sales of digital services (broadcasting, telecommunications and e-services) from a business to a consumer (private individuals and non-business entities). The place of taxation is now determined by the location of the consumer.

Where digital services are supplied on a business to consumer basis, the supplier is responsible for accounting for VAT on the supply to the tax authority at the VAT rate that applies in the EU member state where the consumer is based.

The new rules only apply where a UK business meets all of the following criteria:

- supplies digital services from the UK to another EU member state;
- supplies those services to a private consumer in another EU member state;
- charges for that supply

Businesses in countries outside the EU (for example, the US) that supply digital services to consumers in one or more EU member states are also affected by the changes.

Businesses can either choose to be registered for VAT in each of the member states they supply services to or they can elect to be registered under the EU-wide "mini one-stop shop" (MOSS) scheme. There is one MOSS for EU-based suppliers and one for non-EU based suppliers (which replaces the VAT on Electronic Services (VoES) scheme). Suppliers with business establishments in the relevant member state are not permitted to use MOSS for services supplied locally. They will have to have a "local" VAT registration.

Look out for our feature on this in next month's issue of *economia*.

gov.uk

Sustainability means business

Links between sustainability and finance are growing. Caroline Biebuyck finds out what this means for accountants

The explosion in environmental science and dramatic fallout from the financial crisis have cemented sustainability's relevance to today's business and society.

"We're clearly in a pretty poor state environmentally and we're seeing a widening income gap with resulting social problems," says Richard Spencer, ICAEW's head of sustainability. "We need to put issues around the environment and society at the heart of operations as we ask how we can change what we do."

Organisations are starting to understand the need to get to grips with social and environmental trends, partly due to a fear of constraints on growth as some of the worse trends start to bite, but also because of the extra costs that come from changes in regulation, such as with new rules expected from the UN climate change conference in Paris at the end of this year.

There's a tangible sense that the accounting community has a responsibility and a role to play in the communities in which it operates and in shaping some of the discussions on sustainability, says Jessica Fries, executive chairman of A4S, the Prince's Accounting for Sustainability Project. She says: "Sustainability started with the responsibility agenda at many of the larger firms.

"The real shift in the past five years or so has been for firms to recognise there is a key role within the services they deliver, making their sustainability function much more integrated within the business, and thinking about what sustainability might mean for each of their service offerings." While sustainability may once have seemed to be something only large firms could afford to consider, it's now a factor that no firm, whatever its size, can afford to ignore. Clients think about their business in an integrated way, says Douglas Johnston, who leads the sustainability practice at EY, so accounting practices must follow suit. "Clients want to buy a service that considers sustainability as part of an integrated business objective," he says.

"Small and medium-sized accounting firms need to get themselves up to speed on the sustainability agenda and its relevance to business. Clients will be integrating this in the way in which they do business and will expect their professional service advisers to do the same."

This integration is about meeting expectations. Clients already expect large firms to include information about environmental performance in audit tenders; staff and potential recruits want to know they are working for a socially-responsible firm which follows good practice in recruiting, training and retaining personnel.

However, there are benefits too. Cost is one, since, for example, increasing energy efficiency and reducing carbon emissions can cut fuel bills. From a business perspective, many of the organisations that A4S works with say that accounting for sustainability gives them a competitive advantage and boosts their reputation, helping them win proposals by differentiating the services they can bring to the table.

"In our discussions with accounting bodies, common themes include relevance of the profession in the future, change in societal expectations, greater regulation of audit and reporting, and the risk of staying relevant - if accountants aren't able to equip themselves with the skills to provide the information and analysis required, then clients might use other service providers with this skillset," Fries says.

What should accounting practices do to incorporate sustainability into their operations? The best place for them to start is to consider their strategy and their stakeholders, says Mike Barber, audit partner at Deloitte. He feels that thinking long-term naturally encourages firms to think about their communities and clients, employees and suppliers more broadly, and to consider how best to communicate with those different parties. "Once you start considering your engagement with your stakeholders, then you start thinking about the balanced scorecard you want to create and report on," he explains.

Representatives from all the firms interviewed for this article stressed their talent management programmes, with metrics to gauge success ranging from retention rates to training hours.

Barber mentions Deloitte's work with different social businesses across the UK, advising them on how they can grow through a combination of training, networking and pro bono advice. Measuring and reporting on revenue growth and employment growth at the enterprises helps the firm understand its impact and fine-tune its contributions.

ILLUSTRATION: ARON VELLEKOOP LEON

Meanwhile part of KPMG's work in looking at the impact it has on the environment involves understanding its greenhouse gas emissions. The firm's sustainability professionals have worked on measuring its annual emissions and then aiming to reduce them.

"When we started this project there were many different environmental practices in our offices around the world," says Brad Sparks from the firm's global corporate citizenship team. "We looked at what was being done best on a global basis and shared that information to start bringing our different offices up to best practice. Most professional service firms have similar environmental impacts to us, so if buildings are a problem then firms should consider best practices in building efficiency, whether they are following them, and what they can change."

There has been a huge growth in sustainability reporting in the last few years, with information on sustainable practices now being included in the annual report. In the past many companies have used parallel processes to gather the information they needed for their environmental and social reporting, usually as they felt this did not require the same level of rigour as their financial reporting. But with regulators, investors, employees and others requiring this non-financial information to be disclosed, companies need the right systems, controls and processes to underpin the information preparation, something with which auditors and accountants can help.

And while advising clients, they can assess their own reporting standards. Any reports they make should be a window on how the firm runs its business, says Johnston. "The starting point should be what you have done differently, how you have made that systematic across your business, and how you have different functions making decisions together. That's a great thing to talk about, to demonstrate the integrated thinking across the organisation – then you can talk about the difference that makes."

If organisations feel daunted about taking on the sustainability challenge, Fries encourages them to start with one issue or area. "Many companies have started by looking at their energy use or carbon emissions because it's easier to get their heads around this," she says. "It can seem complicated but when you break it down there are some bite-sized pieces organisations can start with, rather than getting around the whole sustainability agenda in one go."

And help may be at hand for smaller firms. Mark Spofforth, an ICAEW Council member, believes that the profession needs to evolve a toolkit of easier ways to embark on this work. "My experience is that many accountants want to work in this field but can't quite get started," he says. "I think we can expect a number of initiatives in 2015 to help that roll out. We are in a unique position to establish ourselves as experts from the perspective of resource use and assisting strategically for a healthier balance to growth."

They can also learn from their clients, something that larger firms do already. Johnston points out that EY is adopting many of the best practices it sees in large companies. "I'm blown away by how innovative our clients are in dealing with challenging topics that could potentially be a constraint to their business, but instead their original thinking makes it a real differentiator."

He also points out that the flow of ideas should be a two-way street, something Spencer feels all firms should keep in mind. "All the services they offer are things they could be doing in their own practices, but equally they can turn what they are doing in their practices into a product for their clients," he says. "We are looking at a world in which we need to re-think the way we do things. There is no reason why a brilliant mind in a firm of any size can't come up with better ideas than those in action."

Barber thinks a focus on sustainability offers a positive message to every accountant who sees themselves as a general business adviser.

"Ultimately this comes down to measurement. And accountants know how to measure things. We might need help with data capture, but once we have that data we can convert it and consolidate it and present it accurately. It's been said that accountants can save the earth – this skill we have in capturing, measuring and reporting is one we really need if we are to properly understand our impact on the world around us."

Closing a loophole

As the debate surrounding harmful and uncompetitive tax practices escalates, the question of tax breaks on IP and patents is up for discussion. Liz Loxton investigates

You don't need sophisticated sentiment analysis techniques to gauge public opinion on multinationals that pay low rates of corporation tax. The capacity for giants such as Google, Starbucks, Apple and others to generate headlines on just that practice is seemingly endless.

Tax breaks for intellectual property and R&D activity have drawn a great deal of fire and are currently in the frame for reform. In November, British Treasury officials reached a compromise with their German counterparts at the EU's Forum on Harmful Tax Practices. They agreed to axe Patent Box, the tax break on R&D activity introduced in George Osborne's 2013 Budget. Patent Box was designed to encourage UK businesses to commercialise their R&D activities, offering a 13% tax rate on income derived from their innovations, dropping to 10% in April 2017. "Germany saw Patent Box as state aid, the UK using its tax system to give its businesses an unfair tax advantage," says Ed Round, partner with law firm Marks & Clerk.

Britain, along with the Netherlands, Luxembourg and Spain, had previously refused to do away with Patent Boxes, so the Treasury announcement, which came just ahead of the chancellor's Autumn Statement, represented something of a climb down. But, with some 40 other countries backing Patent Box reform as a means of reigning in harmful tax competition internationally, the UK's about-turn finally aligns its tax policy on Patent Boxes with the majority. The announcement signaled the demise of Patent Box in its existing form and paves the way for broad agreement.

"We will have a new Patent Box," says Graham Morgan, tax partner at Kingston Smith. "It will be based on the existing one, but with the offensive parts taken out." The existing scheme will close to new entrants after June 2016 and will wind down by 2021. "The EU's Forum on Harmful Tax Practices will come up with a modified model that links tax breaks to the location where the R&D activity is carried out, providing a clear line between the location of the activity and the tax break," he says.

There is undoubtedly a political upside in going with a majority that has publicly stated its commitment to fairness and a more unified approach. However, it leaves a conundrum on how to remain competitive and attractive as a potential base for high-tech, innovative businesses.

As Morgan puts it: "On the one hand we seem to have this spirit of cooperation, where the stated objective is to work towards a common tax base. On the other hand, everyone has worked feverishly to make themselves attractive."

DOUBLE IRISH

It is an issue that has also been played out in Ireland, with the so-called Double Irish tax arrangement closing down.

In October, the Irish government announced it would move to close the Double Irish loophole. The result of this mismatch in the tax residency tests within Irish and US rules was that profits from IP and other activities earned by an Irish incorporated company could be taxed in a country such as Bermuda, with a low tax rate, rather than being taxed in the US or Ireland.

Under the new rules, if a company is incorporated in Ireland, it will be considered resident in Ireland, unless a tax treaty says it is resident somewhere else. Under the previous rules, the Irish test for residency has focused on management and control, so an Irish incorporated operation managed and controlled from Bermuda could have been considered resident in Bermuda for tax purposes. "The changes we have made are very similar to the UK residence test, whereby incorporation is the basic rule unless there is a treaty – not something Ireland has with, say, Bermuda," says Cora O' Brien, policy director at the Irish Tax Institute.

Reports suggest that overseas companies account for around 160,000 jobs in Ireland, so clearly there is a great deal at stake for its economy and for the international businesses that have set up there. But closing the loophole comes with a grandfathering arrangement.

"For companies with a Double Irish structure, the rules won't change for them until the end of 2020. You need a long grandfathering period for multinationals. For anyone incorporating a new Irish company, the rule changes took effect from 1 January 2015," says O'Brien.

The Double Irish arrangement isn't the only mechanism under fire. The so-called Dutch Sandwich has also enabled companies to outsource profits, this time via the Netherlands to avoid withholding taxes. Google has courted controversy in respect of both mechanisms.

And tax breaks are not the only arrangements that have attracted attention. The EU is also concerned with the relationships among a number of companies in lower tax regimes. For instance, in Ireland, the EU's probe into the Irish Revenue's agreement with US technology giant, Apple, has drawn attention from the media and the public at the same time as the focus on the Double Irish, with the result that the two issues have been conflated.

The EU's issue is whether what Apple agreed with the Irish Revenue on setting up there constitutes state aid and whether the method of attributing profits to an Apple subsidiary stands up to scrutiny.

"The Irish government is strenuously defending its position, but reports that the EU had made a ruling against the Double Irish are incorrect," says O'Brien. "What the EU has issued is its preliminary view on the advance opinion given on profit allocation in this case.

"A decision is expected in the next few months. The Commission is trying to accelerate the conclusions from its enquiries into three different situations – in Ireland, Luxembourg and the Netherlands.

"If the decision is [that] there was state aid, the Irish government has stated it will mount a legal challenge. It is going to take it all the way, because it has strong grounds for doing so," she says.

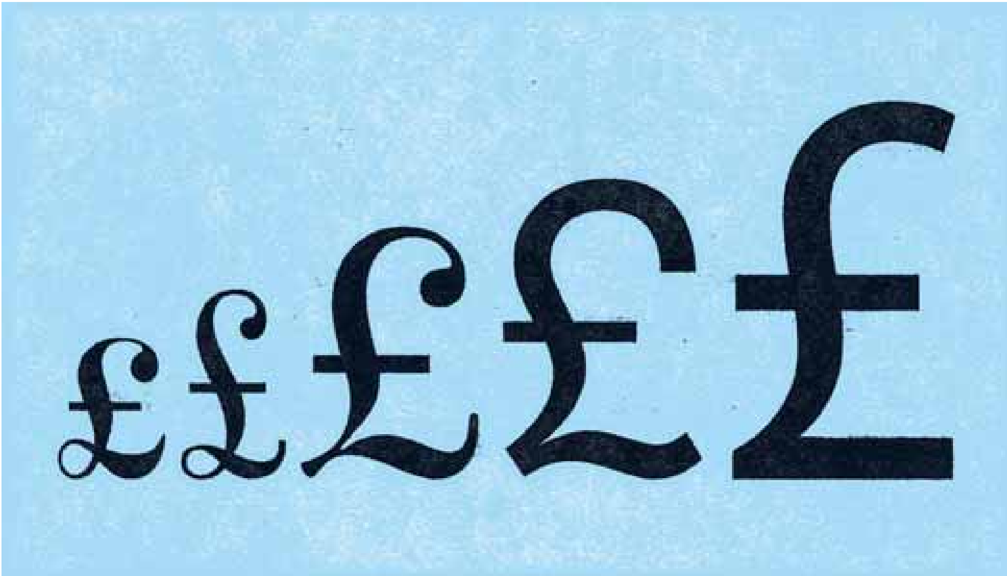


ILLUSTRATION: ARON VELLEKOOP LEON

LOOKING TO THE FUTURE

But leveling the playing field on these issues isn't going to be easy. "All you need are a few anomalies in different countries, such as Ireland or the Netherlands," says Crawford Spence, professor of accounting at Warwick Business School. "This is a source of frustration for governments. They genuinely want to increase their tax receipts from corporates."

There is a wider context to this, he says. "At the OECD you have the Base Erosion and Profit Shifting project, which has defined a series of different measures intended to create a more level playing field. But it's like the Kyoto Protocol: it needs to be implemented systematically."

Individual measures, such as the EC taking on the Double Irish issue, don't stand much chance on their own, he argues. "It's a piecemeal approach to solving the problem."

And few countries will want to make the first move. "It is important for Ireland's relatively small export-based economy that if we were to take unilateral action then we would have to remain competitive with other countries," says O'Brien. "The decision was to publish a Corporation Tax Roadmap with a strong commitment to the 12.5% tax rate at the centre." Ireland will also consult on a new Knowledge Development Box, she says, "the final decision on which would be taken once we have seen the outcome of the international discussions on Patent Boxes".

So Patent Boxes have survived the furore, pending discussions on what form they can equitably take, a move that governments can support. "It was important for our multinationals to know that while they may need to change their structure – because of the need for the Irish government to address the reputation issue – we are committed to doing something very competitive in that space," says O'Brien.

"A mark-two Patent Box in the UK will go some way to meeting the expectations and standards of other governments," says Round, without great cost to UK competitiveness as a place to base knowledge economy businesses. The more direct link between R&D activities and the tax breaks in potential alternatives already being discussed will require companies to be more connected with the UK rather than less.

"There is little here to suggest that businesses already intending to move activity to the UK are likely to change their plans. The guiding principle is that the UK is a good place for R&D for talent reasons as well. How many more [businesses] are likely to be influenced by tax credits, I am sceptical," says Round.

Weighing the risk

Providing assurance on risk-weighted assets is a highly subjective area, but crucial to efforts to restore trust and transparency in the banking sector, writes Liz Loxton

Disparity in the way banks rate their risk assets has received renewed attention of late. Calculating the risk weight of a bank's assets remains a controversial area. Large banks in particular tend to use their own internal models to assess the riskiness of their assets, but the use of these models is not audited or subject to regular regulatory inspection.

And yet regulators, the banks themselves and all manner of stakeholders need to know that assets that underpin the banking industry are soundly assessed and understood.

"Bank capital ratios and risk-weight assets (RWA) figures in particular are probably the figures looked at most by analysts and other stakeholders," says Iain Coke, head of ICAEW's Financial Services Faculty. "They are the result of a complex process but not audited. There are more and more concerns around the reliability of those numbers."

It is a highly subjective area. RWAs are a significant part of the calculation of a bank's capital ratio, and arriving at the most appropriate figure requires a degree of assumption about the economic, social and political climates that banks operate in. The judgments needed to arrive at a value means the process is difficult and the results hard to compare between banks.

The Institute is working on a framework for providing assurance around these figures. It has been working closely with the audit firms and the Bank of England and will consult with a range of stakeholders, including investors, ratings agencies, banks and other regulators including the European Banking Authority.

Broadly, RWAs provide a glimpse of how much risk a bank faces. That could be in terms of the riskiness of its loan or mortgage book or the spread of its interests geographically. "You could be talking about the bank's loan book or buy-to-let portfolio compared to a general mortgage portfolio as well as the assets investment banks might hold. How do they assess sovereign debt for example?" says Coke.

"One example might be how banks assess the risks of sovereign debt from different countries. The Netherlands, Germany and Greece - their bonds are all denominated in euros but represent very different levels of risk."

Currently, market practice divides into using a standardised model, which works according to a formula set by the regulator, and a more advanced approach - based on the internal models used by banks themselves.

"The problem with the standardised models is that they are too simple and that can tempt banks into taking on higher levels of risk relative to their capital," says Coke.

Issues around banks' internal models, meanwhile, include the fact that they may be overly vulnerable to a bank's internal culture and the fact that different models will tend to lead to wide variations on similar metrics across the sector.

These internal models are proprietary intellectual property, Frances Coppola, independent economic writer and editor, points out. "It is a little bit of a judgement as to whether their use of a model, and that model itself, is reasonable or not. Regulators may take the view that results are fair or way out of line. And you will get some variation, but it should be extreme variation," she says.

There can be good reasons for banks coming at these assessments from different routes, Coke points out.

"Banks will have different sets of data. And it's not necessarily a bad thing that they take different approaches," says Coke. "It avoids the risk that all banks gets into trouble at the same time because they used the same wrong model."

However, as we have seen in the fallout from the Libor rate setting scandal, the wider issue for regulators and stakeholders is the vulnerability of internal controls to manipulation from within banks themselves.

"It's the control side. That is where the assurance will help. It [the RWA calculation] is still going to be subjective, but you want to make sure the people making those judgements are impartial, qualified and well placed to do so," says Coke.

A study last year by the CFA Institute, *Financial Crisis Insights on Bank Performance Reporting*, argues that the investor community needs better and more transparent risk reporting around this if confidence in the banking sector is to return.

Vincent Papa, the CFA Institute's director of financial reporting policy, says it is widely acknowledged among the analyst community that comparability of RWAs as well as the appropriateness of the risk levels that banks assign to their risk portfolios are at issue. Better insight into how banks discriminate and make risk-based adjustments across their base is needed. "The other asset base issue," he says, "is assurance. It's a bit of a black box." The CFA Institute supports more granular disclosure, he says, to give context and texture to banks' statements about business risk within narrative reporting, for instance.

That view is echoed by the Financial Stability Board's Enhanced Disclosure Task Force, which has made specific recommendations on additional/enhanced disclosures, which banks should make over and above what is required by IFRS/regulation. It then assesses best practice in making those disclosures. The EDTF 2014 progress report on how the banking sector is doing in terms of adopting its recommendations provides examples from banks that have already started to report in that more granular way: a breakdown of how risk-weighted assets relate to specific business activities from Deutsche Bank and BNP Paribas annual reports; RWA flow statements for different risk types from Deutsche Bank and UBS.

"Banks will have different sets of data. And it's not necessarily a bad thing that they take different approaches. It avoids the risk that all banks get into trouble at the same time because they used the same wrong model"

The increased disclosure that this involves will doubtless dismay some, but in essence, banks are simply being asked to "show their workings", Coppola points out.

"It is basically saying that it is not adequate just to provide a figure if investors and regulators and others are to form a view as to whether a bank is providing a reasonable perspective.

"It's a push back against the situation pre-2007, where banks assumed certain risks were minimal.

"You could say the banks have a vested interest in looking at these risk areas in a positive way, giving certain lines of business the lowest possible rating of risk, or taking on the maximum risk while reporting it as minimal risk," says Coppola. "These transparency requirements are saying: how did you arrive at this?"

ICAEW hopes to propose a standard model for assurance that it will then put forward for consultation later in 2015. Stella Fearnley, accounting professor at Bournemouth School of Business, believes more assurance must be positive as long as it is part of an overriding effort to restore solidity in the banking sector's reporting.

"There are so many parts of the banking sector that should have more assurance, providing it can be demonstrated as a good thing. You have to ask who benefits. It really has got to benefit the banks, public interest and the profession," she says.

There is also the question of the information that banks use. ICAEW has long identified the need for banks to invest in their IT infrastructure, in its 2013 report *Audit Insights: Banking*, for instance.

And there's been plenty of debate around control weaknesses as well as the difficulties banks have with their IT systems when it comes to extracting difficult data. An alternative argument, one mooted by the European Banking Authority, is to do away with banks' complex internal models in favour of a more streamlined approach. Regulatory arguments are heading in this direction, says Neeraj Kapur, CFO at Secure Trust Bank and chairman of the ICAEW Financial Services Faculty.

In October last year, the Financial Policy Committee at the Bank of England recommended a minimum leverage ratio test for larger banks of 3%. "That would mean applying an overriding test that, regardless of RWAs, would require banks to raise more capital," says Kapur.

"So while the assurance work [around RWAs] may have some value, the European regulator is saying that we need a safety net over and above that."

Raising the capital requirements for bigger banks does little for their competitiveness, of course. Kapur argues that greater transparency and assurance on RWAs, on the other hand, avoids the need for a uniform regulatory requirement that would undoubtedly be to the detriment of some. "That level playing field can't exist unless RWAs are understood."

Furthermore, the sheer amount of data banks have collected on risk as well as the experiences of the last few years have great value, he believes.

"The banks have hindsight and have gone through an extreme stress scenario. Having that data and the hindsight could provide a really strong picture on risk. I think there is great value in understanding the risk [to banks] value of loans."

Hope Shaw: keeping it simple

Loyalty, support and simplicity are key to the way David Robinson runs his practice. Here he tells Xenia Taliotis why he leapt at the chance to become the first sole practitioner to be licensed for probate

David Robinson's firm Hope Shaw has always been something of a groundbreaker: when it opened for business back in 1994, it offered a fixed-fee service, which was quite revolutionary then.
Now, 21 years later, it is still breaking new ground. In October 2014, Hope Shaw became the first sole practice to be authorised by ICAEW for probate work. It's a development that pleases Robinson enormously.

"Many of my clients have been with the firm since the very beginning and I like to think I'm a part of their extended family," he says. "I've seen them lose parents, husbands, wives and so witnessed the trauma that that causes. And yet, until now, I've had to step back at a time when they've needed me most, and pass them to someone they might never have met before who will then take them through probate. It just wasn't right.

"Probate is so personal and has to be handled with great sensitivity. We already know our clients and their circumstances and we already advise them on inheritance tax and succession planning, so it was a natural next step. It makes perfect sense for accountants to handle probate. I cheered when ICAEW gained its regulatory licence for probate back in August, I really did, because accountants can now fully support their clients through the most difficult times of their lives."

Robinson is more interested in the benefits that being licensed for probate will bring to his customers than to his business. "When I applied to sit the exams, I wasn't thinking about this being a money-spinner for me, but rather it being another way of helping my clients," he says. "I've seen bereaved, elderly people completely come apart because of the stress of dealing with probate lawyers. This way it's just one more service that I provide. The fact that it gives me enormous job satisfaction is an added bonus," he says.

Robinson has been with the Dorset-based firm since the beginning, when it was owned and run by Bob Dibben, who named the firm after two of his friends; when Dibben died in 2005, Robinson saw no reason to change the name.

The business has grown steadily, from five clients in 1994 to the present 230, which, Robinson says, is just about optimal for a sole practitioner who doesn't want to compromise on the amount of time he gives to each one.

"I have some clients who have totally embraced technology and who rarely, if ever, feel the need to meet me, but that's counterbalanced by others who only want to do business face-to-face. My oldest clients are in their nineties - I don't expect them to want a video conference, or even to come to my office. Instead I go to them and we'll spend the day going through their accounts and paperwork - over endless cups of tea and chat - to make sure their affairs are in order and to ensure they aren't paying too much tax."

Hope Shaw's clients work in a wide variety of industries including aerospace, engineering, coasteering, and outdoor activity centres for schools. Though most of his clients are local businesses, Robinson is happy to go wherever technology will take him, which means he has kept customers who have moved abroad, to New Zealand and Hong Kong, for instance.

"Distance is no longer an issue," explains Robinson. "I regularly travel to London and throughout the South East for meetings, but with new business coming from younger, more technologically-capable clients, I can see the day when I will be doing at least 75% of my business through the internet."

The firm is well prepared for more web-based business: it has invested heavily in

"Accountants can now fully support their clients through difficult times"

ON A MISSION

Hope Shaw's key mission statement is simplicity in all matters, including its fee structure – it still operates the fixed-fee, three-tier Simplified Company Accounts Service that formed the core of its services when it was set up 21 years ago. Aside from that, Hope Shaw prides itself on promptness, value-for-money, clarity, accessibility, helpfulness and offering peace of mind. These principles, says David Robinson, are the bedrock of the firm: "Those are Hope Shaw's defining characteristics and are what we stake our reputation on. They are the main reasons our clients recommend us to their colleagues and family. They recommend us because we're a no-nonsense, no-jargon, friendly firm that will go out of its way to accommodate its clients."

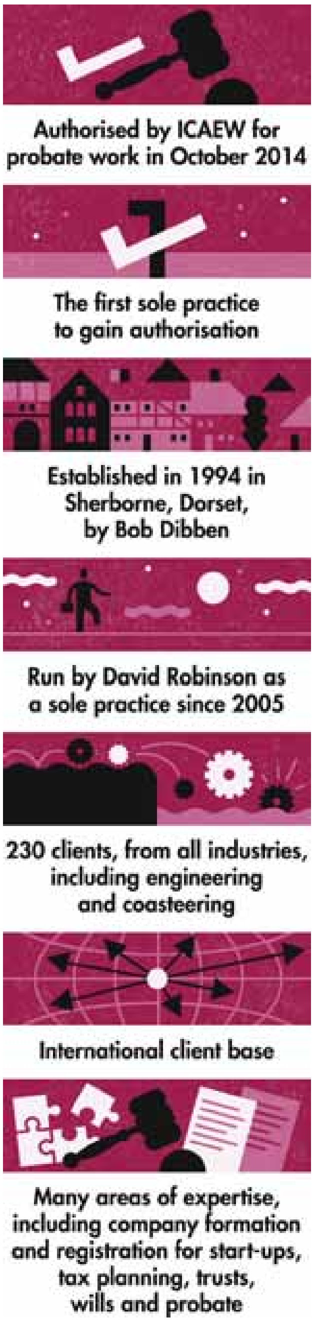


ILLUSTRATION: ARON VELLEKOOP LEON

technology and is set up to use a wide variety of accounting software packages, including Xero, Kashflow and FreshBooks. Robinson explains the benefits of each one to clients and gives them the freedom to choose the one that suits them best. All are double-entry book-keeping systems, so easy to manage.

Simplicity in all matters is at the core of the firm's ideology. "Dibben wanted to set up a firm that provided clients with jargon-free, value-for-money accountancy," says Robinson. "That's what he was about - he didn't want to blind people with science - he was a no nonsense, straight-talking man and he wanted his practice to reflect that."

At the fore of this was a fixed-fee, three-tier Simplified Company Accounts Service (SCAS), which is still one of the firm's most successful products.

"SCAS is a very flexible arrangement," says Robinson. "Our clients can choose among three levels of service - year end, corporate or gold - or they can create their own bespoke product. Prices start from £82.50 (excluding VAT) per month and go up to £132.50 per month (excluding VAT) for gold, so it really does offer excellent value for money and is still a vibrant part of our business."

Though Robinson is - to all intents and purposes - a sole practitioner, he does outsource some of his work to a team of five qualified freelancers who handle much of the SCAS number-crunching and compilation work.

Back at base, the core staff - which includes him, his wife and two employees who work flexible hours both from the office and from home - deal with filing of accounts with Companies House, corporation tax and tax returns, quarterly dividend paperwork plus payroll and VAT for corporate or gold clients. It's an arrangement that has always worked well for the firm, and one that has become even easier to manage with the advent of new technology.

Hope Shaw provides a full range of accounting services, including tax planning and returns, VAT and management accounts, to sole traders, limited companies, partnerships, LLPs and PLCs. Though Robinson doesn't focus on any one sector in particular, it's clear from the way he speaks about start-ups that he gets enormous satisfaction from working with new businesses.

"I do find start-ups very exciting and I love working with new ventures, particularly when they're being set up by young people. It's really energising helping them shape their business plans and obtain funding to help make their dreams a reality. Start-ups are so dynamic, and I feel as if I'm helping to create something for the future."

Robinson's own dream is to find someone who'll take over the running of Hope Shaw once he retires - which he plans to do in 11 or so years. His son is also an accountant but his ambitions lie elsewhere: he qualified with KPMG and has so far shown no interest in taking on Hope Shaw.

"I describe this as a lifestyle rather than a high-street practice," says Robinson, "so I thought finding a successor would be really easy. Unfortunately, I've not found anyone yet who quite fits the bill. I am looking though - just keeping an eye out for someone who'll look after my clients as well as I do. I don't want to sell Hope Shaw.

"What I want is to find someone who cares about the business as much as I do, and will let me dip in and out as and when I want to. Although I plan to retire, I can't imagine a day when I won't do some accountancy, which will, from now on, include probate work. Accountancy is in my blood - it's all I've ever done and I don't want to stop.

"All I want is to do less - or at least that's what I've promised my wife."

Insolvency, separation of client's money and handover hiccup

In the three cases picked out from this month's disciplinaries Julia Irvine finds disqualification due to insolvency, breach of Client Money Regulations and failure to ensure the smooth handover of client information

DIRECTOR OF LIQUIDATED FIRM SEVERELY REPRIMANDED

An ICAEW member who failed to pay more than £40,000 in various taxes before going into a creditors' voluntary liquidation has been severely reprimanded and fined.

He also admitted he had engaged in public practice for 20 years without holding a practising certificate contrary to Principal Bye-law 51a and for three years without professional indemnity insurance (PII) as required by the PII Regulations.

Simon Matthews was the sole director of Accounting Services Bureau Ltd (ASB) which went into voluntary liquidation in December 2011 with liabilities of £61,068. HMRC, which had petitioned to wind ASB up, was owed £51,081 in respect of unpaid PAYE, national insurance contributions, VAT and corporation tax as well as penalties and surcharges.

As a result of the HMRC debt, Matthews was investigated by the Insolvency Service and disqualified from acting as a company director for three years. He then contacted ICAEW to resign his membership and to tell them that he was going to be disqualified.

He told the disciplinary committee tribunal that ASB had experienced cashflow difficulties during its last few years of trading, partly because of money owed by companies owned by one major client, and a loan he had made to an employee who was also in financial difficulties. As a result, he was unable to pay the liabilities due to HMRC.

The tribunal credited Matthews with informing ICAEW about the matters and concluded that his breaches had not been deliberate. However, it pointed to the significant amount of money involved and that the importance of holding a practising certificate and PII for regulatory and public protection purposes.

"There was, finally, a breach of ICAEW standards in that the company in relation to which Matthews was a director, had gone into liquidation, and a clear likelihood of disrepute arising from his directorship disqualification. These were serious matters therefore which cumulatively warranted a severe reprimand and a fine."

SEPARATION OF CLIENTS' MONEY

One of the issues which regularly lands ICAEW firms and members in trouble is compliance with the Client Money Regulations. Neil Turner is one such example. He has been reprimanded and fined £3,000 for breaches of the regulations which included failing on 58 occasions to immediately pay clients' money amounting to about £109,000 into a client bank account (contrary to paragraph 10).

He went on to compound his problems by failing to comply with a practice assurance committee (PAC) order to complete an external client money compliance review and submit the results within a month. He also failed to co-operate with PAC staff who were investigating his case.

In mitigation, he said that during the relevant period his partner had died, leaving him as a single parent, and he had also suffered a serious illness. Nevertheless, the tribunal decided he had fallen below the standards required of chartered accountants. "The rules with regard to separate client accounts are a necessary safeguard for clients and thereby the maintenance of the public's confidence in the profession.

"It is moreover critically important that members co-operate and comply with the requirements of their regulatory body, given ICAEW's role in ensuring that this confidence is upheld."

A LESS THAN EASY HANDOVER

An ICAEW member who failed to provide a client's new accountant with information about the client's affairs despite several letters over a 16-month period has been reprimanded under Disciplinary Bye-law 4.1a and fined £3,000.

In May 2012, a firm of accountants sent a letter of professional clearance to Graham Hill of Phipp & Co (Accountants) Ltd who had been acting for a medical practice and its five partners. Having heard nothing in response, the firm wrote again in June and August. Hill finally responded, confirming there was no reason why the firm should not accept the appointment to act for the practice. However, he failed to provide all of the information requested.

Among the documents he did not provide were: schedules for the 2010 partnership accounts covering debtors, creditors, accruals, prepayments, VAT account, bank account, bank reconciliation, cash account and fixed assets; a copy of the partnership tax return for 2011; copies of the individual partners' personal expenses and private income schedules, their self-assessment tax returns and schedules, tax calculations and superannuation certificates.

Hill revealed to the tribunal that he had had a disabling medical problem during the relevant period, which meant he had fallen behind with his work. But he admitted that this did not excuse his prolonged failure to deliver the outstanding information.

The tribunal said it was necessary when clients changed accountants that there was no detriment to the conduct of the clients' financial affairs resulting from a lack of handover. "While there was no evidence that the client had suffered in this case, it was very important members adhere to this requirement in all cases," it added.

Report listings

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

DISCIPLINARY COMMITTEE TRIBUNAL ORDERS

● Stephen Peck, South Lodge, Ropsley, Grantham, Lincolnshire NG33 4AS
Complaint For five months, he engaged in public practice without professional indemnity insurance (PII) contrary to Regulation 3.1 of the PII Regulations.
Order Reprimand, £2,000 fine.

● Amanda Wright, AWA Consultancy Services Ltd, Unit 700, Bretton Park Way, Dewsbury, West Yorkshire WF12 9BS
Complaint She admitted she had engaged in public practice without holding a practising certificate (between April 2004 and August 2013) contrary to Principal Bye-law 51a and without PII between June 2012 and August 2013) contrary to regulation 3.1, PII Regulations.
Order Given overwhelming mitigating factors, given in confidence, the tribunal made no sentence against her but ordered her to pay £1,200 costs.

INVESTIGATION COMMITTEE CONSENT ORDERS

● Moore Stephens LLP, 150 Aldersgate Street, London, EC1A 4AB
Complaint In March 2012 and 2013, the firm issued unqualified audit opinions in respect of a client company's 2011 and 2012 accounts when the audits were in breach of audit regulation 3.10. The firm did not prepare audit documentation that recorded the conclusions reached in respect of the company's ability to continue as a going concern or the firm's significant professional judgements made in reaching those conclusions, in accordance with ISA 230, *Audit Documentation*. Nor did it ensure, in accordance with ISA 570, *Going Concern*, that adequate disclosure was made in the financial statements highlighting the existence of a material uncertainty surrounding the ability of the parent company to repay a material debt owed to the client.
Order Reprimand, £1,500 fine, £3,005 costs.

● Clive Probitts, No 1 Carrera House, Merlin Court, Gatehouse Close, Aylesbury, Buckinghamshire HP19 8DP
Complaint From April 2007 to January 2011, he paid funds totalling £983.93 into the client bank account contrary to Regulation 11, Clients' Money Regulations (CMR), as the money was commission received for X & Co and not client money. He also failed to comply with regulation 21 because he caused or permitted funds to be withdrawn from another account greater than the credit balance held in respect of commission at that date.
Order Severe reprimand, £5,000 fine, £2,580 costs.

● Beever and Struthers, St George's House, 215-219 Chester Road, Manchester M15 4JE
Complaint The firm issued reports as the independent auditors in respect of a client's service charge accounts for the years 2007 to 2011 and for the five months ended 31 December 2011, when the basis of the opinion of the report stated the firm's examination of the accounts was conducted in accordance with ISAs, even though no audit work was performed, and when insufficient evidence was obtained and documented to support the firm's opinion. The opinion stated that the service charge accounts showed a fair summary of the state of affairs of the scheme.

The firm's report on the client's 2011 service charge accounts incorrectly stated that they showed a fair summary of the state of affairs of the scheme at that date, although they failed to disclose that a debt due to the company of £70,206 might not be recoverable following the appointment of an administrator to the landlord. In addition, the report on the service charge accounts for the five months stated that they showed a fair summary of the scheme's state of affairs at 31 December 2011 when this was not the case because insufficient evidence was obtained and documented to support the recoverability of a debt of £79,518 described as due from leaseholders.
Order Reprimand, £3,250 fine, £7,680 costs.

● John Oliver Roger Williams, Longmead, 3 Heol Gwermont, Llansaint, Kidwelly, Dyfed SA17 5JA
Complaint Between July 2006 and September 2013, he failed to comply with a verbal assurance he gave on behalf of his firm that he would send engagement letters to his clients notifying them of the basis of fees and the firm's complaints procedures. He also failed to comply with a written assurance that he would verify the identity of clients taken on after 1 March 2004.
Order Reprimand, £1,725 fine, £1,000 costs.

● Frank Dongworth, Menor House, The Maltings, Station Road, Sawbridgeworth, Hertfordshire CM21 9JX
Complaint On behalf of his firm, he issued an unqualified audit report on a client's 2010 financial statements, which was in breach of Audit Regulation 3.10 as the audit had not been conducted in accordance with various ISAs. He had failed to prepare, on a timely basis, audit documentation that provides a sufficient and appropriate record of the basis for the auditor's report, and evidence that the audit was performed in accordance with ISAs and applicable legal and regulatory requirements, as required by ISA 230, *Audit Documentation*. He had not planned the audit so that the engagement could be performed in an effective manner, in accordance with ISA 300, *Planning an Audit of Financial Statements*, and he had also failed to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion, as required by ISA 500, *Audit Evidence*. Additionally, there were a number of inaccuracies in his firm's 2012 annual return which he had completed.
Order Severe reprimand, £5,000 fine, £2,600 costs.

● David Turner, Unit 11, Worton Court, Worton Hall Industrial Estate, Worton Road, Isleworth, Middlesex TW7 6ER
Complaint Between December 2012 and March 2014, he engaged in public practice without holding a practising certificate, contrary to Principal Bye-law 51a, and without PII contrary to regulation 3.1, PII Regulations.
Order Reprimand, £1,500 fine, £1,230 costs.

● Neil Hooton, 369 Blackburn Road, Astley Bridge, Bolton BL1 8DY
Complaint Between October 2012 and March 2014, he engaged in public practice without holding a practising certificate, contrary to Principal Bye-law 51a, and without PII contrary to regulation 3.1, PII Regulations.
Order Severe reprimand, £2,300 fine, £2,205 costs.

● Business Focus & Systems Ltd, 4 Chevin Mill, Leeds Road, Otley, West Yorkshire LS21 1BT
Complaint The firm issued an unqualified audit report in respect of a client's 2011 financial statements in breach of audit regulation 3.10. First, the firm failed to report details of material weaknesses in its system of internal control over transactions in accordance with the Industrial and Provident Societies Acts 1965-2002; and second, the audit was not undertaken in accordance with ISA 570, *Going Concern*, as the firm failed to consider and document properly its evaluation of the credit union's ability to continue as a going concern.
Order Severe reprimand, £6,000 fine, £4,442 costs.

● PM&M Solutions for Business LLP, Greenbank Technology Park, Challenge Way, Blackburn BB1 5QB
Complaint The firm was in breach of the CMR for several reasons. Over a five-year period, it withdrew money from the client bank account on 108 occasions (totalling £2,009,981.02) without written authority or in accordance with any written contract with the client, contrary to Regulation 20h. In December 2013, it paid clients' money totalling £2,077.95 into the firm's office account, contrary to Regulation 10. It also held funds in excess of £10,000 for two clients for more than 30 days and did not pay the funds into a client bank account designated by the name of the client or by a number or letters allocated to that account, contrary to Regulation 13.
Order Reprimand, £2,000 fine, £1,655 costs.

Blood, sweat, ink and tears: getting a book published

Laura Powell asks a panel of novelists and publishing professionals the million dollar question: how do you write a bestseller?

Left: Samantha Shannon secured a six-figure advance for her series of fantasy novels

Photography by David Vintiner

It has taken six years, one failed past attempt, three rewrites, 11 rejections from publishers and countless wine-fuelled editing sessions with a group of friends I met on a creative writing course… But finally, in July, my first novel is going to be published. Sales are projected to be a conservative 5,000 paperbacks and, if I divide my advance by the number of hours I spent writing and editing it, my earnings amount to about 22p per hour. Deduct from that my literary agent's fee, tax and other stoppages and I'm left with enough money to pay for roughly two months' rent.

Nonetheless this is a positive outcome – and one I am very grateful for – when you consider that only 0.2% of writers who complete a novel manage to secure representation by a literary agent, according to an unscientific but plausible calculation by novelist Stephen Leigh. Super-agent Judith Murray, who represents Sarah Waters and is among the best in the business, received roughly 8,000 manuscript submissions in 2013. Of those, she took on 15 authors and successfully placed (industry language for selling a book to a publisher) just five.

No doubt many of those unpublished novels are just as accomplished – but some manuscripts are unfashionable at a given moment, some are too similar to a novel an agent is already representing, or sometimes the agent or publisher reading it is just having a bad day.

Yes, there are well-publicised success stories: Samantha Shannon earned a six-figure advance after penning her seven-book fantasy series, *The Bone Season*, while she was at university, and the film rights were snapped up soon after.

Eimar McBride spent nine years scouting for a publisher for her debut, *A Girl is a Half-formed Thing*, which went on to receive critical acclaim and win six major literary awards. And of course *Harry Potter* was rejected umpteen times before Bloomsbury published it.

Those, however, are the lucky exceptions. Of those writers who are published, a 2013 study found that only 11.5% earn their income solely from writing and the average salary of a career novelist was just £11,000, well below the UK minimum income standard of £16,850 recommended by the Joseph Rowntree Foundation. Most novelists have day jobs too. Even *Of Mice and Men* author John Steinbeck ran a fish hatchery to top up his income.

But as Leigh puts it: "The publishing business is not a lottery and there are no odds". Rather, he believes it is up to the writer to make their own luck and set apart their book, then make it stand out in the literary agent's slush pile of unpublished manuscripts. Our panel of top literary agents, booksellers, novelists and critics explain how to do exactly that.

1 FIND A BRILLIANT IDEA

SJ Watson, author of Before I Go To Sleep*, which was turned into a film. His second novel,* Second Life*, is published this month*

"Ideas are everywhere because stories are everywhere. Newspapers, magazines, overheard conversations, books, blogs, libraries, coffee shops... You just have to stay open to them. The tricky thing is recognising potential. The best ideas are magnetic. They attract other ideas to them and then gradually something exciting begins to build. But there is no hard and fast rule on what to do with an idea beyond that.

For every writer who plunges straight in as soon as they get the 'tingle' that comes with a good idea, you'll find another who spends

Left: Richard Skinner, novelist and director of the Faber Academy

months planning everything out. Try what feels right, and if it doesn't work try something else. Having said that I think it's a good idea to hold off beginning to write until you feel the compulsion is starting to really build. That way your enthusiasm is more likely to carry you over those early bumps in the road."

2 MAP OUT YOUR PLOT... BUT NOT TOO MUCH

Samantha Shannon, author of The Bone Season, *a seven-book series that earned her a six-figure advance*

"Some writers plan in great detail before starting; others just jump in and see what happens. I'm somewhere in the middle. I'll have the skeletal outline of the plot and all the important events and twists in my mind, but I never go in with every single scene planned out. That would take the excitement and discovery out of writing.

It is possible to over-plan. You can become so weighed down by little details that you never get round to telling the story. Or sometimes you can plan something in detail, only to discover that when you come to write it down, it just doesn't work. You have to allow for the fact that characters don't always do what they're told.

Ultimately, you should go into your novel with a completely open mind. Experiment with different forms and styles. Mix up genres. Don't be scared of being different. And whatever you do, don't let anyone put you off what you're doing. Constructive criticism is great but you're never going to write something that pleases everyone. Trust your gut."

3 GET YOUR FIRST DRAFT DOWN

Joanne Harris, author of 14 novels including Chocolat, *which became an Oscar-nominated film*

"The prospect of filling a blank page can be scary - but all writers, whether they are new or not, overcome it in exactly the same way: by just carrying on writing.

I like to begin my books with an arresting opening sentence, although it doesn't always come immediately. Often I just riff on the page until something useful comes along, after which I delete everything that came before it, and carry on from there.

Having said all of that, my advice on where to start would be to begin where it feels most comfortable. Ignore the way other people work. Find your own way of doing things. If a method works for you, then it's the right method. If it doesn't, whoever else may use it, it's not. Experiment. Repeat as necessary."

4 EDIT, EDIT, EDIT

Richard Skinner, director of the Faber Academy, author of The Essential Guide to Writing a Novel, *and* The Mirror

"The first person you should be writing for is yourself - you should be writing the kinds of books you would like to read. But once the first draft is finished, you have to start considering other people. So, the editing process is a kind of paradox. It is a way of making your long piece truly your own, but it is also a way of bringing other people into the equation.

When you're ready to start editing, the first thing to do is read your first draft. Don't make any notes as you read, and don't start editing - just read it. When you have finished reading your draft, read it again, this time making edits, notes and suggestions on the manuscript. At

ACCOUNTANTS WHO DID IT

Sally Green worked as the finance director at Parcelweb before she penned fantasy novel, *Half Bad*. Within 10 weeks of posting her manuscript to a literary agent, she had struck a six-figure deal with Puffin and sold the film rights to Fox 2000. "It does sound a bit 'as if by magic', but I promise you I put the hours in," Green told *economia* (in the September 2014 edition).

Her second book, *Half Wild*, is due for release in March. She's not alone. Rose Edmunds (profiled in August 2012) quit her 22-year career as a tax accountant, latterly at Deloitte, to write crime novels. And Tim Lerwill, head of commercial at Old Mill Accountancy in Wiltshire, spends his free hours writing a series of children books, based on the farm where he grew up. As he puts it: "Few experiences are more rewarding than an audience hanging onto every word of your book."

We'd like to hear from ICAEW members who are published novelists. What hurdles did you face? What tips would you offer aspiring writers? Who or what inspired you? We'll feature the most interesting stories on the website. Send your experiences to us at *economia@icaew.com*


PELIC
NO TIME
ST
BLOOD TRACKS
OZEKI
NIVEN
DARKMARKET
THE DECLINE AND FALL OF THE ROMAN EMPIRE
DBC PIERRE
ЛОГИКОМИКС
de Kooning
JOHN BURNINGHAM
JOHN BURNINGHAM
Stewart
Snow Summer

this stage try not to be too harsh in your judgements.

First drafts are just starting points and are always messy, so allow for that. The key to good editing is to do draft after draft because you won't be able to see in one sitting all that needs to be done."

5 HOOK AN AGENT

Clare Conville, co-founder of Conville and Walsh literary agency

"It's not essential for a first-time novelist to be supported by a literary agent, but it's very helpful. It is not easy – Conville and Walsh has eight agents, including me, and we get sent more than 4,000 manuscripts a year.

There are certain things a novelist shouldn't do when approaching a literary agent. Don't send a marketing and publicity plan and please don't tell me that members of your immediate family have read it and loved it.

I have been sent all sorts of inducements in my time in the hope that I will pick up a particular manuscript including flowers, chocolates and in one instance a cricket-ball. I did pick up *Vernon God Little* because the author DBC Pierre, who is also a cartoonist, had drawn a very intriguing jacket, but generally all I rely on is good writing.

Once you've managed to find an agent willing to represent you, there are certain ingredients that make a successful relationship. Ultimately, like a marriage, you need love, trust, honesty, and a sense of humour."

Left: Clare Conville, co-founder of Conville and Walsh literary agency
Above right: Nigel Roby, chief executive of *The Bookseller*

6 CHOOSE A CRACKING FRONT COVER

Nigel Roby, owner and chief executive of The Bookseller *and* We Love This Book

"Choosing a good book cover is vital to sales and it is an area that traditional publishers have a particular skill in delivering.

Wherever the public ends up finally buying a book, traditional bookshops are one of the most important drivers of success and if a novel doesn't strike a chord in the milliseconds it has to impress a browser then it is lost.

Online take-up depends on many factors – such as the data behind the book being picked up by search engines – but one of the key ways of spreading the message is through social media.

Facebook and Instagram, for example, rely on visual appeal. If a cover is striking then chances are that users will spread it around.

For good or ill we all respond to visual stimuli. It's daft not to give yourself the best possible chance."

7 WIN OVER THE CRITICS

Robert McCrum, associate editor of The Observer, *and editor-in-chief at Faber & Faber*

"My advice to new writers on how to market or publicise their novel would be to trust their publicist, say 'yes' to most things, be available, and don't expect the moon.

Also, they should leave the country on publication day. And never look at Amazon ratings.

Having several good reviews published simultaneously in major newspapers can make a big difference. A good review by a big name can help, but not always.

Word of mouth is crucial. If blogs and so on contribute to that, fine. But I'm not persuaded that Twitter makes a real difference. How and why books succeed remains a mystery.

How do I select which books to review? Caprice. The best way for debut novelists to make their book stand out from the piles of review copies received by literary editors is, simply, to write a good book and get it publicised well, and early."

Restaurants

Neil Davey opens a new chapter on the best restaurants with literary connections

From top: Venison at The Dysart, Thackeray's in Tunbridge Wells

Menu

BREAKFAST

Elephant House breakfast	£6.25 (plus £1 for haggis)

LUNCH

Parsnip soup	£7.50
Veal sweetbreads	£15.00
Douglas Fir-baked Jerusalem artichoke	£15.95
Sika venison loin	£24.95

DINNER

Duo of Kentish rabbit and Orkney scallops	£12.95
Chart Farm venison loin	£27.95
Line-caught sea bass	£25.95
Thackeray's Black Forest	£11.95

BREAKFAST

The Elephant House, Edinburgh

Our first stop on this literature-themed restaurant page is the place where JK Rowling penned the first Harry Potter novels. If you are harrumphing under your breath that that's not literature, you have a choice: a) get over it because millions loved them; or b) see it as a favourite hangout of the likes of Ian Rankin and Alexander McCall Smith instead. Novelist or not, it's easy to see the appeal of this cavernous yet cosy café. It has a castle view, is flooded with natural light, has big tables and a fine collection of coffees and loose-leaf teas. The food won't win any prizes for originality but it's all thoroughly decent, with charming staff, not to mention more elephant-themed memorabilia than you ever thought existed.

elephanthouse.biz

LUNCH

The Dysart Petersham, Richmond, Surrey

Petersham feels like a Cotswolds village dropped on to the outskirts of London. In Victorian times, it was seen as a resort – Charles Dickens visited often. Indeed, he used to visit this very site, although in his day it was an inn called The Dysart Arms. After considerable renovation, it's now The Dysart Petersham. It might bear little resemblance to a Victorian ale house but, in terms of dining, it is a serious rival to its acclaimed neighbour, Petersham Nurseries, with chef Kenneth Culhane turning out some spectacular food. Seasonal (and occasionally foraged) ingredients are to the fore, but with some spectacular, confident twists. Particular stand-outs were the parsnip soup – with coconut and lime – veal sweetbreads with fennel and verjuice, Douglas Fir-baked Jerusalem artichokes, and loin of sika venison. The Dysart is, frankly, a hidden gem.

thedysartpetersham.co.uk

DINNER

Thackeray's, Tunbridge Wells, Kent

These days, the writing associated with Tunbridge Wells tends to be letters to the editor, signed "Angry of…" A couple of hundred years ago, however, the town had more literary residents including, at the site of the restaurant that now bears his surname, William Makepeace Thackeray. To say it is the best restaurant in Tunbridge Wells may sound like faint praise, but this is a restaurant so good you could drop it into just about any town in the UK and it would be the best in the area. When Jay Rayner and Giles Coren wax lyrical about chef Richard Phillips, you know you're in good hands, and the cooking, relaxed surroundings and superlative front of house live up to expectations. The menu may veer towards the county's nearest European neighbour (it markets itself as modern French), but Kentish ingredients – venison from nearby Chart Farm, local rabbit, line-caught fish – bring it all back home.

thackerays-restaurant.co.uk

Six of the best

It's not all about numbers. Julia Irvine asks six ICAEW members to share their favourite poem

1. Nutan Wozencroft, CFO, UNESCO
The Zode in the Road by Dr Seuss
"It reminds me of reading Dr Seuss's books to my two boys when they were small. They were both funny and relevant. Finding points of reference where our children are the product of cross-cultural relationships and growing up in an international environment is important."

Did I ever tell you about
the young Zode,
Who came to two signs at
the fork of the road?
One said to Place One,
and the other, Place Two.
So the Zode had to make
up his mind what to do...

2. Robin Freestone, CFO, Pearson
Stopping by Woods on a Snowy Evening by Robert Frost
"Robert Frost wrote this poem not in the depths of winter but in June 1922. He says he wrote it 'as if I'd had a hallucination' and finished the poem in just 'a few minutes'. It was the first poem I ever learnt by heart at school; beautifully simple and evocative."

Whose woods these
are I think I know.
His house is in the
village, though;
He will not see me
stopping here
To watch his woods
fill up with snow...

3. Sacha Romanovitch, head of people and culture, Grant Thornton
The Paradoxical Commandments by Kent Keith
"This verse is written on the wall in Mother Teresa's home for children. I was sent it when a good friend and mentor died. It reminds me that it is not easy to stick to what is right. But if you can't hold yourself accountable to your own truth, you make it harder for others to hold true to theirs."

People are often
unreasonable, irrational and
self-centred.
Forgive them anyway.
If you are kind, people may
accuse you of selfish, ulterior
motives.
Be kind anyway.
If you are successful, you will
win some unfaithful friends
and some genuine enemies.
Succeed anyway.
If you are honest and sincere,
people may deceive you.
Be honest and sincere
anyway...

4. Ian Powell, chairman, PwC
Invictus by William Ernest Henley
"It's about human spirit, perseverance in adversity and the importance of personal responsibility. It became even more poignant when I was asked if PwC would get involved with the Invictus Games. I spent time with many competitors, inspiring men and women who embody these words."

Out of the night that
covers me,
Black as the pit from
pole to pole,
I thank whatever gods
may be
For my unconquerable
soul...

5. Mark Spofforth, former ICAEW president *The Charge of the Light Brigade by Alfred, Lord Tennyson*
"The power and rhythm caught my imagination and made me find out about the Crimean War and this battle. We have spoken lately of the madness of some attacks in the First World War but this charge against overwhelmingly superior forces was just as mad."

Half a league,
half a league,
Half a league onward,
All in the valley of Death
Rode the six hundred...

6. Peter Wyman, former ICAEW president
Trebetherick by John Betjeman
"The family house where I grew up, Puffins, was four doors down from Betjeman's. An unusual old man, he always called my father Mr Puffins. This poem sums up my childhood and those lines are the most evocative."

Sand in the sandwiches,
wasps in the tea,
Sun on our bathing dresses
heavy with the wet,
Squelch of the bladder-wrack
waiting for the sea,
Fleas around the tamarisk,
an early cigarette...

The meal deal

PHOTOGRAPHY: TERRY BENSON

Whether you want to eat like a caveman, a vegan or a fashionable foodie, Penelope Rance picks her favourite healthy cookbooks

HONESTLY HEALTHY

Natasha Corrett and Vicki Edgson

While carnivores will be unfulfilled with the alkaline diet, the science does make sense. Certain foods are acid-forming in the body, while others have an alkalising effect. An excess of acid has been linked to inflammation, a factor in many health problems, so staying alkaline can only be a good thing. While the focus on leafy green veg and fish at the expense of meat, sugar and coffee might feel like deprivation, *Honestly Healthy* is packed with genuinely tasty and beneficial recipes. Some ingredients are surprising too – acidic lemon juice has an alkalising effect, so is ideal in smoothies. Claiming to boost your immune system, level out blood sugar and sharpen the mind, this recipe book is a lifestyle guide too.

honestlyhealthyfood.com

NOM NOM PALEO, FOOD FOR HUMANS

Michelle Tam and Henry Fong

Spawned by her successful blog, Michelle Tam's first cookbook looks more like screen grabs. But the cartoons and jokes, colourful design and photography (courtesy of husband Henry Fong) and quick to master recipes are accessible and friendly. As a working mother, Tam has efficient meal making down to a fine art, while her devotion to the paleo diet – based on non-processed, natural ingredients that would (at a stretch) have been available to our paleolithic forebears – every recipe will leave you bursting with vitality. If you can't digest it raw, it's not in the book, but that's no reason why you shouldn't cook and combine it into something tastier.

nomnompaleo.com

THUG KITCHEN, EAT LIKE YOU GIVE A F**K

Anonymous

Smart, sarcastic, hilarious and crude – this vegan cookbook avoids the holier-than-thou approach that mars many vegan offerings. *Thug Kitchen* grew from a Tumblr site, a fact reflected in its rough-and-ready approach. Peppered with expletives, offering serving-size guidance in the form of "feeds your lonely ass for a couple of evenings", its practical approach blends affordable, everyday ingredients into tasty, satisfying creations. Veganism isn't an automatic marker of health (chips, anyone?), but the anonymous, foul-mouthed authors really do care about what they, and you, eat. Leaning towards US-style diner and street food, recipes include oat flour griddle cakes with blueberry sauce, baked spicy plantain chips, sweet potato, squash and black bean enchiladas and carrot cake cookies. Unsurprisingly, Jamie Oliver loves this sh*t.

thugkitchen.com

THE ART OF EATING WELL

Jasmine Hemsley & Melissa Hemsley

Forget celebrity endorsements, this pair are celebrities in their own right thanks to television appearances, a *Vogue* blog, model good looks and penning the health-conscious A-listers' go-to tome of the year. Everything about this aspirational book is gorgeous, from the authors to the food, photography and the (presumably fictional) kitchen in which all the aforementioned were shot. Although ingredients border on the obscure (or at least the staunchly upper-middle class) and recipes can be long and complicated, the health tenets of the book are solid. Aiming to reduce refined, processed carbs, including grains and sugar, they substitute pasta with spiralled vegetables, rice with quinoa and wheat flour with ground coconut. There are plenty of indulgent dishes and, if you have the time and energy, eating the Hemsley way promises a more efficient digestive system; just the thing to tell your guests as you pour the Blaufränkisch.

hemsleyandhemsley.com

ALEXANDER CHARLES, AN AWARD-WINNING SERVICE

Kelvin Trott and the staff from Alexander Charles proudly stand with their award for Recruitment Firm of the Year 2014 at the FDs' Excellence Awards

Alexander Charles won Recruitment Firm of the Year at the FDs' Excellence Awards 2014 for a record-breaking fourth year in a row, following wins in 2011, 2012 and 2013.

"This is a firm with a seriously loyal set of clients who, it seems, are always prepared to sing the praises of their recruitment firm," said the judges.

Kelvin Trott, managing director of **Alexander Charles** said:
"We didn't want to rest on our laurels, so we spent time talking to our clients and getting their feedback on how we could make our service even better. It seems to have paid off - we are absolutely delighted to have won again."

The FDs' Excellence Awards are the most prestigious programme recognising the UK's top finance directors and their service providers. Created by Real Business, the awards are held in association with ICAEW, and supported by the CBI.

Shortlisted firms included Hays, Pure Resourcing, Reed, Robert Half and Robert Walters.

Market specialisations include:

- Banking
- Private Equity
- Cleantech & Renewables
- Hedge Funds
- Property & Construction
- Family office and ultra high net worth individuals
- Technology Sector
- Media, including Marketing, Advertising and Public Relations
- Extractive Industries, Oil/Gas/Mining
- Manufacturing
- Pharmaceuticals
- Financial Services
- Fashion
- Sport
- Taxation
- FMCG
- Public Practice

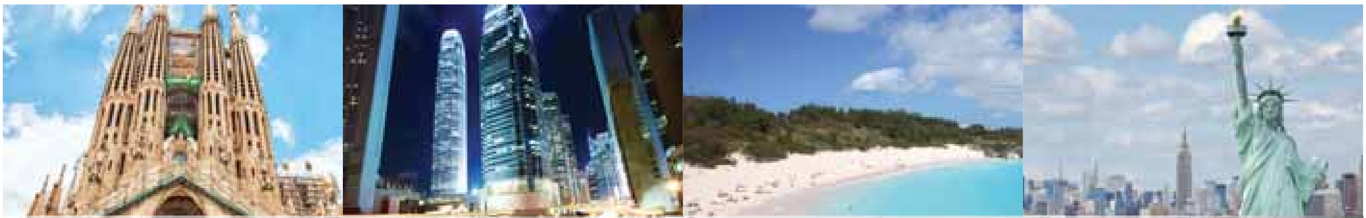
Positions we regularly place:

- Financial Directors & CFOs
- Financial Controllers
- Group Financial Controllers
- Company Accountants
- Financial Accountants
- Management Accountants
- Systems Accountants
- Financial Planning & Analysis
- Fund Accountants
- Tax Accountants
- Auditors
- Practice to Commerce
- Property Specialists
- Trusts
- Credit Risk
- Product control
- Forensic

Oxbridge ACA's
Packages from £45,000 to £500,000
We welcome enquiries from Oxbridge educated ACA's seeking quality roles

ALEXANDER CHARLES
FINANCIAL RECRUITMENT
Enabling Excellence

33 St. James's Square, London, SW1Y 4JS
Telephone: 020 7748 6607
Email: info@alexander-charles.co.uk
Web: www.alexander-charles.co.uk



INTERNATIONAL RECRUITMENT SPECIALISTS

McCann & Braham are a specialist international search and selection consultancy focusing on audit, risk management and financial control. We specialise across the international markets focusing on professional services, banking, commodities and commerce however we don't just recruit; we offer full career management and go to great lengths to exceed expectations for all our candidates and clients.

AUDIT SENIOR – BERMUDA / CAYMAN
Big 4 firm seeking newly qualified ACA's (0-2 years pqe)

SENIOR INTERNAL AUDITOR – LONDON
Commodity trader seeking exp'd auditor (0-5 years pqe)

TRADE ACCOUNTANT – ZURICH
FTSE 100 seeking Big 4 trained ACA's (0-5 years pqe)

TRANSFER PRICING – HONG KONG
Big 4 firm seeking TP Manager (2-6 years pqe)

BUSINESS RISK AUDITOR – ZURICH / CHILE / BRISBANE
FTSE 100 seeking Big 4 trained ACA's (0-5 years pqe)

FINANCIAL ACCOUNTANT – AUSTRALIA
FTSE 100 seeking Big 4 trained ACA's (0-4 years pqe)

SENIOR INTERNAL AUDITOR – BARCELONA
Fortune 500 seeking newly qualified ACA (0-3 years pqe)

COMMERCIAL DIRECTOR – AFRICA
ASX listed miner seeking qualified ACA (10-15 years pqe)

For further information on any of these roles and for other global job opportunities please contact McCann & Braham in confidence at **nicola@mccannbraham.com**

MCCANN & BRAHAM
www.mccannbraham.com

nationalgrid

A bright finance career

Finance roles
Based in multiple locations | £Competitive

National Grid is at the heart of energy in the UK. Connecting millions of customers, we make sure lights are on, homes are heated and businesses are powered across the land. And behind it all? Numbers. We analyse, we calculate and we predict to work out where we are, how we got there and where we're going next – whether that means being more profitable, more customer-focussed or more efficient.That's why our Finance function is so important. And that's why we're on the lookout for new talent to join it.

Whether you're newly qualified or a seasoned pro, you'll find a Finance role at National Grid that'll light up your future. And supporting a service that's vital to people and businesses up and down the country, you'll get to make a real impact.

To learn more and apply, visit **careers.nationalgrid.com**

We value and encourage diversity of gender, race and thought, whatever your background.

Are you hiring?

Source the best talent through ICAEWjobs.com

If you are looking for a qualified accountancy and finance professional to join your organisation, we can make it easy for you. With ICAEWjobs you can advertise your current vacancies to 144,000 members via our online job board.

To find out more about the variety of advertising opportunities that can suit you, call our team on +44 (0)20 7920 8535 or visit recruiters.icaewjobs.com

ICAEW

BUSINESS WITH CONFIDENCE icaew.com

VOLUNTARY LIQUIDATION

Do your clients need insolvency advice?

KIRKS

David Kirk ACA FABRP

- We act fast
- We cover all of England & Wales
- We always give a competitive fee quote

For initial advice call me on 01392 474303
or email me on david@kirks.co.uk

Licensed Insolvency Practitioners by the ICAEW

DE PINNA
NOTARIES

35 Piccadilly, London, W1J 0LJ
Tel : +44 (0)20 7208 2900
Canary Wharf Office Tel: +44(0)20 7712 1539

www.depinna.com

Specialist Notarial Services
Translation Services
Apostille and Consular Legalisation

Bevan Buckland
Chartered accountants, Insolvency practitioners

- Fixed rate fees for members voluntary liquidations, IVA and CVAs.
- Tax advice on ALL insolvency issues in England and Wales.

Contact Alun Evans FCA for further assistance
Telephone: 01437 760666 **Email: alun@bevanbuckland.co.uk**

ACCOUNTING SOFTWARE

Invitation to accountants with interest in GP practices
Our accounting software for GP practices is now available. Practices on GMS or PMS contracts can use this package to maintain their books and to deal with all aspects of NHS accounting incredibly easily. This software **uniquely** incorporates a sophisticated accounts production facility that produces high quality, industry compliant accounts for use by accountants of GP practices. System caters for the highly complex areas of profit sharing and allocation of prior shares and every possible profit sharing arrangement that may be in force
Interested accountants can apply to act as resellers or similar arrangements based on a highly lucrative package

For an online demonstration that entitles you to a totally free package please visit our website at www.vertisys.co.uk or phone 020 8455 3000
Verti.sys.

MERGERS AND ACQUISITIONS

Jk

Jeremy Kitchin Accountancy Practice M&A
SERVING THE PROFESSION SINCE 1973

Did you know you can sell your bottom-end fees for a capital sum which will enable you to reposition your practice?

We work on a no success - no fee basis.

Call the experts now!

For over 40 years experience visit www.apma.co.uk

FOR ADVICE ON SELLING, MERGING, VALUATION, CONSOLIDATION, ETC.

Main Street, Farnsfield, Newark, Notts, NG22 8EA
Tel: 01623 883300 (up to 9.00pm)
Email: lucinda@apma.co.uk, jeremykitchin@apma.co.uk

NOTARIAL SERVICES

MEMBERS VOLUNTARY LIQUIDATION

All inclusive prices starting from
£1,490 plus VAT and Disbursements

Please contact our office on **01273 862 424**
for a no obligation initial consultation and quote.

Savants

www.savants.co.uk
Level 3, Queensbury House, 106 Queens Road, Brighton, BN1 3XF

R3 ICAEW CHARTERED ACCOUNTANTS

To advertise within the business directory please contact:

Louise Smale

louise.smale@progressivecp.com
+44 (0)20 3096 2661

Poetic licence

Accountancy skills gave **William Oxley** the freedom to pursue his passion for poetry. Peter Taylor-Whiffen meets a man in paradise

William Oxley seems to be living many people's dream. After starting out as an accountant, he quit the city in his late thirties and has for nearly 40 years carved out a career as a successful poet in one of the most idyllic parts of the British Isles.

"I loved the fellowship of accountancy and have always done a few bits and pieces to keep me going," he says. "But I realised early on that I simply preferred words to numbers. Writing was a freedom. It still is."

Having authored 30 books, Oxley spends much of his day composing verse - often inspired by the picturesque surroundings of Torbay, Devon, where he has lived since leaving the home counties in the 1970s.

"I made the conscious decision at the age of 37 that this was what I wanted to do with my life," says Oxley, now 75. "I've covered the bills with a little accountancy work - book-keeping, a regular audit client - and as a part-time gardener. It helps that I've been mortgage-free since I moved here and I've chosen never to own a car. Poetry doesn't pay at all but it is my passion. If I'd wanted to make a living I'd have stayed in accountancy."

His first career began in his native Manchester in the 1950s, when his father got him a job as an office boy "but I got tired of that so he got me a job in accountancy". The young William joined Manchester firm Willett Son & Garner "for the princely sum of £3 a week", where he qualified and then moved to Deloitte (then Deloitte, Plender, Griffiths) in London's Finsbury Circus in 1963. Soon afterwards he started writing his first serious verse - although he had dabbled in his teens, inspired by the experience that has launched many a poet's career.

"I fell in love," he says. "I wrote poems for a girl but when I started work I put my writing on hold. But then I started doing some amateur dramatics and we did Shakespeare, and I was struck by the beauty of his words.

"I started to read more poetry, and discovered Milton, Eliot, Coleridge, Wordsworth, Auden. And when I realised writing was what I wanted to do, I sold my house and moved to Devon."

Since that day he has made his literary name. His many poetic works, including the recently published *Collected and New Poems*, are listed by Amazon alongside his two books on philosophy and an autobiography whose title references both his background and his bucolic Devon surroundings - *No Accounting For Paradise*.

But Oxley refuses to say he is proud of his work. "Once a poem is born it doesn't belong to me any more," he says. "It's for other people - if you're just writing for yourself, I think that's self-indulgent."

He is, however, proud of his wife's achievements. Patricia Oxley, editor of national poetry magazine *Acumen* since 1972, was awarded the MBE for services to poetry in 2011. "She doesn't write but is a great champion of poetry," says William. "We've been on our journey together. The girl I wrote the poetry for as a teenager in the 1960s - that was her. She's been my principal muse ever since."

PHOTOGRAPHY: RICHARD ANSETT