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“When I was a lass, women accountants were rare. I got on because my clients liked me. I couldn’t be ignored. I was good for business”

Teresa Graham CBE, FCA

★

GENDER EQUALITY BRONWEN MADDOX **AUDIT THRESHOLD**
DEVOLUTION AND TAX **LAURA SPIRA** FOREIGN AID


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It has been three years since Lord Davies challenged business to increase the number of women on boards. Quotas could yet be enforced.

The diagnosis is that while considerable effort has been made by FTSE 100 companies to reach the target of 25% of women on boards, a figure that was within sight as of October 2014 (22.8%), the pace of change has slowed and Europe could still yet impose mandatory quotas.

The problem is that while there have been encouraging areas of improvement across industry and government (this isn't just a listed business issue), they could do better. Strengthening the executive talent pipeline remains the next and longer-term challenge, says Lord Davies.

If the route to the boardroom is via executive level positions, then more women with talent need to reach those senior positions and if they're not, leaders must ask themselves why not.

If change is to be embedded for future generations then gender diversity has to be about more than targets.

Should leaders be held accountable? Should they be penalised financially if they're not challenging bias or should they be incentivising departments that are developing female talent? Are leaders aware of the benefits of having a diverse workforce? Are they thinking about legacy: what their business might look like in five or 15 years' time and whether they have the most talented person for the job?

It was these sorts of questions that we put to a group of successful women in senior positions in order to compile a list of recommendations for business and government (see page 46 for the resulting feature). A quote from that discussion has made it on to the cover this month.

The point? Even in the 1970s, talent won out. Chartered accountant Teresa Graham may have been a woman when women accountants were few and far between but she was good at her job, she was an asset and she progressed on talent.

It is heartening to see that accountancy is a gateway to some of the most influential roles in business. A glance through the Female FTSE Index 2012-2014 shows a number of female chartered accountants in executive positions: Carol Fairweather, chief financial officer at Burberry; Alison Cooper, chief executive at Imperial Tobacco; Christine Hodgson, non executive director at Standard Chartered Bank; Dame Alison Carnworth, chairman at Land Securities to name a few.

Sacha Romanovitch was recently appointed CEO of Grant Thornton, the first woman to lead a major firm in the UK. She told *economia*: "Our firm, our clients and the wider success of the UK economy will depend on our ability to unleash talent and ideas from every section of society."

And in America, Cathy Engelbert became the first woman to head a major US accounting firm when she was appointed CEO at Deloitte.

That's progress. But all the time we're talking about women and equality in the pages of this magazine, it means there's work to be done. Businesses and organisations must take the necessary steps to achieve equality in the workplace.

Why it is time to get serious about tax evasion

The HSBC bank tax avoidance story has created a media storm. Shadow chancellor Ed Balls has said his party will crack down on aggressive tax avoidance but has dragged cash payments into the row. Hedge-cutters and hedge funds are in the same firing line. It's a timely moment to remind ourselves about the distinction between avoidance and evasion. Avoidance is the practice of using legal means to pay the least amount of tax possible. Aggressive avoidance, where tax reliefs and rules are bent to gain an advantage, is a grey area. And then there is evasion, dishonestly and fraudulently evading tax, or subverting the systems for personal gain. This is plain illegal.

Chancellor George Osborne made a lot of noise about how the Diverted Profits Tax would help the government tackle avoidance. But the Treasury estimates it will raise just £360m a year from between 10 and 20 companies. Compare that to the estimated £14.9bn lost through evasion, and it's a drop in the ocean.

Does HMRC need more resources to tackle this problem, or does it need a more drastic root-and-branch review?

ICAEW in this issue

"Diversity is just the starting point to make a board and company effective. It needs to be done efficiently. The goal is to have a meaningful boardroom discussion and rigorous process not to meet a number-based target"

p78 Jo Iwasaki, head of corporate governance at ICAEW

"It is essential that we find out the projected costs of implementing any devolved taxes, especially when it comes to restructuring HMRC, which is not currently organised on any geographical lines"

p60 Michael Izza, ICAEW chief executive

68 ICAEW MEMBER Kara Cauter, KPMG

"If a UK business were to supply an electronic service to Malaysia, say, then at some point it will potentially have to register in Malaysia and charge Malaysian VAT. The principle is already in place in South Africa and other countries are talking about it. About 160 countries have a VAT or GST, so if you have a website and trade worldwide you could potentially need a VAT registration in more than 130 countries, as it's doubtful a MOSS scheme could be extended outside the EU"

P76 Neil Gaskell, tax manager, ICAEW

"Although the new rules for taxing TBES services do impose an additional bureaucratic burden on some small businesses the latest HMRC announcement makes it less bad"

P76 Paul Booth, technical and development manager, IT Faculty, ICAEW

MORE ICAEW COMMENT

46

Contents
March 2015

HIGHLIGHTS

THE AUDIT

OPINION

FEATURES

PHOTOGRAPHY: MARTIN BURTON

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

BUSINESS
Talking to *economia* at the ICAEW Parliamentary Business Reception, Chuka Umunna says claims that the Labour Party is anti-business are "a load of rubbish"

TAX
PAC issued a damning report on the role of accountancy firms in tax avoidance. But, says Heather Self, partner at law firm Pinsent Masons, its ruling on PwC was a step too far

Digital highlights
icaew.com/economia

NORTHERN IRELAND
Graham Morgan, tax partner at Kingston Smith, discusses the government's plan to devolve corporation tax power to Stormont

DIVERSITY
Nick Clegg calls on business to "smash" the glass ceiling at the BCC conference in London in February

ELSEWHERE ONLINE
HMRC employee avoids jail
Lin Homer questioned over HMRC's response to HSBC scandal
Deloitte appoints first female Big Four CEO in US
Accountants expect pay rise in 2015

ECONOMIA A.M.
Look out for *economia a.m*, our daily early morning news round-up
icaew.com/economia

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In review

THE INTERNATIONAL PICTURE

175%

Greece's government debt as a percentage of GDP in 2014

GREECE'S PRIME MINISTER Alexis Tsipras rejected an international bailout extension and announced plans to dismantle the country's austerity measures. Tsipras promised to raise the minimum wage, pay bonuses to low-income pensioners and rehire public workers, in an attempt to keep his pre-election promise to end austerity measures.

In his first speech following the January election, Tsipras, leader of the far-left Syriza party, said: "The bailout failed. The new government is not justified in asking for an extension because it cannot ask for an extension of mistakes."

Alan Greenspan, former chairman of the Federal Reserve, said it is "a matter of time" before Greece is forced out of the eurozone.

But finance minister Yanis Varoufakis warned: "Greece's exit from the euro is not part of our plans... It is like building a house of cards. If you take out the Greek card, the others will collapse."

ELSEWHERE IN THE WORLD Bank of England governor Mark Carney urged world finance leaders to mount a "big push" to implement global regulatory reforms and warned against complacency over the resilience of the global financial system. Speaking at the opening of the G20 summit in Istanbul, Carney said he was concerned about "financial reform fatigue" since the financial crisis seven years ago.

HSBC "helped clients dodge millions"

HSBC Bank was accused of helping its private banking clients dodge millions of pounds in tax, in a BBC *Panorama* documentary aired last month. It claimed HSBC's private bank in Switzerland offered deals to clients to help them stay ahead of the law, including providing untraceable bricks of money in foreign currencies and colluding to conceal so-called black accounts from tax authorities.

The allegations are based on secret documents stolen from the bank in 2007 and leaked to news organisations, which contain details of 100,000 clients. French authorities that assessed the data concluded that 99.8% of their citizens on the list were likely evading tax.

In a statement, the bank said: "We have taken significant steps over the past several years to implement reforms and exit clients who did not meet strict new HSBC standards."

Critics called for Lord Green, former HSBC chairman, to be held accountable. Margaret Hodge, chairman of the Public Accounts Committee, said: "Either he didn't know and he was asleep at the wheel, or he did know and he was therefore involved in dodgy tax practices.

"Either way, he was the man in charge and I think he has really important questions to answer."

For more accountancy news visit economia.icaew.com

203
the number of countries involved in the HSBC Swiss accounts affair

Deloitte tops leaderboard

Deloitte has retained its position as number one firm in the global income leaderboard, reporting a fee income of £22.53bn in 2014, beating rival PwC by £163m. It is the first time Deloitte has achieved the number one spot in consecutive years.

The top 52 international accounting networks and associations earned a combined £119.4bn in fees in 2014, up 6% year-on-year. Turn to page 18 for the UK accountancy firm leaderboard.

BUSINESS OPTIMISM ON THE MOVE

104.4	104.9	103.9	103.8
January 2015	December 2014	November 2014	January 2014

SOURCE: BDO OPTIMISM INDEX

FRC fines KPMG twice

The Financial Reporting Council (FRC) fined KPMG a total of £390,000 over two separate misconduct cases, dating back to 2010 and 2011, and involving the audits of telecommunications company Cable and Wireless (CWW) and motor retail group, Pendragon.

James Marsh, chief operating officer at KPMG, was fined for a breach of ethical standards in failing to immediately dispose of shares in CWW when he became partner.

On the same day, KPMG was fined £162,500 and reprimanded for systems failures surrounding its role of auditor to Pendragon.

The FRC tribunal also reprimanded the Pendragon lead engagement partner, Greg Watts, for two findings of misconduct.

PAC slams tax industry

The Public Accounts Committee attacked the tax industry, claiming it is unable to regulate itself, and called on the government to introduce a code for all tax advisers. It followed publication of a 17-page report into tax avoidance and large accountancy firms, compiled by PwC.

The report follows the so-called Luxembourg Leaks scandal in 2014, where almost 28,000 documents were leaked showing the scale of tax schemes in Luxembourg.

Michael Izza, ICAEW's chief executive, said: "This report underscores the urgency to make progress here over and above the proposed introduction of the new diverted profits tax."

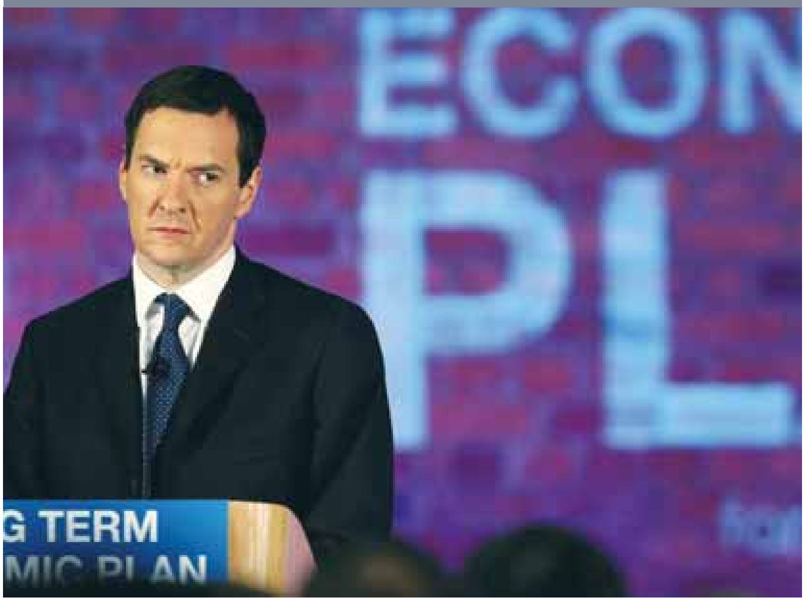
IFS says worst is to come

The worst of the UK's spending cuts are still to come, the Institute for Fiscal Studies (IFS) warned in its Green Budget published last month.

Departmental spending cuts of £51.4bn or 14.1% are required to meet plans announced in last year's Autumn Statement, the IFS said.

Paul Johnson, director of the IFS, said: "Mr Osborne has perhaps not been quite such an austere chancellor as either his own rhetoric or that of his critics might suggest. He has cut departmental investment spending by only half as much as he planned.

"The public finances have a long way to go before they finally recover from the effects of the financial crisis."



GETTY, REUTERS

The Pessina-Miliband row

How it kicked off:
Stefano Pessina, acting CEO, Walgreen Boots Alliance, said a Labour government under Ed Miliband would be *"a catastrophe"* for Britain. He said Labour's plans were *"not helpful for business, not helpful for the country and in the end it probably won't be helpful for them".*

How Miliband responded:
"You have now got this unholy alliance between the Conservative Party and people like him who are actually saying that the country can't change. Mr Pessina has been trying to lecture us about what we should be doing in this country. Frankly, I think he should be paying his taxes."

Lord Rose: *"As a man responsible for 70,000 workers - that's 70,000 livelihoods supporting 70,000 families, Mr Pessina was perfectly entitled to speak out."*

Ed Balls: *"The idea of somebody who doesn't pay tax in Britain telling people how to vote will stick in the craw."*

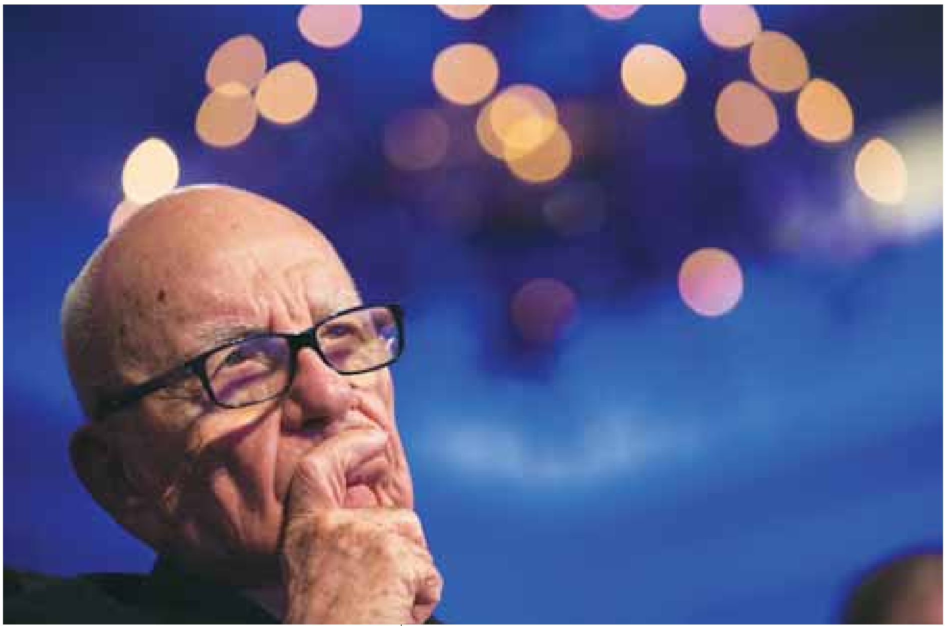
Sir Nigel Rudd: *"We should listen to all opinions especially people who have created as many jobs and are as astute as Stefano Pessina."*

Archbishop Justin Welby speaking to the BBC

"Someone said the other day that the tax system is of biblical proportions. Well the Bible is only 1,000 pages, how many tax systems are only 1,000 pages? They're several hundred times that. There needs to be simplification in tax so people are responsible in the right place"

Good month Bad month

Our round-up of the winners and losers of the last month includes Brazil's ruling party, China's economy and a media tycoon



RUPERT MURDOCH

Profits surged at Rupert Murdoch's media company, 21st Century Fox, in the fourth quarter of 2014. Reported profits hit \$6.2bn (£4.1bn), up from \$1.2bn (£789m) in the same quarter of 2013. The increase is partly down to higher advertising revenue in its cable business and the success of films including *The Maze Runner* and *Gone Girl*.

STARBUCKS

Starbucks recorded a profit in the UK for the first time in 17 years. It reported a £1.1m profit in the year to September 2014, following a £20m loss in 2013. Mark Fox, UK managing director, said the surge is a result of its "turnaround strategy". Starbucks was accused of paying royalties and interest from the UK to its overseas companies to lower its UK tax bill.

SILICON ROUNDABOUT

Technology firms are growing at four times the rate of UK GDP, Barclays' Fast Growth Tech survey found last month. The average tech firm forecast an 11% rise in sales. Last year the growth in UK GDP hit 2.6%.

BRAZIL

The chief executive of Brazil oil giant Petrobras resigned last month in the wake of a huge corruption scandal. Maria das Gracas Foster's departure follows the arrest and testimony of 36 Petrobras executives and many of its suppliers. Five senior executives also resigned. Prosecutors uncovered \$800m (£525m) in bribes and other illegal funds. The treasurer of Brazil's ruling party was also questioned by police.

LORD GREEN

Lord Green was attacked for not commenting on why HSBC appeared to be running a "Swiss tax-avoidance factory" when he served as chairman between 2006 and 2010. "Instead of tackling tax avoidance and tax evasion, the government has effectively promoted it by putting it in the heart of government," said MP Chris Bryant.

CHINA'S ECONOMY

China's exports fell 3.3% in January 2015 from a year ago, while imports tumbled 19.9%, far more than expected, according to data released last month. It shows deepening cracks in the world's second-largest economy.

ALAMY, AP, GETTY IMAGES

As I see it

Panos Kakoullis is managing partner of the UK audit division at Deloitte and a member of its global audit leadership team

Growing up, I admired Daley Thompson, the British Olympic decathlete. He won gold in Moscow and Los Angeles but never did things the normal way.

It isn't possible to do everything yourself. By handing over responsibility, you give people the space to develop and grow.

Audit is changing and it is an exciting time for us. Analytics are allowing us to analyse information in real time, so we can identify trends more quickly.

I hate the phrase "I can't." I'm an optimist and I believe every problem can be solved.

PHOTOGRAPHY: FELICITY MCCABE

CHILDHOOD AMBITION Albert Einstein was a role model and I wanted to be a Nobel-Prize winning scientist. It was one of the most difficult school subjects, but I was drawn to the challenge of hypothesis and experimentation to solve problems. It led me to my university studies in molecular biology.

EARLY YEARS I joined Touche Ross (now Deloitte) in 1989, and have been there for 26 years. Growing up in Deloitte allowed me to gain the skills for an incredibly varied career. I made partner in 1999, led our technology, media and telecommunications audit practice, and was appointed managing partner for audit in the UK in 2011.

GREATEST CHALLENGE After I became a partner, one of my clients was involved in a groundbreaking M&A transaction. I was fortunate to lead our work. It was fun, but vastly different. No one had seen anything of its kind before. Navigating our way through the transaction meant looking at it from a first principles perspective to get the right answer.

AUDIT ROTATION We have embraced the change. We are seeing ferocious competition. Every tender is hard fought and all of the firms are participating in more tenders than we have been used to. But this is driving innovation. We are always pushing the boundary to set the audit quality benchmark higher.

CAREER BALANCE I have a brilliant support network around me, at home and work, which creates the balance that allows me to succeed. You have to make choices around what you want to do, and create the environment to make it happen. You've got to really want, rather than need, the balance.

EXTRA CURRICULAR I've been lucky to compete in triathlons in some wonderful places. I'm particularly proud of qualifying for the Ironman World Championship in Hawaii.

From the top

ICAEW president Arthur Bailey on putting sustainable growth at the heart of the election race

For the third year running, ICAEW hosted its annual parliamentary business reception last month on the terrace of the House of Commons. It's a wonderful opportunity for members to meet local MPs and parliamentarians, network and listen to leading members of the government and shadow cabinet. It is also a great showcase for the work ICAEW does in building relationships with the political parties.

This year the event took place firmly in the context of the upcoming election and ICAEW took the opportunity to launch our 2015 election manifesto. This takes the premise that the UK has a choice ahead of the election, either to accept short-term growth with underlying structural problems or chart a more ambitious course towards sustainable prosperity.

Not surprisingly, we have gone for the sustainable approach and, based on your insights and views, we have identified the biggest priorities for the next government. These, we believe, are: Boosting growth; fixing the public finances; restoring trust in business; and addressing the skills gap. A big ask, perhaps, but they are all common-sense recommendations that would not be difficult to implement.

For example, we are asking for an export incentive to reduce set-up costs and kick-start new exporters. Many companies are put off exporting because of the cost of researching and exploring overseas markets. SMEs, in particular, may not reap the rewards of their investment for quite a while and might be deterred as a result.

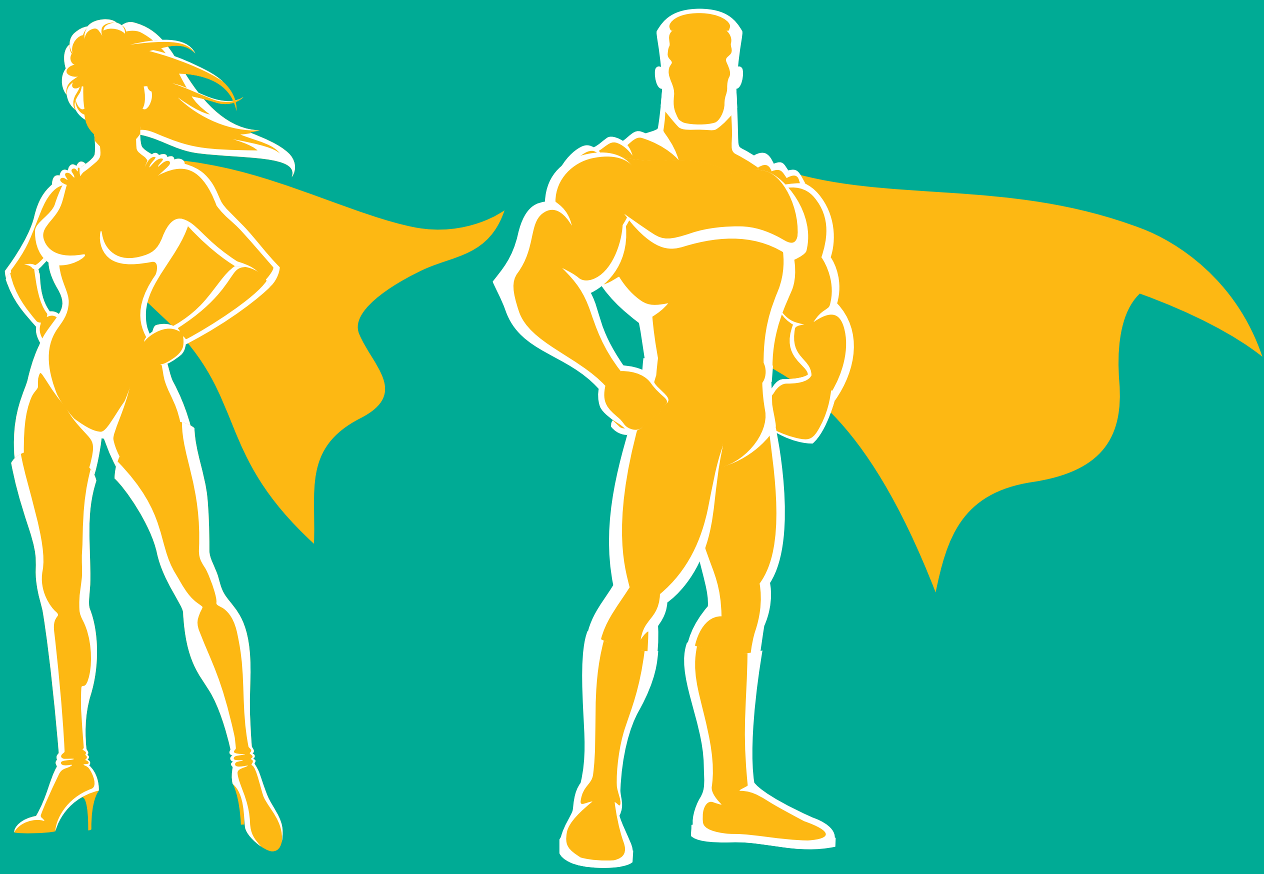
ICAEW has a good relationship with the government's export agencies, UK Trade and Investment and UK Export Finance, and last month we published *Competing in the Global Race*, a comprehensive guide to trade finance and credit insurance, but there is a limited amount we can do unless the government helps to cut costs.

Successful government investment in boosting exports would be paid back with dividends - like balancing the economy. So would bringing the public debt and deficit under control. We have long argued that having a CFO at the Cabinet table would provide strategic financial leadership across government and introduce rigorous management of the government's finances through a Treasury remodelled as a modern finance ministry. Strong financial management really should be at the heart of this election debate.

I would urge you to read our manifesto and engage with your local candidates. Give them a copy and point out what we are saying: That and a bit of political determination post-election should ensure business and the UK stay on track in moving towards a healthy economy.

Have your say email *president@icaew.com*

PHOTOGRAPHY: DAVID HARRISON

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SIAN KELLY, INFORM ACCOUNTING
Forbes
Xero – Most Innovative Growth Company 2014
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ICAEW news and events

Introducing our new vice president, five steps to a sustainable economy and a renewed call for a chief financial officer to sit in the Cabinet

NEW VP FOR ICAEW

Baker Tilly tax partner Nick Parker is to be the next vice president of ICAEW. He will take over the role in June when the annual presidential office rotation takes place, and if all goes according to plan, he will become president in June 2017.

He says ICAEW will be in safe hands. "I am committed to upholding the strong traditions and values of ICAEW while looking to continue the essential and continuing programme of modernisation at the same time.

"As a professional body, ICAEW needs to continue to act in the public interest, maintain standards and the reputation of the profession and ensure our accountancy qualification is attractive to potential students."

Parker has been a member of the ICAEW council for 19 years, representing the Southern Society of Chartered Accountants. He has chaired the council for three years and chaired its members' board. He is chairman of the ICAEW audit committee and an ICAEW board member.

Welcoming his election to the office, current ICAEW president Arthur Bailey said: "Nick will be an excellent asset to the current ICAEW office holders' team and a worthy president of ICAEW in due course."

FIVE STEPS TO SUSTAINABLE ECONOMY

Short-term growth or sustainable prosperity? These two options will face an incoming government when it comes to decide on business policy, says ICAEW in its recently launched 2015 business manifesto. Naturally it is keen to persuade whoever will be running the Department of Business, Innovations and Skills that the latter is the only sensible option and has come up with a number of different ways to kickstart the campaign.

Drawing on the insights of ICAEW members, it has identified priorities for the next government. They include an export incentive to boost growth; a CFO at the Cabinet table to provide strategic financial leadership across government to fix public finances; a set of top-line principles for company behaviour to restore trust in business; mandatory work experience and careers advice to address the skills gap; and applying a red tape challenge to the tax code to simplify the tax system.

"Taken together," it says, "we believe these five steps towards greater prosperity will help an incoming government to steer the economy in the sustainable direction needed."

BUDGET THINKING

The need for a CFO at the Cabinet table has never been more urgent, ICAEW's chief executive Michael Izza has told the chancellor.

In his Budget letter, Izza warns that even if the government successfully tackles the deficit, according to ICAEW analysis in the IFS Green Budget there is a further £94bn of deficit that is not recognised in the *Whole of Government Accounts* (WGA) because pensions and other factors are not included. "Analysis shows nearly £3trn of liabilities, double the size of the UK economy. By failing to recognise the scale of the challenge government will struggle to manage taxpayers' money." he says.

A CFO, who uses a balance sheet analysis of WGA and has oversight of spending and income, would be able to advise the chancellor on how to manage long term financial challenges. Izza adds: "Given the right powers a finance leader in Whitehall will help deliver the government's goal of eradicating the deficit while optimising public services."

Izza also raises the issue of tax simplification (a pre-2010 election Conservative pledge) which urgently needs addressing, especially now the government has added to the tax system's complexity by enacting two of the three longest Finance Acts in history. He also calls for investment in HMRC to improve the continuing low service standards.

£94bn

The amount of off-balance sheet liabilities not included in the *Whole of Government Accounts*

EVENTS

10 MARCH
TOMORROW'S PRACTICE
Speaker at the Tomorrow's Practice Report launch is Frank Abagnale, former con-man, now an authority on combatting cyber-crime. His former life was portrayed in the film *Catch Me If You Can*. London

16 MARCH
AUTO ENROLMENT
With small and micro businesses facing a legal duty to auto enrol staff into a workplace pension, business advisors will be called on to help out. This event will cover all aspects of auto enrolment. Derby

19-21 MARCH
THE PRACTITIONERS' CONFERENCE
Meet fellow practitioners and receive updates on issues affecting smaller practices. Speakers include practice guru Ron Baker. Cambridge

24 MARCH
CHARITY ACCOUNTS
This event will consider legislative and regulatory developments, including the update to the Charities SORP to reflect the changes introduced by FRS 102. Durham

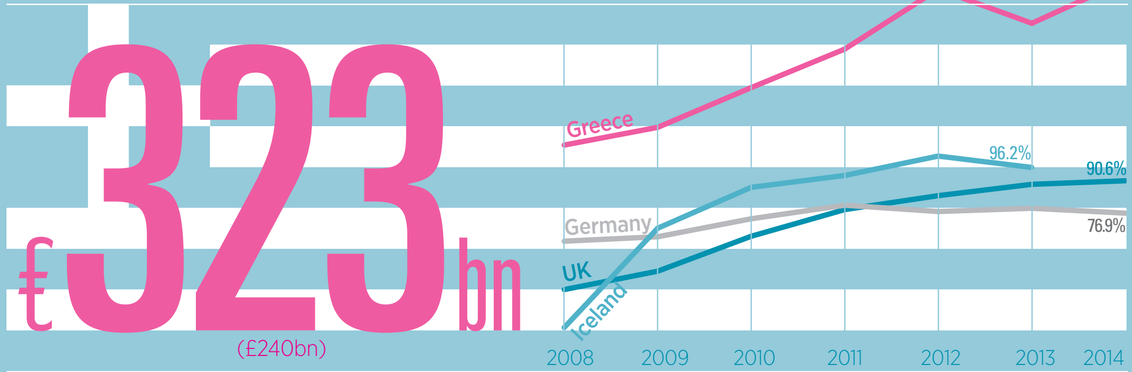
17 APRIL
ANNUAL TAX CONFERENCE
Hear from expert speakers and learn from practical experiences as ICAEW's Tax Faculty shares special insight from its dealings with HMRC, government and HM Treasury. Includes 2015 Budget updates from leading tax experts and a soft skills session with Mark Lee. London

The graph

In our statistical portrait of the last month, we see how Baker Tilly boomed, take a look at Greece's debt in the context of Europe, and compare global growth rates

How sales are surging at **Hornby** due to the popularity of **model railways** and **Scalextric** sets

Greece's national debt



McDonald's

$18,000

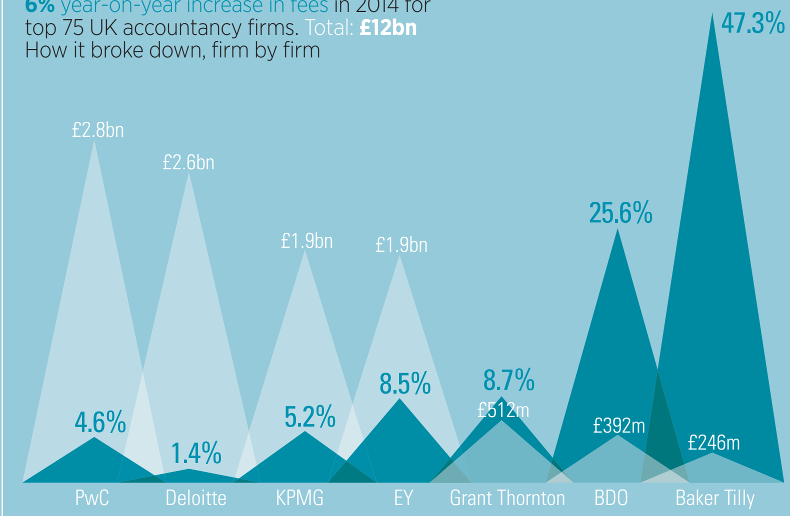
Winning eBay bid for a limited edition bottle of special sauce used on Big Mac

Price of a Big Mac

Firm fee income

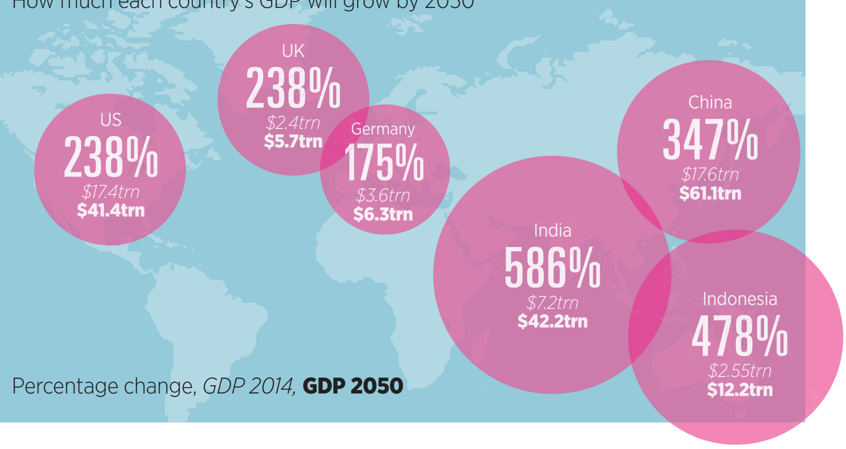
6% year-on-year increase in fees in 2014 for top 75 UK accountancy firms. Total: **£12bn**

How it broke down, firm by firm



Global growth league

How much each country's GDP will grow by 2050



Percentage change, *GDP 2014*, **GDP 2050**

TURNING BIG DATA INTO BUSINESS INTELLIGENCE

Presenting data in a way that maximises its value to companies is key, says FCm Travel Solutions

Big data is increasingly important for almost every industry sector in the 21st century, but especially the business travel industry. There are now estimated to be more pieces of digital content - emails, tweets, Instagram updates - than there are grains of sand on every beach on earth. Add to this an overwhelming volume of data that companies have access to regarding how, where and when their people travelled on business, and the cost involved, and its easy to see how data collaboration and analysis have changed the face of travel management in recent years.

Big data was once simply 'statistics', and it's all very well having an abundance of data but the challenge for business travel buyers is getting the right data which will not only give them visibility of their total spend, but guide them to making the right commercial decisions about their travel programme. It's about being able to translate that myriad of facts and figures into tangible insight and business results.

While many travel management companies (TMCs) will promise to provide comprehensive data, the key to making informed decisions about that data, so that you can drive behavioural changes, refine booking processes and ensure your travel programme is operating at peak performance, lies in the way that data is presented.

Your TMC should work with you to extract and break down the data that is most important, timely and relevant to your company. That is why earlier this year FCm Travel Solutions' account management team undertook a detailed analysis of how they present data to clients. The result is a new highly-visual personalised Data Review Pack which has transformed the way in which FCm presents travel intelligence to clients.

Each Data Pack is aligned from a finance perspective and contains a new set of tailored exception reports, highlighting not only areas for controlling travel spend - savings, missed savings, policy and booker behaviour, days in advance, cabin class, online adoption - but also a 'toolkit' enabling the travel manager to tackle these areas and affect change in their business. An 'opportunity calculator' allows FCm's account managers to tailor the exception report to suit the client's individual objectives, for example if policy is seven days in advance, or 30 days in advance, the team can produce a report accordingly. Account managers guide their client through the data pack to understand what data is important to them and extract what they need to present back to their business.

"We believe that this approach is unique in the TMC market and clients have welcomed the fact that they can now extract relevant information more effectively for presentation of high level summaries to their executive management," says Jo Greenfield, UK general manager, FCm Travel Solutions. "The data pack is always presented face to face, so that

"Your TMC should work with you to extract and break down the data that is most important, timely and relevant to your company"

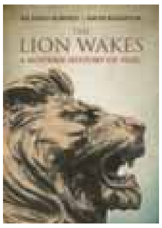
Account Managers can guide their clients through the data. Files are in Excel so travel managers can make use of the information immediately, extracting what they need to present to their superiors, making the pack a true data resource for the client.

"Anyone can gather data, but it takes an expert to present the numbers in order to drive the right outcomes, and I'm proud to say that's what we are doing at FCm," says Greenfield.

To discuss a customised travel programme that matches your priorities, call FCm Travel Solutions on 0800 082 1636 for a free consultation or email salesuk@uk.fcm.travel

Book review

Laura Powell reviews a business book with a fortuitously-timed publication date



THE LION WAKES: A MODERN HISTORY OF HSBC
RICHARD ROBERTS AND DAVID KYNASTON
(PROFILE BOOKS, £30)

The publishers at Profile Books must be rubbing their hands together; few book releases could be as timely as that of *The Lion Wakes*. Released on 5 March, it comes weeks after HSBC began dominating the headlines – and not for the fact this is the bank's 150th anniversary year. Had *Panorama* not decided to air its *Bank of Tax Cheats* documentary on 9 February, pushing HSBC's Swiss private bank to the top of the news agenda, the publication of Richard Roberts' and David Kynaston's book may have passed unnoticed.

Still, anyone wanting a gory insight into shady dealings will be disappointed. Both solid historians by trade, Roberts and Kynaston carefully dissect HSBC's history without hysteria. Instead they rely on interviews with staff, including current chairman Douglas Flint, and data from the bank's archives, in this tome of epic proportions – it's a whopping 768 pages.

Kicking off in the late 1970s when the bank first broke out of the Asia-Pacific region with its purchase of Marine Midland Bank in the US, the book charts HSBC's progression to acquisition of Midland Bank in 1992, then one of the UK's Big Four banking groups, and up to present day. *The Lion Wakes* gets particularly interesting when you reach the chapters about HSBC's head office move from Hong Kong to London. Or, to be specific, from the magnificence of the Norman Foster-designed, shiny, landmark headquarters in Hong Kong, to an anonymous building on Lower Thames Street, London. As the writers note, this was symbolic: "There was an inevitable sense of being a smaller fish in a much bigger pool."

Yet what follows is an ultimately positive account of how HSBC grew to become a pretty sizeable fish and, by the final page, the writers observe: "Those intervening years had witnessed a remarkable transformation, as the small bank on the Hong Kong waterfront became a global business." They even remain upbeat charting the 2008 financial crisis. Other banks were "sapped" but HSBC was "bolstered by its geographical diversification". If one quote is to be believed, staff barely felt the ripples: "To 999 out of 1,000 other people in the group, this was something they read about in the paper on the way to work." As Flint puts it, summing up the tone of the chapter, and the book in general, "the crisis showed HSBC was not too big to fail. It was big enough to cope."

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

1. *Shredded: Inside RBS the Bank that Broke Britain*, by Ian Fraser (Birlinn, £20)
2. *Saving the City: The Great Financial Crisis of 1914*, by Richard Roberts (Oxford University Press, £20)
3. *The Ascent of Money: A Financial History of the World*, by Niall Ferguson (Penguin, £10.99)

Career clinic

We have made giant leaps in establishing workplace equality, says Mark Freebairn. But let's not get complacent

I said before that I would never write about the issues surrounding women in the workplace again. In my experience, this is not a subject a man can write about without inadvertently causing offence. But then my editor asked me and I like to please, so I said 'yes'.

Those who have read my previous work on this subject will know the disclaimers so I won't bore you again. Suffice to say I have worked in an equally-split workforce for my entire career, with some fantastic and talented men and women. Both sexes have been promoted and paid according to performance (you can't hide who is good and bad in my industry) and many argue that our role requires skills that stereotypically sit better in women – emotional intelligence to name but one.

However, there are plenty of walks of life where equality is not as certain or as secure and these are what need to be addressed. That being said, giant strides have been made. I also think it is important to keep a sense of perspective. No '-ism' has ever been dealt with overnight.

I have worked in financial recruitment for well over 20 years. In that time the number of female CFOs in the FTSE stayed within the two to four range. Today, it's well over three times that number. Several have been internal promotions, a great example of a developing pipeline.

The same is true of non-executive directors (NEDs). The percentage of female NEDs has risen sharply and the number of FTSE 100 boards with no female representation is, finally, zero. But is it enough? No, of course not.

Taking the number of female FTSE 100 CFOs from three to 14 is good. But taking it to 51 would be better. Likewise, getting female representation on boards up to double digits is good, but it's not enough. And when, in nine years' time, these women are rotating off NED roles we need a new cadre coming through to take up those roles again.

However, there is a caveat. We still need to address the key issue: the loss of women who stop work to look after their children is both a blessing and a challenge. How we bring that talent back to the work force in an unprejudiced way is something we should debate until we can answer it. And by the time we realise we have achieved equality, we will have gone well past the point of achieving it.

Tales from the frontline

Emily Tate, CFO of Office Shoes and formerly CFO of Jack Wills and Fat Face, on what makes a strong leader in retail

The best way to lead is to have a clear vision, to communicate it clearly and, above all, to make sure others buy into it. My vision for the last three finance teams I've led - Office Shoes, Jack Wills and Fat Face - has tended to be quite different to the status quo, so communicating it has been particularly important.

I have come to realise that it takes time to sell that vision, especially where the existing people have behaved in a particular way for a long time. You have to expect that it won't happen straight away and you have to prepare people in advance for change.

Some will leave the business because they won't agree with you or it won't be the place they joined but, in my experience, people do come round as long as you can demonstrate there are opportunities - and as long as you sell it as exciting.

This is something I've learned gradually during my 22 years in business. My first experience was when I was 18 and spent my gap year working in Tie Rack in west London. I loved talking to customers and, even though I was junior, I was allowed to go to the warehouse to pick stock. So when I joined PwC as an auditor after graduating, I asked to be given retail clients. They agreed and one of my first was Sears Clothing, which owned some of the brands that are now part of Arcadia. For me, that's where it all started.

I enjoyed accountancy, particularly the discipline and structure of it, but I also found audit frustrating, as you're always looking at historic numbers rather than looking ahead. So a year after I qualified, I left to join B&Q as a finance analyst. I was lucky to work there at a time when it was a good training ground for people in retail, and a lot of my peers have gone on to be very successful. But it was also a big culture shock. There was a very different mix of people and it was really male dominated. I have worked in slightly more gender-balanced environments ever since.

In some ways I missed the pace of it. At B&Q you're turning out stock fast whereas in Ralph Lauren, where I went on to work next - and in the luxury goods market more widely - there isn't the same urgency around selling. Even at Office, the pace is very different.

Still, I don't regret leaving B&Q. The main reason I resigned was because of my husband who was, at the time, a county cricketer. We decided to enjoy ourselves before he retired from cricket, and spent some time travelling through New Zealand, Australia, South America and Asia. I also became pregnant and had my first child in that time.

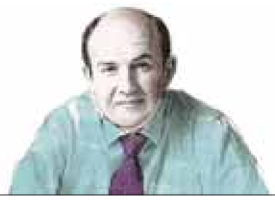
I've taken a number of other career breaks since then. I took an extended holiday at PwC and I took 15 months off after leaving Ralph Lauren, before I joined Fat Face. But each time I've known I'd return to the workplace. If I'm honest, I miss the intellectual stimulation when I'm away.

One of my biggest challenges, however, was joining Fat Face in 2008 after that 15-month break. Looking back I do wonder what I was thinking. My children were one, two and four years old, I had a pretty full-on job, (initially as financial controller and later as CFO), and a bigger team than I'd ever had before. The finance team also needed a lot of changes, including restructuring and integrating into the business more. But I was determined to make a success of it.

I dealt with it by working hard and throwing myself into it but also by delegating. That's how I learnt the importance of vision and communication. Yet I also learnt to shed my perfectionist tendencies and accept that no matter how strong a leader you are, ultimately, you can only do 80% of things well.

PHOTOGRAPHY: TOBY COULSON

Michael Izza



"We have a role to play in integrating climate change into the financial system"

In October 2012, countries on the eastern coast of North America were subjected to the largest Atlantic hurricane on record. Hurricane Sandy's winds spanned 1,100 miles and the damage it inflicted has been assessed at over $68bn (£44.5bn). More than 230 people lost their lives.

Closer to home, the storms and flooding in late 2013 and early 2014 were the worst on record. As most of you will remember only too vividly, the Thames reached its highest level for 60 years, forcing people from their homes, there were winds registering 112 miles an hour in Wales and the sea ate away the sea wall in Dawlish in Devon leaving the railway to Cornwall suspended in mid air. And that's without mentioning the Somerset levels.

Why am I reminding you of this? Because the regularity with which severe weather patterns are beginning to affect lives everywhere in the world means that we really cannot afford to ignore climate change any longer. It is already disrupting national economies and costing us all dearly. The storm clouds do have a silver lining though, which gave a particular buzz to proceedings at the recent World Economic Forum in Davos.

I sensed a real change in the air there. It was as if those major economies, which in the past had seemed reluctant to believe in climate change, had been finally convinced - whether it be by the toxic smogs in China, the melting glaciers in India or the hurricanes and tornadoes in the US. If we are to keep within the 2° limit on global temperature rises, we need to have all three on board. Failure, according to the Global Commission on the Economy and Climate, could cost as high as $90trn (£59trn).

This change of heart has given the preparations for the climate change summit in Paris in December a renewed feeling of optimism and purpose. After the damp squib that was the Copenhagen summit in 2009, it finally seems as if we are within touching distance of getting 196 governments to sign up to the UN international agreement for a global regime. We may still be in time to get ahead of the curve and start preventative measures.

As chartered accountants we have an important role to play in integrating climate change and environmental risk into the financial system. We have been working in this area for more than a decade now and have identified many ways in which businesses can reduce their carbon footprint and take a more sustainable approach to the environment. We now need to take the debate to a wider audience. At last December's A4S Summit, Prince Charles urged each of us to "rush out and convince" 10 of our peers to start accounting for sustainability. "And then," he said, "accountants really will be helping to save the world."

Michael Izza
ICAEW chief executive

TOP 5 MOST READ STORIES ONLINE

1. KPMG COO fined over ethical breach
2. Tax industry "cannot be trusted" to self regulate
3. Almost one million miss self-assessment deadline
4. Deloitte is biggest global firm
5. Einollahi cleared of deliberate misconduct

Your feedback

GLOBAL TRADE

Seeing the comment in your debate (*Is immigration bad for the economy?*, *economia* online) that British companies need "measures to unlock overseas markets" does make me laugh. If they were simply to start learning foreign languages, travel to visit customers in faraway lands and produce high quality products at good prices, they would themselves "unlock" those markets and change the dynamic away from whining about non-existent barriers to trade.

Believe me, they will have a lot more to complain about in 2017, if the more insular among them manage to get the UK out of the EU.

Where are the great British traders of yesteryear?

Paul Samengo-Turner

MAKE TAX AVOIDANCE ILLEGAL

It is rare to read feedback from very small practitioners, so I'd be so grateful if my letter could be published.

I worked in general practice for 58 years until my retirement at 75, dealing wholly with small rural businesses in the Peak District.

Nearly all kept very good trading records, and I ensured that all genuine expenses had been claimed, and forward planning made prior to year-ends.

Why should such hardworking ex-clients have a higher percentage of tax/NIC to profit compared to the proportion to trading profits of several large companies? It is time tax avoidance schemes became illegal, unless fairly arranged within the law, such as changes of business ownership cases.

John David Fearn FCA

NOVEL IDEAS

I just read your fascinating piece on getting one's first novel published (*Blood, sweat, ink and tears: getting a book published*, *economia* February), which someone had posted on Twitter - not realising until the very end that I was reading an accountants' magazine! My debut novel, *Ordinary Joe*, is being published by HarperCollins imprint Borough Press in July.

Although I am not an ICAEW member (I did pass the CIMA exams but never practised that craft), my novel's protagonist is an accountant. He raises finance for film deals and through the pages of the book gets drawn into a web of lies, deceit and death in Hollywood. It's high time someone did for accountants what Grisham has done for lawyers!

Jon Teckman

I read with interest *economia*'s piece on writing a best-seller. I recently published a book of short stories *Exiles at Home - Jamaican Chronicles*, which has been well received. Having a book published is usually suffused with dreams of best-seller status and lots of money. But the industry is a closed shop, ringed by sentinels who guard against riff-raff storming the walls. For all of its drawbacks, I believe self-publishing trumps silly pipe dreams of six-figure deposits.

Dereck C Sale, FCA

MEMBERSHIP RECORD

Is this a record? Three generations of the same family are all members of the ICAEW in the same year.

Sir Douglas Morpeth, member from 1952 until his death in late 2014 at the age of 90.

AG Morpeth, Andrew, a member since 1992 – his son.

DHS Morpeth, Duncan, his grandson, qualified in 2013 and therefore all members in 2014.

Anne R Morpeth (Lady Morpeth)

Online comment on the Public Accounts Committee's view that the tax industry cannot be trusted to self-regulate

This dialogue is superfluous. The anti-business action of politicians such as Margaret Hodge is already driving entrepeneurs away from the UK. Similarly in the rest of the EU.

Unfortunately European politicians appear to be unaware that people in the rest of the world are totally uninterested in how much tax is collected in the UK, Germany or Italy. The end result will be to significantly reduce profits and consequently taxes collectible in European countries.

David Crackett

So what would "self regulation" or a "code of conduct" look like. Would it say that an adviser could not recommend to a client arranging his affairs in accordance with the law? This whole thing is farcical and ICAEW should tell truth unto power - or at least to those in office.

Epping Blogger

Very glad to see *economia* report this story and not run away from the facts. If only the profession did the same and took a lead on this huge damage to our public image and publicly criticise the 'Giant 4'.

Dr Atul K Shah

ICAEW is culpable. Its code of ethics requires accountants to act in the public interest but, as revealed in the appeal tribunal's report on Deloitte's involvement in the MG Rover fiasco, the code does not explain how accountants should assess public interest issues or how accountants should respond when confronted with public interest issues. Advising companies how to avoid paying tax in the UK is obviously not in our country's interest. ICAEW must act now to ensure that tax accountants do not continue to act against the interests of our country.

Burton

While I have limited sympathy for those assisting with tax avoidance and am glad that Margaret Hodge is giving this matter such prominence, I don't think she has reached the right conclusion.

There is no point in expecting self-regulation when the tax rules themselves are allowing and encouraging avoidance through their amazing complexity, which creates the loopholes to be exploited and which leave a position so confused that it isn't clear that is the line to be toed.

It is the job of government to introduce proper tax regulations, as simple as possible, that would both improve the perceived fairness of taxation and put many of the tax avoidance experts out of business.

Instead, successive governments have added more complexity to the system by adding sticky plasters to cover up whatever the problem of that day was.

D James

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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.

Bronwen Maddox

"The jobs story should be the coalition's best boast after five years in power"

I am mystified as to why George Osborne does not make more of the government's record on jobs, where it has an impressive story to tell, rather than trying to rally support for austerity and respect for economic "competence", a message voters may say they respect but risks failing to win them over.

All right, I understand he is appealing to the right, and aiming to counter the threat of UKIP. Polls too show that voters put the economy top of their concerns – and Conservative tactics are guided in this election by the poll-scrutinising stewardship of Lynton Crosby. All the same, the jobs story should be the coalition's best boast after five years in power.

The threat from UKIP is fading; we probably saw "peak UKIP" on 21 November, when the party won its second MP. And the prospect of more austerity does not make people feel more optimistic about the future or warm to the Conservatives. On the contrary, it reminds them of the coalition's apparently greatest failure – not wiping out the budget deficit by the end of the term of government as it had claimed it would, even though the achievement of halving the deficit is still impressive.

It also leaves an easy goal for Ed Balls, shadow chancellor, to say "we'll cut the deficit too, just not as quickly," a message understandably more popular nationally even if it leaves the country – and the budget – vulnerable to rising interest rates.

FULL EMPLOYMENT

In contrast, look at the jobs figures. One million more in work since the coalition took power. Almost 31 million in work – a record for the UK – and even if the population is ageing, immigration and new births have added more workers. The unemployment rate is down at 5.8% between September and November 2014 – compared to 7.1% just a year earlier, and lower than before the recession. The proportion of workless households is at the lowest level since records began, down to 15.9%, compared with 19.2% when the coalition took power. There are also more young people in work, and more women than ever before.

Why has this happened? Some reflects immigration, itself controversial. Some appears to reflect welfare reforms, also controversial, which can make it more attractive to work than to receive benefits. Some represents changes in patterns of work. People are working beyond conventional retirement age. Many more are self-employed.

The standard retort is that many of these jobs are low paid, maybe part-time, and the self-employment is involuntary. Some of this is true, according to labour force surveys from the Office for National Statistics (ONS). But that charge is a caricature that does not fully reflect many positive changes.

The single biggest rise was in those in full employment. According to Office for National Statistics figures published in September, the "professional, scientific and technical" category of jobs showed the largest proportionate rise across the UK; it also showed the largest absolute rise in London, and elsewhere was only just beaten by "accommodation and food services".

CARRY ON WORKING

The figures also show that many people are choosing to be self-employed. Take one figure, the 4.2 million people who worked from home in 2014. As the ONS observes: "The jobs that home workers carry out tend to be concentrated in higher skilled roles." It records that "14.8% were working as managers or senior officials, 35.2% were professionals or associate professionals and a further 23.5% were working within skilled trades. This meant that almost three quarters (73.4%) of home workers were in some of the highest skilled roles in the economy."

It's also worth noting that pay has increased by 1.7% in a year, above the rate of inflation, reversing a trend of many years. This is not just a picture of success, albeit one that remains vulnerable to economic slowdown. It is also a portrait of a society in necessary change. The best answer to the budget deficit is for people to work – and claim their state pension – a little later in life.

That's probably the best answer to the hole in the NHS's finances, too. Those answers are taboo in an election campaign, but the jobs story is real, and shouldn't be.

Bronwen Maddox is Editor of *Prospect* magazine

George Magnus

"It's probably easier to see the terms of a possible compromise deal than to see a willingness to compromise"

The stunning electoral victory of Syriza in the Greek election on 25 January has given rise to the first serious challenge by a sovereign European debtor to its creditors. The party has pledged to overturn decades of domestic misrule, renegotiate the country's debt agreements with European governments, the European Central Bank (ECB) and the International Monetary Fund (IMF), and end austerity.

The relationship between the new government and its European creditors, in particular Germany, has become fractious. By 28 February, just before you receive this edition of *economia*, we should know if Greece and its creditors succeeded or failed to secure Greek membership of the euro, or possibly deferred the issue to another day.

In the immediate aftermath of the election, speculation centred on which of the two parties, the debtor or the creditors, would blink. The current Greek government, however, is quite different from its predecessors in that its members and factions do not have interests that are aligned politically with those of the so-called Troika, comprising the Eurogroup, the ECB and the IMF, and the policies they demanded of Greece. The new government did back away from the demand that the bulk of Greece's debt should be forgiven or restructured, and it set out a stall which many considered reasonable. It articulated the case for debt servicing to be indexed to GDP growth, and for some of its obligations to be converted into perpetual bonds. Whether these options will be viewed as acceptable to the creditors remains to be seen.

READING THE RULES

For their part, the creditors have refused to allow any 'haircut' on the debt, or losses to be taken, and insisted Greece leave existing agreements in situ, continue with structural reform programmes, and pursue privatisations to generate revenues. Greece has already decided to rehire public sector workers, raise minimum wages and pensions, and stop privatisations. Germany, Finland and others have concerns that any significant concessions could have a negative demonstration effect on other debtor countries, while some of the latter, including Spain and Portugal, are opposed on the grounds that they have already played by 'the rules'.

It is probably easier to see the terms of a possible compromise deal than it is to see a willingness to compromise. Zooming out, so to speak, no one wants the unpredictable disruption that would follow Greece leaving the euro area. Extending the average maturity of Greek debt from roughly 16 to 26 years, and lowering the interest rate on bilateral eurogroup loans by 0.5%, could lower the net present value of Greek debt by 16-17% of GDP, and give Greece some cashflow benefits without causing obvious accounting losses to official creditors, which account for nearly 80% of debt outstanding.

EURO OR DRACHMA?

These or similar arrangements require agreement on two other pressing matters. First, Greece insisted it didn't want to extend the Troika loan agreements in February and remain subject to conditions. Instead it wants permission to issue an additional €10bn (£7.4bn) in treasury bills to keep the country funded for a few months pending loan repayments due between February and July. Second, Greece wants its creditors to lower the primary surplus (fiscal balance excluding debt interest) it is required to generate until 2025 from 4.5% to 1-1.5% of GDP. In other words, it wants much less austerity. These issues are likely to prove far stickier in bilateral negotiations.

While a hostage to fortune at the time of writing, it is possible a deal will be hatched between governments to steer clear of an 'exit' crisis, at least for now. This is important, not least because an impasse could lead to the ECB locking Greek banks out of emergency funding arrangements, which would then precipitate substantial deposit outflows, bank and state insolvency, default, the imposition of capital controls, and a decision to terminate membership of the euro system and introduce a new drachma. By the time you read this, we will know if this Rubicon has been crossed, or if expedient decisions on a 'deal' have postponed a final denouement of fundamental differences in values and beliefs about European monetary policy.

George Magnus is an independent economist and former senior economic adviser at UBS

Charlotte Sweeney

"Creating a workplace that's flexible and output focused isn't rocket science but it's not easy to do right"

If women could change one thing in business, society or government policy to make life easier for the next generation, what would it be? The answer is not rocket science, but it's also not that easy to do it right. It's creating a workplace where output is valued over hours in the office, and giving people the flexibility to work how, where and when suits them and their personal circumstances.

Many companies claim to have created more inclusive and diverse organisations where people thrive. But when talking to employees, it's clear that the reality is very different.

The Women's Business Council, created by the UK government, found that equalising economic participation rates of women could add 10% to the economy by 2030. It cited flexible working as a key enabler. EY claimed that by introducing more flexible ways of working, within one year it cut its travel bill by £500,000, avoided real estate costs of £3.6m and improved productivity by 4%. Other companies such as BT, Citi and IBM are clear that flexible working is utmost in a globally-networked company, business doesn't just operate from 9 to 5.

THE WORK-LIFE IMBALANCE

There is much research into the expectations and aspirations of future generations in the workplace. One consistent theme is the view that there is more to life than work – having the ability and autonomy to blend work and personal life is critical. The introduction of Shared Parental Leave provisions in the UK this year reflects the increased desire of both parents to play an active role in their child's life. Creating flexible ways of working is increasingly a sought-after employment commodity.

The CBI's 2011 Employment Trends Survey of business found that 96% of UK companies offered at least one type of flexible working. However, since flexible practices have been historically developed with an employee, rather than business focus, companies are wary of extending them further.

Creating a more diverse workplace naturally means that people have different experiences, different priorities and want different things from their employers. Attracting people from diverse backgrounds and a flexible work environment go hand-in-hand. To do this businesses must shift from tinkering around the edges by developing flexible working policies that look good on paper to reviewing how they operate. They should focus on how flexibility would benefit their business, how it would support the delivery of their strategy and aims, as well as how this could enhance their employment proposition. This isn't a one-way street. To do this effectively and sustainably, flexibility should benefit both the business and the individuals within it.

LONGER HOURS ARE A WASTE OF TIME

Creating a workplace that is flexible and output focused isn't rocket science but it's not that easy to do it right. Shifting a business culture from one of "face-time" being valued to outputs being the main driver will not happen overnight. Although many companies wouldn't admit this, long hours in the office continue to be seen as a badge of honour – a visual commitment to the business.

Recent research by John Pencavel of Stanford University showed that cutting working hours can be good for productivity. He found that below 49 weekly hours, variations in output were proportional to variations in working hours. When people worked more than 50 hours, output rose at a decreased rate. Output at 70 hours of work hardly differed from output at 56 hours, suggesting the extra 14 hours was a waste of time. Is a long-hours culture really the smart way to go?

The next generation would thank us for making it easier for them if:

- we created workplaces where outputs were valued over and above time in the office;
- we created companies that give autonomy to their employees to blend work and personal life as they wish;
- we created expectations in business that flexibility is a critical commodity to attracting and retaining future talent and not something "nice to have".

The only risk is to do nothing. If businesses decide not to create more inclusive and flexible workplaces, their competitors certainly will.

Charlotte Sweeney, founder of Charlotte Sweeney Associates, is a specialist in inclusion and diversity and is speaking at ICAEW's FD conference in May

Stephen Frost

"I appeal to the men reading this to 'man up' and act in everyone's interest"

It's always perplexed me why we treat half the population and the majority of consumers as a minority issue. But on International Women's Day on 8 March we'll once again hear of all the marvellous things companies are doing to promote women. The actual data remains rather embarrassing.

Of the Big Four, the proportion of female partners ranges from 15% to 18%. In venture capital, only 9% of senior roles are held by women. In hedge funds it's 3%. In 2015, women are less likely to be recruited and promoted and more likely to be made redundant. They are the majority of consumers and the minority of decision-makers.

Eiko Shinotsuka of the National Personnel Authority of Japan said that "the insufficient utilisation of women as human resources, particularly in their intellectual resources" was a factor in Japan's slow growth. Women received 45% of the PhDs in science in Europe in 2006 yet occupy only 18% of senior research positions today.

Fortune 500 companies in the top quartile for female representation outperform those in the lowest quartile by at least 53% return on equity. Last year Credit Suisse found a strong correlation between female representation at senior levels and financial performance, with return on equities (ROE) reaching 14.7% in companies where women make up more than 15% of senior managers – dropping to 9.7% ROE for companies where fewer than 10% of senior managers were women.

ENCOURAGING DIVERSITY

While we cannot yet prove causation, the correlation seems pretty watertight. As recently as January 2015, McKinsey reported that a 10% increase in gender diversity was associated with a 3.5% uplift in earnings before interest and tax.

The proportion of women on FTSE 100 boards has shifted significantly from 12.5% in February 2011 to 22.8% in October 2014, supported by targets set by the Lord Davies Report. The issue now has cross party and cross industry support. The 30% Club, the Davies report and individual gutsy leaders who have spoken up have helped shift the needle. But needle shifting still highlights limited expectations when the business case is now so compelling. We need to focus on actions.

Mary Harris Smith became the first female chartered accountant in the world 96 years ago, and that was nine years before all women in Britain had the right to vote. A century later (these things take time), KPMG has published its gender data to the world. The numbers are nothing to be proud of, and this move is not without risk. But the cost-benefit calculation was "better to be transparent and honest now than when the legislation and pressure mounts". And by being bold, we can attract those who would like to help us become more diverse. As our chairman Simon Collins said, we are prepared to fail just as much as we would desperately like to succeed.

ENOUGH PIE FOR EVERYONE?

One professional services firm made a virtue of the fact it will take 80 years to reach gender parity. This is based on the World Economic Forum gender gap report. However, that same report shows how the UK has been slipping down the global gender equality rankings – from ninth place in 2006 to 26th in 2014. Lower workforce participation by women and widening wage inequality in the UK are two key causal factors and provide proof of the non-linearity of assumed progress. In the absence of leadership, organisations tend to go backwards.

I teach the Harvard MBAs on inclusive leadership. We ask the students to have an arm wrestle, the goal being to score as many points as possible in one minute and, if at all possible, avoid litigation. After one minute the room of future CEOs splits into two camps – 80% to 90% of the room, predominantly men have scored zero points. But 10% to 20% of the room, predominantly women, have scored 30-40 points. They simply let each other win, and through co-operation, enlarged the pie for all parties.

For some, gender parity is still a half-baked idea. The Harvard classroom shows it can actually enlarge the pie for women and men. It's time for a real discussion and concrete action on gender equality. And while this is the job of men and women, I appeal to the men reading this to 'man up' and act in everyone's interest.

Stephen Frost is head of diversity and inclusion for KPMG, a visiting fellow at Harvard University and author of *The Inclusion Imperative*

FIT FOR LENDING
Issue three

3

The founders of Upper Street shoe company have turned a conversation over dinner into a successful international business. David Adams discovers how they got themselves fit for some very intelligent funding

PHOTOGRAPHY BY ZED NELSON

Many of us have struck upon a business idea while chatting in a restaurant or pub with friends. Not quite as many have then started writing a business plan and purchasing URLs as soon as we got home. Even fewer have gone on to launch the business and turn it into an international success. But Julia Elliott Brown (pictured) and her sister, Katy Chandler, have done all of these things.

The idea that would lead to the creation of bespoke shoe business Upper Street was born when the sisters met for dinner in a pub near Elliott Brown's house in north London in March 2008. Chandler, visiting from her home in Hong Kong, was wearing an unusual pair of shoes, which Elliott Brown assumed were a designer brand. In fact, Chandler had had them made by a bespoke shoemaker in Hong Kong because she had been unable to find the shoes she wanted.

Elliott Brown wondered if it might be possible to create bespoke luxury shoes in China to sell in the UK for significantly less than the usual price of such items (£750 or more).

The sisters started writing an embryonic business plan and buying web domains, as Elliott Brown recalls: "I think we wrote a couple of sides of A4 and bought about six URLs. We were absolutely convinced that night that we were going to do it."

What the pair came up with was a website that provides

"We knew what our goals were, but we didn't know how we were going to get there. We wanted to build a global brand, not a back-bedroom business"

women with the chance to design their own luxury shoes. The business also runs an appointment-only Shoe Lounge in central London.

Elliott Brown started her career on the Reuters graduate scheme before taking a business development role at a small dotcom, upmystreet, and then deciding she wanted to work for herself after having a family. She set up her own consultancy, helping venture capitalists to assess online businesses and start-ups to launch online operations.

Meanwhile, by 2008, Chandler's career had led her, via advertising and publishing jobs, to Hong Kong, where she worked in a senior marketing role for a global bank. When her company wanted to restructure her part of the business she applied for redundancy, securing the money that, along with Elliott Brown's savings, would allow them to launch Upper Street.

In May 2008, taking a course of action that will be unfamiliar to most other start-up entrepreneurs, they booked a week's holiday in Dubai – roughly halfway between London and Hong Kong – to write their business plan on a laptop.

But the one element they didn't finish was the financial forecasting. "We had no idea what kind of website traffic we might be able to achieve," says Elliott Brown.

"Everyone had said the idea sounded brilliant, but you don't know if people are going to get their wallets out. We knew what our goals were, but we didn't know exactly how we were going to get there. We wanted to build a global brand; this wasn't about some little back-bedroom business."

Despite the generally chilly economic climate ("We never knew any different," says Elliott Brown. "It also made it easier to negotiate with suppliers,") the business grew. Upper Street now employs six full-time staff in the UK and Hong Kong. Many processes have always been outsourced, including all technical operations.

At first, the business was entirely self-funded, although they did take out a bank loan for £150,000 in May 2012, secured against Elliott Brown's house. There had been some interest from venture capitalists fairly early on, which "was exciting, but we realised we didn't yet know enough about the business to rapidly scale it up, which is what they wanted", she says. "And on a personal level, we didn't want to do that at that stage – we both still had very small children, so we kept going on our own for as long as we could."

But, eventually concluding the business would require further investment to achieve significant growth, in the autumn of 2013 the sisters set out to secure between £500,000 and £1m of funding. They took external advice from a part-time FD, contacted through Astia, a Silicon Valley organisation that supports female entrepreneurs. She helped Elliott Brown set up the company's financial model and to understand the metrics that many would-be investors would use to assess their progress against other investment options.

Venrex Investment Management, an Enterprise Investment Scheme (EIS) fund, which is also an investor in luxury retail propositions including Charlotte Tilbury make-up, Astley Clarke jewellery and online retailers sheerluxe.com and notonthehighstreet.com, answered the call.

"I met up with Venrex in early October that year for what was supposed to be a 45-minute meeting; it ended up being four hours long," says Elliott Brown. "And then the next week Venrex phoned me up and said 'We're in'. They loved the idea and could see the traction we were getting, in KPIs, press coverage and consumer feedback. I think Venrex really liked me too because I was honest with them: I told them our warts-and-all story. I think they really appreciated that. It's always better to be honest about your story and your ambition," says Elliott Brown.

In December 2013 Venrex agreed to invest £500,000. Soon after Upper Street secured a £250,000 investment from the £12.5m Aspire Fund, part of the government's British Business Bank (BBB) programme, dedicated to supporting businesses led by women.

Elliott Brown declines to talk about the scale of the business in financial terms in any detail, saying only that it is still "reasonably small". The £750,000 investments have allowed them to rebuild the website, recruit new staff, move into new premises and buy a US competitor.

In September last year, Upper Street opened the Shoe Lounge in the company's new premises in Mortimer Street, central London. Customers visit by appointment to start developing the design of their shoes, looking at samples and styles. "It's a lovely space and it works really well for us: we've got a conversion rate of about 90%," says Elliott Brown.

Today Upper Street's customers go to the Lounge and/or design their shoes online, using the company's own 3D Shoe Designer software, or its iPad app. The production process has also changed. Having worked previously with third-party workshops, the company now has more control. It works with an agency in China that employs the craftspeople who make the shoes: they work full-time for Upper Street but are not actual employees, an

arrangement that suits local administrative requirements.

Manufacturing could be moved to the UK at some stage, although not for the foreseeable future. "I would love to be making shoes in the UK, but there isn't the skills base here to do it," says Elliott Brown.

The range of designs continues to expand, partly thanks to the inspiration of customers. One was having a dinosaur-themed wedding and Upper Street was able to provide her with shoes incorporating dinosaur-related screen prints. It worked beautifully, and now the company is doing more screen printing than ever before. Other requests are just as idiosyncratic: for example, some want each of a pair of shoes to be a different colour. Another wanted a design in the colours of Leeds United football club.

Some customers are nervous about designing their own shoes, but support from staff and the technology itself makes the process

"It takes a while to be profitable in fashion. We've been close to the wire on a few occasions"

surprisingly easy. Elliott Brown's children have been used as guinea pigs to try improvements to the design software - and produced some memorable designs of their own.

In 2015 the company will be seeking to increase customer acquisition, perhaps through using concessions within large retail outlets. "I don't anticipate having lots of shoe lounges across the country, but I would like to explore similar propositions in the US," says Elliott Brown. Around half of all traffic on the website already comes from the US, even though the company has done very little marketing there.

Upper Street will also continue to develop new products, with a boot design service now in operation and a flat sandal range to follow this summer. Customers may also soon be able to design their own clutch bags too.

The company will be seeking a further round of funding this year, in part through existing investors, but also through the crowdfunding service Seekr. Elliott Brown also hopes that some of their customers will become investors.

Founding and running Upper Street has rewarded Elliott Brown and Chandler in many ways: Elliott Brown's personal highlights have included sitting in the front row at a London Fashion Week show, meeting some famous customers, including actress Helena Bonham-Carter and pop star Mollie King, but above all, getting thank you letters and emails from customers. "Most of the low points have been to do with cash. It is really stressful when you can see where your cash position is going to be in six months' time and you think 'how the hell are we going to make it?'. It takes a while to become profitable in fashion. And we've been quite close to the wire on a few occasions."

All of which underlines how crucial it is to develop a strategy to make a business investment-ready. The founders of Upper Street could fairly be described as inspirational: they have shown that two women can lead a prosperous British business through trading with China; can succeed in one of the most fickle and unpredictable of industries; and can turn a conversation over dinner into a strong business with a bright future, even during tough economic circumstances.

"The thing is... a lot of women will always find the money to buy good shoes," says Elliott Brown with a smile.

Do shared parental leave reforms need further changes?

YES *Ryan Shorthouse*

The introduction of shared parental leave (SPL) gives couples greater choice. Mothers have been able to take maternity leave for a year. Now, fathers will have the opportunity to take an equivalent amount of time, instead of just two weeks.

Instead of having a system which assumes and encourages women leaving the labour market for a long time when their children are young, SPL provides mothers and fathers with more choice about their work and family commitments.

But the policy needs further development. First, by increasing the amount of statutory pay fathers can get through SPL. Though the amount of statutory time mothers and fathers will be entitled to will be roughly equivalent, the amount of statutory pay will not be. For the first six weeks of any leave they take, mothers are entitled to 90% of their previous salary. Then, for another 33 weeks, they are entitled to a base rate of £138.18 a week or 90% of their previous salary, whichever is lowest. Men will only be entitled to the base rate for the full 39 weeks they are entitled to statutory pay, unless their company offers more generous benefits. It is clear most women will get substantially more parental leave pay then men. Women are still being incentivised above men to spend longer out of the labour market.

Second, grandparents should also be entitled to SPL. Increasingly, grandparents want to and do provide important childcare for their adult children. If couples had real choice about how they care for their young children it would be possible for parents to transfer any of their SPL to grandparents.

NO *Rowan Davies*

While not all families will choose to take advantage of the new SPL for both economic and personal reasons, many fathers would certainly welcome the opportunity to spend more time with their babies. Studies show that it's great for bonding and future hands-on involvement of fathers to spend time with their children when they are very young.

Also, we still have a gender pay gap and mothers do seem to be at a disadvantage in the workplace - 60% of our users say they feel less employable after having children, three quarters say they are less likely to be promoted. Making greater flexibility to share parental leave the norm should help.

More than a quarter of Mumsnet users surveyed wouldn't consider it at all as they earn less than their partner, so financially it just doesn't stack up. With fathers entitled to the statutory amount only, the new options simply won't be financially viable for the vast majority of families.

What the new options do offer is a step towards allowing fathers to feel more comfortable talking to their employers about adapting the way they work if it makes sense for their family. There's no question that it's trickier for dads: even when it comes to paternity leave, our recent survey found that nearly a fifth of fathers took just five days' leave or fewer, mostly because of financial constraints. Overall, a quarter of men don't take any paternity leave and only one in 10 take longer than two weeks.

Ryan Shorthouse

We agree SPL is welcome but that fathers need a higher amount than what is currently available through statutory paternity pay (SPP) to make staying at home with their young children financially viable. Bright Blue has proposed giving eligible mothers who have worked for longer a contribution supplement on top of their base rate for statutory maternity pay (SMP).

In fact, for mothers who have worked for many years, we proposed an even higher contribution supplement. Most significantly, we also proposed that this contribution supplement could be transferred to the partners of eligible mothers if they instead took leave, thus giving fathers more financial support through SPP.

Government should review the amount affluent mothers can receive in the first six weeks of SMP. All eligible mothers get 90% of their previous salary, uncapped and paid for by the state. This seems unnecessary considering highly-paid women are likely to have generous occupational schemes, more savings and higher-earning partners to support them.

If the amount high-earning mothers received through SMP was reduced, the savings could be

YES *Ryan Shorthouse*
director of Bright Blue

NO *Rowan Davies*
Mumsnet community and campaigns lead

passed on to pay for a contribution supplement, which does more to help less affluent families who are more reliant on the modest statutory amounts they receive through maternity or paternity pay.

Rowan Davies

According to our recent survey, 81% of parents would like dads to take more parental leave. Getting dads more involved in their children's care right from the start is a huge goal, and the challenge is to effect a pretty seismic societal and cultural change: to bury the mindset that childcare is mostly the mother's responsibility. Making this change will improve things for everyone: children will see more of their dads, and will grow up with different gender role models; dads will see more of their kids, and be more confident about caring for them; and mothers will be less over-committed domestically, and will no longer be perceived by employers as uniquely risky.

Allowing SPL to be shared with grandparents runs the risk of maintaining the status quo. So while grandparents deserve to be lauded for their commitment to their children and grandchildren, sharing SPL with them might be counter-productive.

Ryan Shorthouse

Now we are seeing real divergence. You want SPL to create "seismic societal and cultural change", to "bury a mindset" and to achieve an ultimate "goal" for society. Frankly, I find this horrifyingly illiberal.

My reason for wanting SPL is to enable people to do what they want to do: specifically, to alter a biased parental leave system so those fathers who want to spend more time with their young children have a realistic choice to do so.

The philosopher Michael Oakeshott distinguished between two types of society: an enterprise association, where government introduces laws and policies to achieve some universal purpose, and civil association, where government provides the legal framework for people to pursue the life they want, without doing harm to others. I firmly believe in the latter, since it recognises the freedom of people rather than using them to achieve a grand plan.

It makes sense to enable grandparents to access paid leave to look after grandchildren if that is what they and their families want. Preventing this because it does not fit your vision of what is best for families and society is ill-considered. People themselves, not sociologists, are the best judges of how to look after their children and lead the life they want.

Rowan Davies

Bright Blue's proposal is interesting, particularly for those who believe universal benefits to be a bit of a busted flush. As with benefits for well-off pensioners, one can make an argument that the state's resources are not best spent on those who don't need the extra income. In the case of maternity benefits, though, the introduction of a cap would need to take into account women whose employers don't offer generous discretionary schemes. Maternity pay in Sweden is capped at 80% of earnings up to roughly £70 per day, for instance - but it is paid for 13 months!

Where Bright Blue and Mumsnet users may be in agreement is that in order to make the necessary cultural shift, paternity pay needs to be set at a level that would not leave the average family out of pocket. We will be asking Mumsnet users what they think about where the level should be set, and the results will hopefully make interesting reading.

At the moment, the evidence suggests that dads take holiday leave instead, because they cannot afford to lose the income. If, as a society, we agree fathers are just as important as mothers in children's lives, we need to give dads what they need to allow them to fully embrace their caring roles.

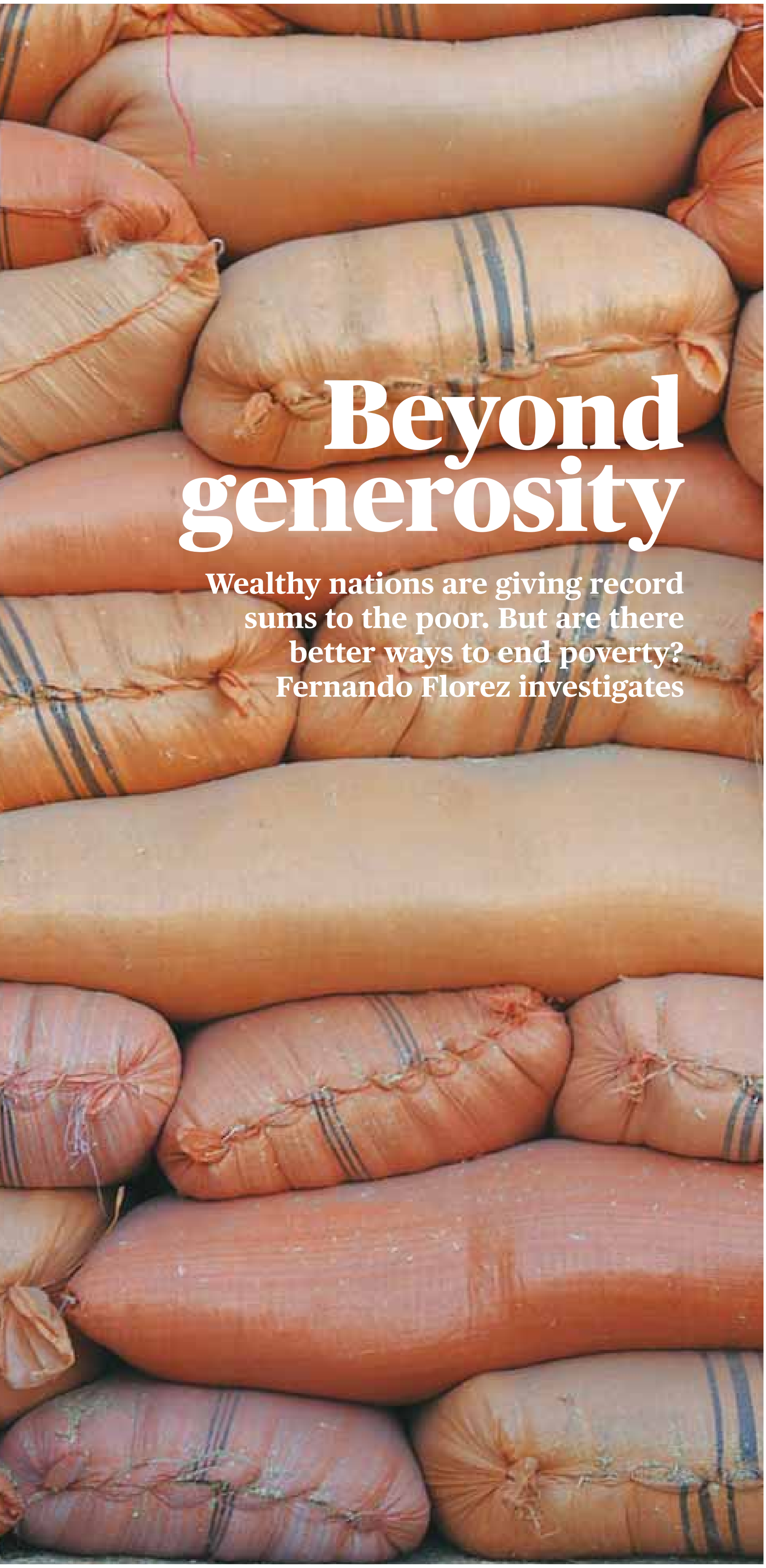
"I believe in recognising the freedom of people rather than using them to achieve a grand plan"

Firms sign up to better paternity deal
Deloitte and PwC among first businesses to commit to SPL

Work-life balance
Long working hours and poor work-life balance are biggest worries for accountants

ICAEW.COM/ECONOMIA/NEWS


Aid stacks up in Afghanistan



Beyond generosity

Wealthy nations are giving record sums to the poor. But are there better ways to end poverty? Fernando Florez investigates

Money is tight for governments around the world and pressure is intense to cut spending. But one area that that has escaped the fiscal axe is foreign aid. Development assistance budgets in rich nations rose to a record $135bn (£88bn) in 2013, a surge of 6%. Five countries now meet the iconic 0.7% of GDP aid target set by the United Nations in the 1970s. The UK government has even planned to enshrine that aid pledge in law, protecting it from future austerity.

But are nations putting too much stress on the quantity of aid? Has the much-vaunted 0.7% target outlived its usefulness? Critics point out that not all foreign aid is what it seems. Even the UK, widely respected for spending aid funds wisely, is far from perfect. Its aid budget in 2012 included almost £12m on projects such as global citizenship lessons for Scottish schools, military training for African officials and study visits to the UK for North Korean officials. Meanwhile the largest recipients of American largesse are strategic allies like Afghanistan, Jordan and Pakistan.

Perhaps more importantly, many nations neglect other policies that have a far larger effect on the fortunes of poor nations. “The 0.7% has become a talisman,” says George Ingram, a senior fellow at the Brookings Institution and a former US government aid official. “Aid is important. But the bigger impact comes from a nation’s stance on trade, finance and immigration.”

For example, economic migrants from poor nations to countries like the US send home a flow of funds to their families. These “remittances” were almost four times larger than official development aid in 2013, according to a World Bank report. As wealthy nations tighten immigration rules, that stream of cash is at risk.

Barriers to trade can be even more harmful to the economic well-being of developing countries. For example, Norway is on paper the world’s most generous large nation, giving over 1% of GDP in aid. Yet it undermines part of the good it does by imposing high tariffs on agricultural imports, making it less profitable for poor nations to sell it staple goods. “You can have a crazy situation where a donor country pays for technical aid to help promote textile production,” says Owen Barder, director of the Center for Global Development in Europe and a former Downing Street aide. “Then they slap a 10% tariff on shirt imports.”

Then there is finance. Switzerland, which gives a respectable 0.5% of GDP in aid, is often criticised for banking secrecy. These rules have historically made it easier for corrupt officials in poor nations to siphon stolen money out of the country.

Experts say rich nations need to consider a number of factors in combating poverty - the quantity of aid, the quality of aid, and the composition of a range of government policies.

The fact that aid spending has held up despite fiscal strains in most rich countries points to a broad political consensus in favour of well-funded development agencies. “Helping the poor is something that commands support from all sides of the political spectrum these days,” says Barder. “There is even some evidence that people become more generous when times are tough.”

A report by the *Chronicle of Philanthropy* in the US showed that the poorest Americans - those taking home $25,000 (£16,400) or less - boosted their charitable giving by nearly 17% in the often tough years between 2006 and 2012.

That tendency also seems to be reflected in patterns of nations’ spending. Some of those hardest hit by financial turbulence have been among the most generous. Despite a stagnant economy and a rising debt burden, Italy boosted aid by 13% in 2013. Japan, which has been dipping in and out of recession and faced a huge rebuilding bill after the 2011 tsunami, increased aid by 36%.

But the UK was the star among the top donors, boosting spending by 28%. So great was its boost to aid in absolute terms, says Barder, that it accounted for a large share of the 6% global increase. At $18bn (£12bn), the nation was now the world’s second largest donor - despite being the world’s sixth largest economy. The UK gave about 60% more than France, the world’s fifth largest economy, according to the International Monetary Fund and OECD.

Aid of
$765m
accounted for
73%
of Liberia’s GDP
in 2011

Underpinning generosity in hard times was a sentiment expressed by UK prime minister David Cameron. “We accept the moral case for keeping our promises to the world’s poorest even when we face challenges at home,” he said in a 2012 speech in New York. “When people are dying, we don’t believe in finding excuses. We believe in trying to do something about it.”

But do governments overall get enough bang for their development bucks? Many distinguished academics have pointed out that the record of foreign aid is patchy. New York University Professor William Easterly has pointed out that the West has spent over $2.3trn (£1.5trn) on foreign aid over the last five decades. Yet donors have still not managed to get 12 cent medicines that would avoid half of all malaria deaths to children, or to get $4 bed nets to poor families. Easterly contrasts this with the ability of the British and US economies to deliver nine million copies of the sixth Harry Potter book on just one day in 2005.

Above: Donated cooking oil from the US is stored in Kabul

The pattern of poverty reduction in recent years suggests that foreign aid can claim little credit. For example, between 1981 and 2010 the number of poor people in the world fell by about 700 million. But China, which has received only minimal foreign aid relative to its size, accounted for 90% of that fall, with a reduction of 627 million. By contrast, Liberia, where aid of $765m (£501m) accounted for 73% of GDP in 2011, still has almost two thirds of its four million citizens living on less than $2 a day.

“Too much aid is not being spent efficiently,” says Leni Wild, lead author of a research document published by the UK’s Overseas Development Institute (ODI). “The most successful efforts tend to be entrepreneurial in spirit. That means testing a variety of approaches to see what works rather than having a rigid plan from the start. It is essential to allow for cycles of doing, failing, adapting, learning and eventually getting better results.”

Finally, Wild believes that aid needs to be led by the local communities. “Change is best directed by the people who are closest to the problem and who have the greatest stake in the solution.”

In addition, aid is not always directed at the nations that need it most. In fact, in terms of the amount of aid given per person living in extreme poverty, the poorest countries get substantially less aid than the richer ones. According to Marcus Manuel, another researcher at ODI, the most impoverished nations - those with GDP per capita of less than $500 (£327) – get an average aid amount of $70 (£46) per person living in extreme poverty. As the income level of the country goes up, the amount of aid rises. Countries with a GDP per capita of $2,000 (£1,310) receive $300 (£196) per person living in extreme poverty – over four times more than their poorer peers.

Finally, development efforts are not always directed towards schemes that deliver the largest return for the smallest financial input. Danish economist Bjørn Lomborg, aided by researchers around the world, recently offered a ranking of different aid initiatives by value for money.

To give just a few examples, he found that a dollar spent on reducing tuberculosis delivered around $43 of economic benefit, while increasing nursery school enrolment gave a smaller benefit of $33. Increasing access to contraception gave a whopping economic gain of $120 per dollar spent.

But perhaps the most crucial finding was the huge poverty-fighting value of policies that had nothing to do with conventional aid.

Notably, $1 spent on trade liberalisation delivered a gain of $2,011, according to Lomborg – making it by far the most effective way of contributing to development. Other alternatives to traditional aid also score relatively well. Increasing the availability of work visas by 20% would deliver benefits of $15 per dollar.

This broader approach has been embraced for years by the Center for Global Development, a US think tank. It produces an annual ranking of how the policies of the major rich nations affect the poor in its Commitment to Development Index. This measures not just the quality and quantity of aid, but also policies on trade, finance, migration, the environment, security and technology.

Sadly, Barder, who helps run the research, says there has been only limited improvement globally over the 11 years that the index has been in existence. "Trade is the obvious one where we need improvement," he says. Among the countries that still have the least progressive policies are the likes of Japan and South Korea, which have high tariffs on rice. Norway and Switzerland also score poorly on this scale.

In terms of financial policies there is also considerable room for improvement in many nations, Barder believes. Aside from its banking secrecy, Switzerland scores badly since it is only one of three nations in the rich world without an agency that offers political risk insurance to companies wishing to deal with developing nations. Such agencies can be extremely effective at boosting commerce and investment in poor nations. Ireland and New Zealand also lack such agencies. Along the same lines, Ireland and Greece have policies that restrict their pension funds from investing in less developed nations.

Environmental damage and global warming are harder to cope with in poor nations, Barder says. As a result, countries with harmful environmental policies can undo much of the good work of aid agencies. Again many nations score poorly. Australia, Canada and the US are marked down for their high fossil fuel emissions.

Countries can also get credit for contributing to the security of poor nations. Norway and Denmark get high marks for providing significant contributions to internationally-sanctioned peacekeeping. By contrast France, the US and the UK are penalised for allowing large exports of arms to undemocratic countries.

"Change is best directed by people closest to the problem and who have the greatest stake in the solution"

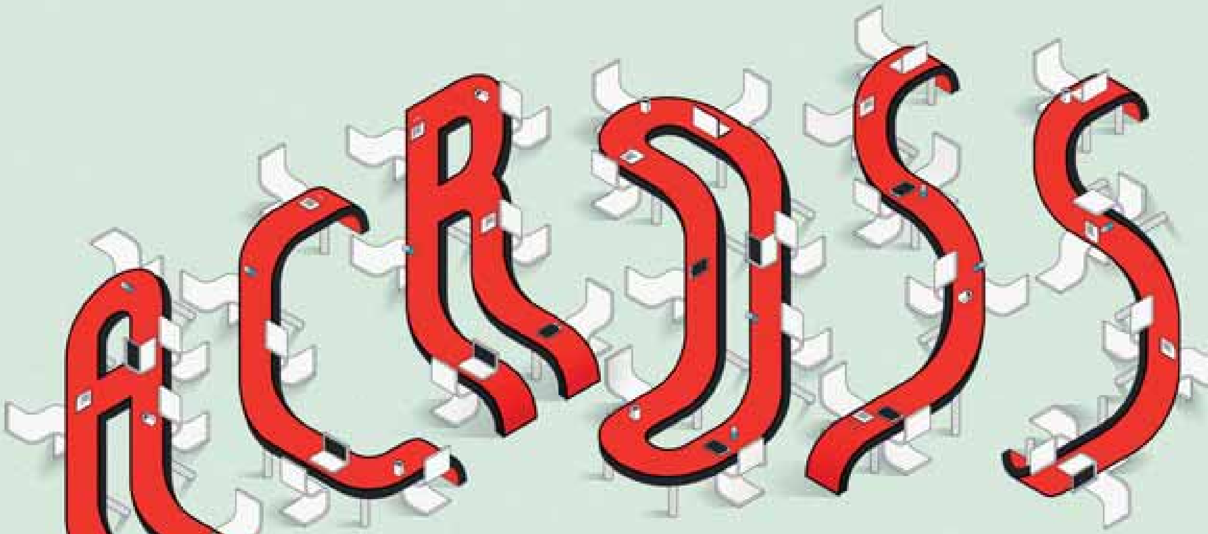
The lesson from this holistic approach to development is that aid agencies should be at the table when a broad range of government policies are being discussed, says Ingram. The UK is an example in this regard.

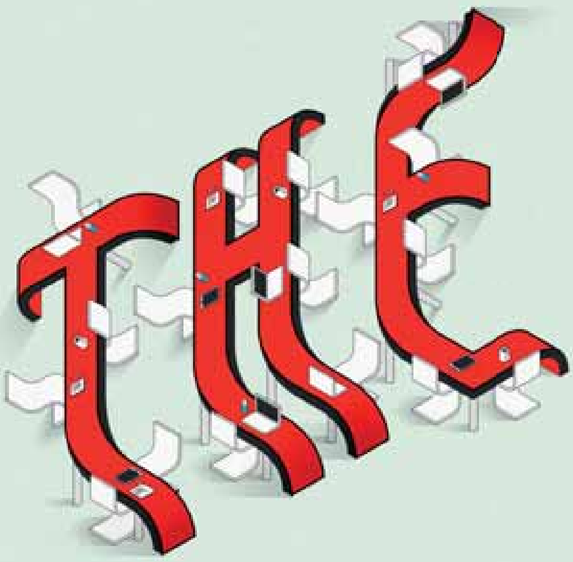
"The UK's Department for International Development has been given enough heft that it can influence other government policies," says Ingram. "Over the long term that will make Britain an even more progressive force in the world." That helps explain why the UK already ranks an impressive fourth out of the 27 nations graded in the Commitment to Development Indicator, only just behind Finland, Sweden and world-beating Denmark.

Overall, the index suggests that rich nations have a long way to go before they can really claim to be doing their best to banish global poverty. Hitting the 0.7% target might make nations feel virtuous. But it seems clear that generosity alone won't get the job done.

Below: Rice donated for victims of Typhoon Hagupit in the Philippines

EROS HOAGLAND/NYT/REDUX/EYEVINE





Getting more women into the top level of companies' governance is a sensitive subject. Helen Roxburgh looks at whether it should be done, and discovers which countries are doing it best

ILLUSTRATION BY CHARLES WILLIAMS

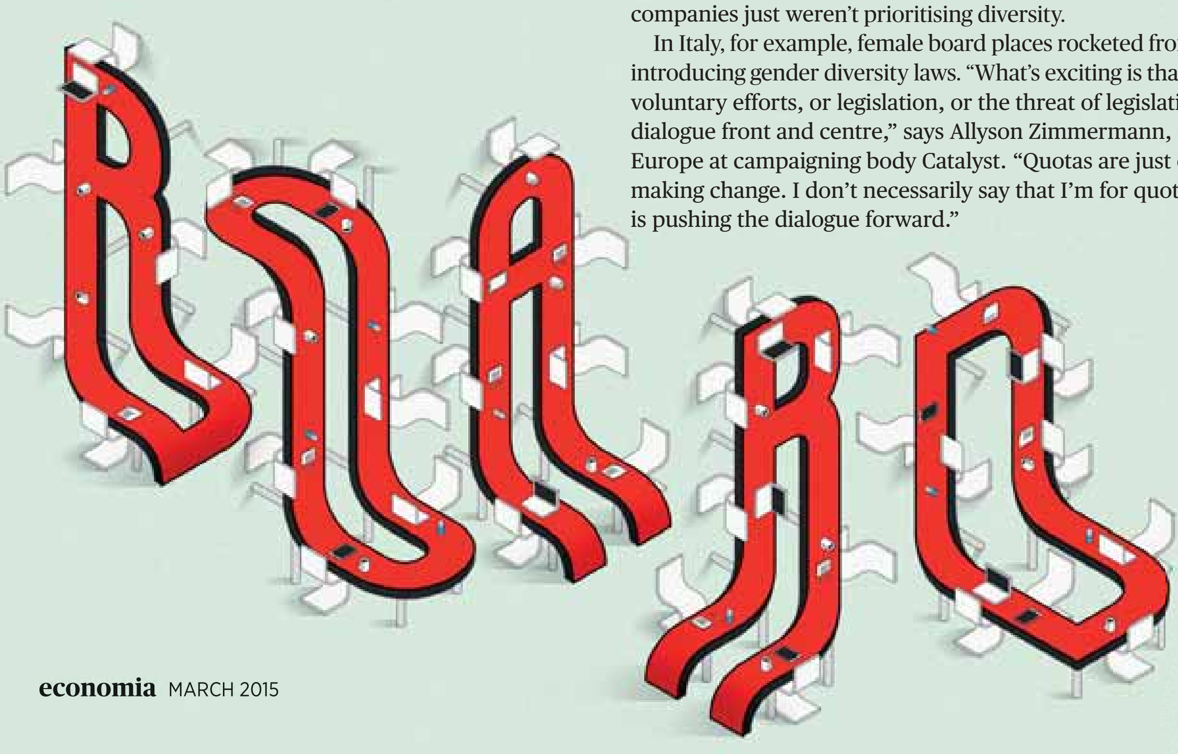
The question of women on company boards - how many to have, and how to get them there - has been one of the key business debates of the decade. Now, according to Thomson Reuters, more than half of corporate boards have at least a 10% female membership. A 2014 study from Credit Suisse concludes board diversity has increased in almost every country, reaching 12.7% globally. And among companies in the MSCI World stock market index, women currently hold 17.3% of all directorships.

But these global numbers mask huge regional differences. Women make up a higher percentage of directors in developed markets (13.4%) than they do in emerging markets (8.8%). And Europe leads the world in terms of gender-diverse boards, with women holding 39% of board places in Norway, 28.9% in Sweden and 28.3% in France.

Many of these higher numbers have been achieved in countries where legal requirements for women's representation exist, or are being considered. Unavoidably controversial, mandatory quotas have recently also been approved in Germany, Europe's biggest economy.

Supporters of quotas argue that they are worthwhile to get more women at the table, and that given the slow rate of change in some countries, companies just weren't prioritising diversity.

In Italy, for example, female board places rocketed from 8.2% to 22.1% after introducing gender diversity laws. "What's exciting is that whether it's voluntary efforts, or legislation, or the threat of legislation, it's moving the dialogue front and centre," says Allyson Zimmermann, executive director for Europe at campaigning body Catalyst. "Quotas are just one approach to making change. I don't necessarily say that I'm for quotas, but what I am for is pushing the dialogue forward."



But critics say boardroom quotas do not help create a diverse talent pipeline. "We remain of the view that quotas are not the answer," says Gay Collins, steering committee member at the 30% Club, a UK-based organisation aiming to achieve 30% female board places by 2015. "They are demeaning to women, and more importantly they don't seem to improve the pipeline of women. Companies need to just tick a box and they don't work on the longer-term solution."

Credit Suisse pointed out that, in the FTSE 100 and S&P 500, male CEOs still outweigh females by 20 to one and UK male executive directors outnumber females 10 to one. "While we do not want to dismiss or belittle the change that has happened at the board level, or its positive impact, we would feel more reassured if the presence of women at the board level was matched by their representation in top management," the report concludes.

But once women do occupy board seats, there is growing evidence to suggest it's financially beneficial for businesses. The 30% Group found companies with a higher percentage of women on boards were involved in fewer controversies, including fraud or accounting irregularities. A McKinsey study of the 89 European-listed companies with the highest proportions of women in senior positions concluded they far outperformed industry averages. And Catalyst research found that companies with more women board directors outperform by an average 26% return on investment.

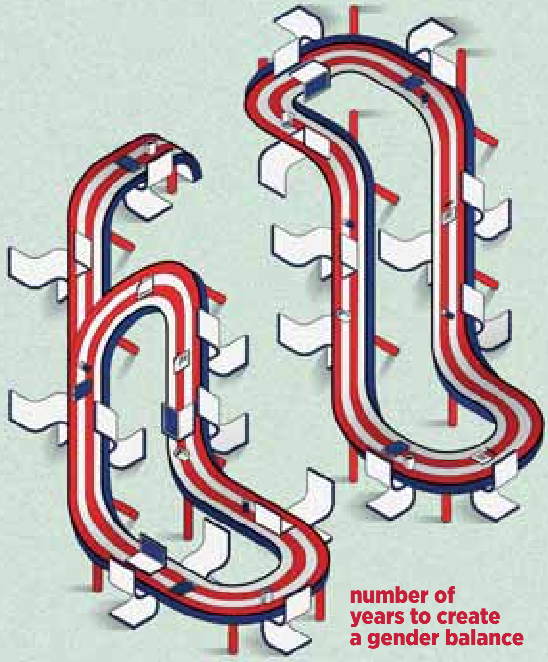
"There is a startling disconnect between the make-up of many boards and the customer and employee base of the company," says James Turley, former chairman of EY. "As we look to the future, over 75% of the employees and over 75% of the customers of nearly all companies will not be white men. Yet too many management teams and boards are over 75% white men. This is not sustainable, nor will it result in the best decisions being made by the board for the future of the business."

As the diversity debate evolves, another concern is that women are often appointed to roles that involve less decisionmaking. "Women are often siloed in managerial functions such as human resources, public relations and communications, and finance and administration, and are therefore only able to go up the ladder to a certain point in the organisational hierarchy," recent research from the International Labour Organisation concluded.

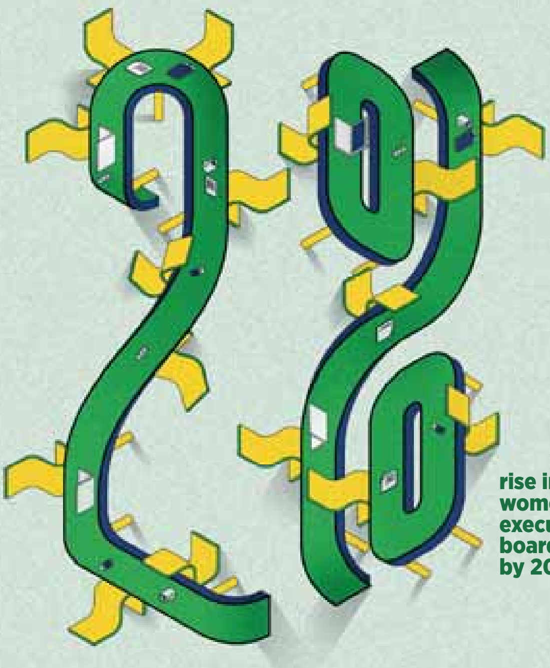
"We're not saying 'if a board is diverse, it will be effective,' " says Jo Iwasaki, head of corporate governance at ICAEW. "We believe that diversity is just the starting point to make a board and company effective. It needs to be done efficiently. The goal is to have a meaningful boardroom discussion and rigorous process and diversity should help achieving it - not to meet a number-based target."

US

Women hold 19.2% of S&P 500 board seats in the United States. In the US, diversity advocates have favoured investor pressure and voluntary change over legislative mandates. Between 2004 and 2014 the number of all-male boards fell from 55 to eight in the S&P 500. But the rate of change is slow; although about 20% of board and C-suite positions are held by women, that is just 5% higher than 10 years ago, according to data group BoardEx. The 30% Club launched its US arm in 2014 with a warning that at the current rate of change, it would take more than 60 years to achieve a gender balance. It has broadened its goal to fill 30% of all senior positions with women, and gained the support of 20 big investors, some of whom say they will not invest in a company if it has fewer than three women on its board.



number of years to create a gender balance



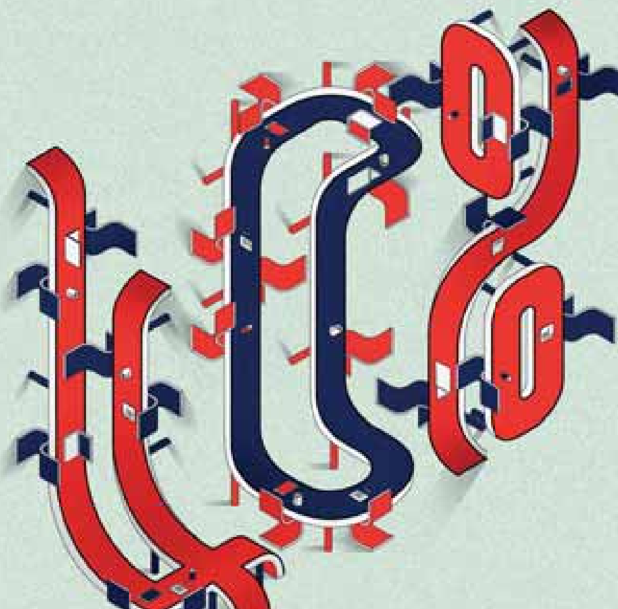
rise in women on executive boards by 2040

Brazil

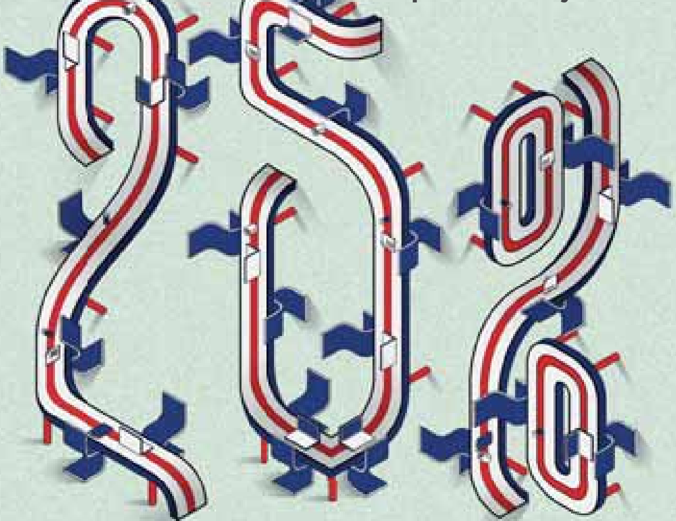
In terms of gender diversity, Brazil presents some interesting contradictions. The country elected its first female president in 2011, and its stock exchange has been particularly focused on promoting transparency in corporate governance standards, which often helps to build diversity within companies. But women on corporate boards are woefully few. The 30% Club found that women make up 6% of directors, below the average in emerging economies (8.8%). According to Catalyst's figures, there are no companies in Brazil with three women directors or more. A 2013 McKinsey & Co study into Latin America concluded that if past trends continue, it would translate into just a 2% rise in women on executive boards by 2040. However, Brazil is considering imposing a 40% requirement for women on the boards of state-owned enterprises, so this might be set to change.

UK

In the UK, a 2011 report by Lord Davies, former chairman of Standard Chartered, sought to level unbalanced gender scales. In a bid to stave off legislation, Davies set a 25% target for female board representation by 2015. A target was also set by the 30% Club, a lobbying organisation set up by Helena Morrissey, CEO of Newton Investment Management. According to Zimmermann, the UK is one of several countries where even just the threat of introducing quotas has helped to boost numbers of women on boards. Boardwatch UK figures show that in the FTSE 100, 37 companies now have 25% or more female directors, and between 2010 and the end of 2014, the number of women directors overall increased from 12.5% to 23%. There are no all-male boards.



quota of women on boards since 2007



target for female board representation by 2015

Norway

The Norwegian government introduced quotas in 2003 for 40% female directors at listed companies, warning non-complying firms could be dissolved. Women's representation on boards accordingly increased from 5% in 2000 to 40% by 2007. Although some had worried this would decrease diversity by forcing companies to compete for the same women, in fact male directors are twice as likely to sit on multiple boards. However, a 2014 study, led by Marianne Bertrand of the University of Chicago, concluded they could not find that the quota legislation had made any significant difference to the gender pay gap, or to women reaching other senior roles. "The reform had very little discernable impact on women in business beyond its direct effect on the newly-appointed female board members," the report concluded.

South Africa

In South Africa, the percentage of women on boards has increased from 18.1% to 20% over the last four years, achieving levels much higher than other developing economies. Since 2009 it has been mandatory for companies to disclose the percentage of female employees and those in senior management. PwC's Mining for Talent study found South African mining companies (a key driver for the economy) had a far higher percentage of directorships held by women – at 18.8%, it put the US (11.3%), UK (10.1%) and China (5.9%) to shame. In addition, the Broad-Based Black Economic Empowerment Act of 2003 sought to bring empowerment to the country's "historically disadvantaged", including black people and women. The act has played a key role – one of its objectives was to increase women's access to skills training and "economic activities".

directorships held by women (mining companies)

Eileen Taylor, chief executive, Deutsche Bank UK

Eileen Taylor was formerly global head of diversity for Deutsche Bank, a post she held for four years. During this time, the bank focused on increasing the pipeline of senior women at the firm. The real challenge according to Taylor, who still chairs the UK diversity council for the bank, is no longer about getting more women on boards. At Deutsche Bank the supervisory board is at 35% female representation. "I'm more concerned about getting more women into executive positions," Taylor says. "This creates a broader talent pool for board positions down the road."

She says we need to recognise that "unconscious bias" often exists in boardroom meetings. "It's encouraging that people understand we need broader representation among the key decisionmakers, that we all have unconscious biases, and we need to try to educate ourselves about our own unconscious bias."

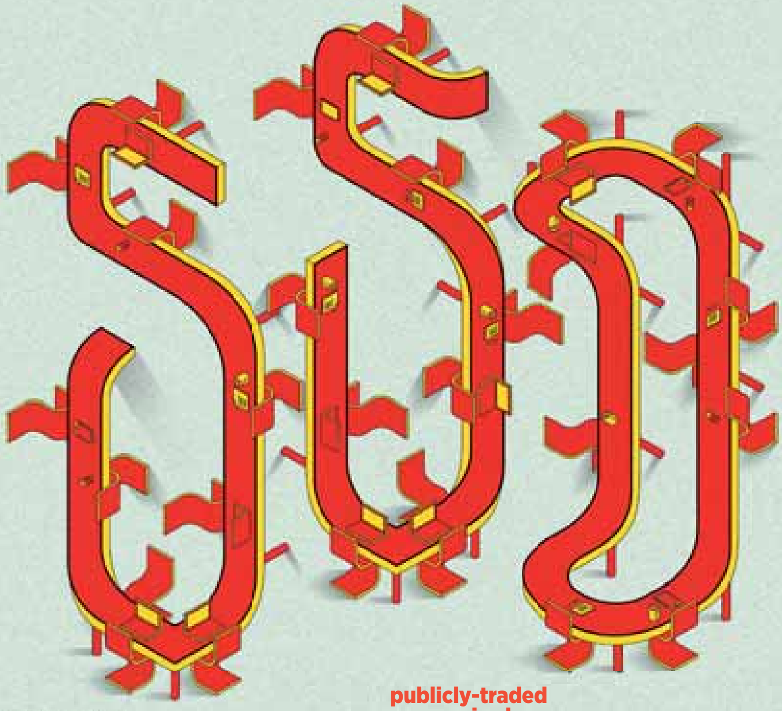
She says, for example, women might be passed over for promotion or overseas postings because selection committees assume women with children will not be interested.

"I've heard people say 'her husband has this job' – but I know a lot of cases where the women are the main breadwinner in the family. I would say, don't make assumptions about challenges that might require travel, moving countries, or different hours based on what you might assume people want."

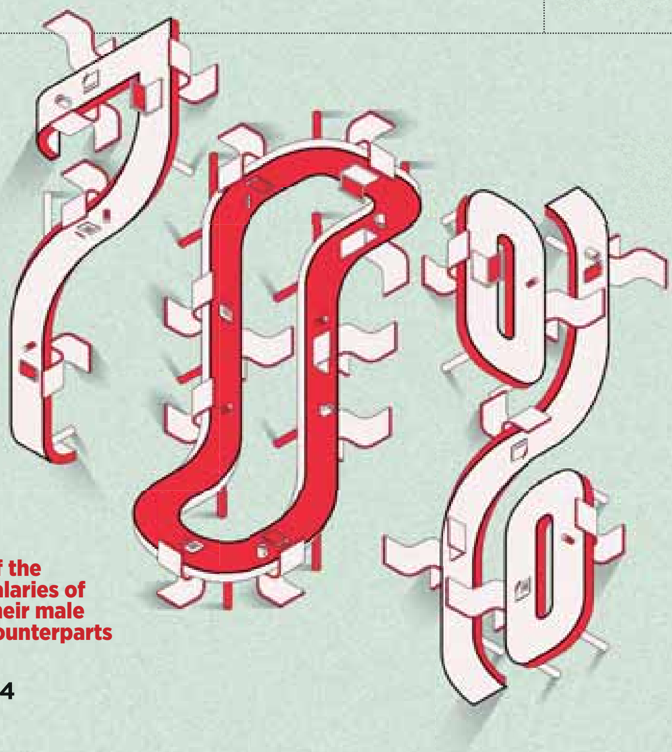
In short, progress comes with more diversity across all levels of a business. "I would like to see more training of managers and leaders, an increase in governance bodies employing diverse people, and diverse selection committees bringing diverse opinions. I think that will start to make a difference."

China

China is first among emerging economies for women holding CEO posts, according to Bloomberg research. More than 550 publicly traded companies in China (about 21% of the total) have women on their boards, and it is home to two of the four listed companies in the world with all-female boards. The one-child policy and strong family support networks, which ease child-care responsibilities, have been key factors to support women in business. Changes to improve corporate reporting are on the agenda – the Hong Kong Stock Exchange now requires companies to disclose whether they have adopted a diversity policy, and if not, why. If this policy is successful in Hong Kong, it seems likely Beijing will consider similar measures for the mainland.



publicly-traded companies have women on boards



of the salaries of their male counterparts

Japan

Japan's companies rate the worst in the industrialised world for board diversity. According to the first global census from Catalyst, only 3.1% of board places are held by women. In 2013, prime minister Shinzo Abe set a goal to increase the percentage of women in leadership positions to 30% by 2020, even offering companies tax incentives. He also set a target to reduce the pay gap – women earn on average 70% of the salaries of their male counterparts. There were high-profile successes, with Chie Shimpo becoming the first woman in 70 years to head the banking arm of Nomura Holdings, and Hideko Kunii appointed as the first woman to Honda's board of directors. Abe also received international praise for appointing five women to his cabinet last year, bringing female representation up to 26% from 10%. But, in the run-up to the recent general election, Japan's gender gap was barely mentioned, and only 169 of 1,093 candidates were women.

REACH FOR THE SKY

Director of Finance **Sophia Ahmad** and Financial Controller **Charlotte Scott** talk to Emily Bamber about working life at Sky

WHAT IS IT LIKE WORKING FOR SUCH A DYNAMIC ORGANISATION?

Charlotte Scott: "Sky is an exciting place to be a finance professional - the work is varied, fast-paced and challenging. Finance is at the table in all major decisions, and you always have a balance between support and challenge. There are a variety of different roles within finance that allow you to develop your technical skills or commercial skills, all of which allow you to have a real voice within the business."

WHAT ABOUT CAREER DEVELOPMENT?

CS: "Training happens at all levels. If you're in the graduate or apprenticeship programme, you can work towards a qualification as well as having on the job training. As a qualified accountant, you can access a wide range of skills courses, which change as your experience grows. For example when you become a financial controller you receive management training."
Sophia Ahmad: "There are regular opportunities for promotion and the process is transparent and diverse - 50% of those recently promoted to financial controller were women. I joined as a newly qualified accountant and in 10 years I've become a director. We recently acquired Sky Italia and Sky Deutschland, so there will be opportunities to work abroad as well."
CS: "When you join Sky Finance, you move around the business and work in different areas. I've been financial controller at Sky News and I'm about to take on a new role in product design and development. That variety is incredible."

HOW EASY IS IT TO BALANCE WORK WITH HOME LIFE?

CS: "People use flexible working where their role allows. You can also swap bank holidays - for example to celebrate religious festivals. There is an onsite gym, free cycle hire and cycle to work facilities, and of course, everyone gets free Sky TV."
SA: "The maternity benefit is six months' full pay once you've worked here for 12 months, and there are coaching sessions to help new parents manage the transition. The technology is obviously great, so we have all the facilities you need to work remotely. There is an internal social network called Parents@Sky and like most employers, Sky offers childcare vouchers."

HOW IMPORTANT IS DIVERSITY IN YOUR WORKPLACE?

SA: "Sky develops content and products that address all aspects of the UK population, so it is critical that our workforce understands and represents our customer base; not just with a fair balance of men and women, but also in terms of ethnic minorities, disabilities and age groups."
CS: "There's a strong business case for diversity; studies have shown it drives ideas, debate and innovation. Sky prides itself on its innovative culture, for which diversity is critical."

WHAT ADVICE WOULD YOU GIVE WOMEN WORKING IN FINANCE?

SA: "Create a strong network around you for support during the different stages of your career. I'd also like to see women put themselves forward more and focus on their strengths."
CS: "Have the confidence to take on new challenges and then learn how to articulate clearly what you've achieved."

WHAT OPPORTUNITIES ARE AVAILABLE?

SA: "We recruit graduates twice a year, have a new finance apprenticeship programme and we are always looking for great people to join. We have opportunities in Commercial and Corporate Finance."

sky

http://www.workforsky.com/

THIS WOMAN'S WORK

Women hold just 24% of top jobs around the world. Why so low? And what can be done to shift the balance? *economia* asked a group of successful women for their thoughts. Amy Duff compiles their answers

PHOTOGRAPHY: MARTIN BURTON

On the 8th of this month, International Women's Day (IWD) will be celebrating the economic, political and social achievements of women. Its theme this year is 'Make it Happen' - for more women in senior leadership roles, for example, and for greater awareness of women's equality.

For, as the Business, Innovation and Skills (BIS) Committee's report *Women in the Workplace* (2013-2014) has made clear, there are still issues surrounding the position of women at all stages of their career and at all levels of the workforce.

"It is an individual's right to have the opportunity to reach their full potential," says the report. "If that does not or cannot happen, it is a waste: a waste to that individual; a waste to the economic benefit of the country; and a waste to society."

With this in mind, *economia* invited a group of successful women from business and the profession to Chartered Accountants' Hall to discuss why the issues of gender diversity and women's equality remain on the pages of magazines like this one and why greater diversity in business and society matters to all of our readers.

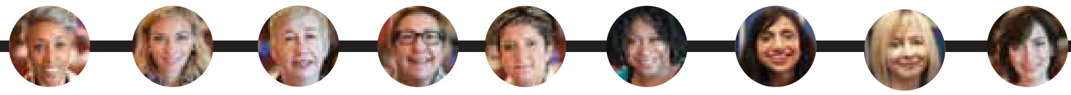
The questions up for discussion were raised off the back of various pieces of research and programmes such as ICAEW's Women in Leadership, which supports women working across practice, industry and the public sector who are aiming for management, partner or board roles.

Research from Grant Thornton found that the proportion of women holding the top jobs around the world in 2014 was 24%. That was the same proportion as 2013, 2009 and 2007, and only 5% higher than the 19% recorded 10 years ago in 2004.

Why has the pace of change stalled, we asked. Would it help if businesses better understood what they could gain from greater diversity?

When BIS sought written evidence for its *Women in the Workplace* report, BBC Radio 4's *Woman's Hour* asked its listeners to contribute with stories of their experience in the workplace. Flexible working cropped up often. Listeners suggested that there is often an inconsistency between employers having a policy of encouraging flexible working in principle, and their inability to implement it in practice. Flexible employment can work, but only when it is fully integrated into the workplace structure.

ATTENDEES
Dr Yvonne Thompson CBE, *entrepreneur and author*
Sarah Bell, *partner, Grant Thornton*
Dr Rona O'Brien, *dean of business and management, GSM London*
Teresa Graham CBE, *NED, British Business Bank*
Liz Bingham OBE, *partner, EY*
Sonia Brown MBE, *founder, National Black Women's Network*
Dr Nina Sharma, *lecturer in accounting, Cardiff Business School*
Carla Edgley, *lecturer in accounting and finance, Cardiff Business School*
Rhonda Martin, *senior talent development manager, ICAEW*



Grant Thornton's 2014 research also revealed that support for the introduction of quotas to get more women on boards was growing, particularly in the EU (from 33% to 41%), where the imposition of quotas are most likely.

So what was the feeling around quotas at the *economia* discussion? If the UK has reached a tipping point is regulation the only way to achieve a true step change? Or can businesses and society be convinced to implement measures themselves, and if so, what and how?

The *Women in the Workplace* report reveals that there remains a "stubbornly persistent" and significant disparity between the salaries of men and women: the gender pay gap is currently at 9.6%. This, of course, varies according to methodology used. But as the Employment Lawyers Association said: "The statistics clearly highlight that a significant gender pay gap continues to exist in the UK."

What impact does this have on the career paths of women? What does it mean for corporate governance, transparency, leadership and reputation? And ultimately, whose responsibility is it to drive the change?

THE RECOMMENDATIONS
Increase the pace of change;
Real models, not role models;
More mentors and support networks;
Cultural change and leadership;
Regulation and corporate governance;
Financial incentive.

The *economia* discussion yielded the above list of proposals and areas of consideration for government and business.

If nothing else, we hope it encourages readers to think about what sort of companies and organisations they run, whether they nurture all staff at all levels, and whether they are set up to ensure long-term commitment and therefore economic sustainability.

As the BIS report concludes: "We cannot wait another 40 years for equality at all levels of the workforce, and for the resulting economic benefits to be delivered."

INCREASE THE PACE OF CHANGE
"The problem is not that women are leaving the business and not coming back. It's that they plateau," says Liz Bingham. "Their career starts advancing around senior manager level where we would see 40%

“Instead of role models, we should be talking about real models: People who are doing what we are proposing. We’re not playing a role; we’ve been there. Women don’t see any real models they would like to follow”

Dr Yvonne Thompson CBE, *entrepreneur and author*

women and 60% men. But at partner it is 17% women. There’s something happening between that senior manager and partner level that means women aren’t advancing.”

“This is the biggest opportunity in history for women,” says Sonia Brown. “We have been able to push, to say ‘no more’, and other women across the world are looking at us to keep pushing.”

Dr Yvonne Thompson adds: “Since 1983 I find myself sitting at the table saying the same thing over and over. Whichever government it is, it’s the same issues. We need to move that conversation on and make something happen.”

REAL MODELS, NOT ROLE MODELS

“We should be talking about real models: people who are there, doing what we are proposing to do,” says Thompson. “We’re not playing a role; we’ve been there and done that. Women don’t see any real models they would like to follow. We need to encourage the women who are there to share their stories and how they’ve done it.”

“Real model is interesting but with both male and female you need to find them,” says Teresa Graham. “They need to be people of influence.”

Bingham says: “I’m working class, state school- educated, from a very ordinary background, not a graduate, I’m gay, I’m a woman… There are a lot more people like me, but they tend to be a bit more conformist once they’re in the door.”

MORE MENTORS AND SUPPORT NETWORKS

“It’s about what the mentors share; what they can teach. Who they can pull up, mentor, coach and sponsor… Opening their black books,” says Thompson.

“It does make a difference where there’s a critical mass of women,” says Carla Edgley. “That becomes a catalyst for change because there’s a momentum there.”

“We’re not talking [enough] about determination, resilience. I did face obstacles and challenges and issues… The next generation want to hear it, they want to know what it’s like, we’re not preparing them for the real world,” says Brown.

CONFIDENCE FROM CLASSROOM TO BOARDROOM

“We’ve got to start early,” says Bingham. “My worry is that the first time the new generation starts to experience any type of prejudice is

> "My worry is that the first time the new generation starts to experience any type of prejudice is when they join our businesses. They come through school and university and they haven't experienced any kind of prejudice, and it's happening in the workplace. It's a major issue for us"

Liz Bingham OBE, *partner, EY*

when they join our businesses. They come through school and university and they haven't experienced any kind of prejudice, and it's happening in the workplace. It's a major issue for us."

"When they enter the workplace, women are on a relatively level pegging with men. They don't seem to be aware of the issues at that point," says Edgley. "These issues rear their heads when women are slightly further on in their careers."

"Men have a trick that we miss – and that isn't being macho," says Rona O'Brien. "Men have no problem between a gap of what they are and what they project. Women feel guilty about that gap. It's about great confidence."

"People get in the way of themselves, as opposed to other people getting in their way," says Sarah Bell. "So what sort of support, mentoring and coaching do you put around that?

"Unfortunately, given that our senior teams are generally male, that tends not to be the right coaching because they don't talk the same language."

"We should be unleashing our feminine spirit. What's the point of having a woman on a board if you're going to act like a man?" says Brown. "It's about having confidence in your style of management, in your style of leadership, and owning it."

"It's also having confidence in your competence," says Bingham. "There is this hypothesis that women get promoted on the basis of performance and men on potential. Could we move the dial for women to feel more confident about their potential, in the same way that men are?"

"I wouldn't be debating competence at this level," argues Brown. "I'd say it's a given I have the skills and experience to move forward in my career. It's about how I make that difference and have that impact."

CULTURAL CHANGE AND LEADERSHIP

"It's about understanding the language and currency that your organisation values," says Rhonda Martin, "and the difference between communicating to analytical, numerical types and what the Diversity and Inclusion team is trying to do."

"As humans we are quite conservative because we feel things work better if we all fit," says O'Brien. "I've had to change my style in every organisation. That's not changing me, “If we had a quota with a comply or explain element to it, so people had to think about how they are encouraging female diversity and they’ve had to explain why they haven’t complied, then there would be some balance”

Sarah Bell, *partner, Grant Thornton*

that’s changing the presentation of me in order to be more effective.”

“If you have a leader who people want to become, and you say this is how it’s going to be, we’re going to make this happen, people buy into that much more quickly than if you send them on a diversity training course,” says Brown.

“It’s also about legacy because, you may have a fantastic leader, but as soon as he or she leaves, if something is not in place for the next person, then who holds them to the previous commitment?” asks Thompson.

“Training gets lost without support or follow through,” says Edgley. “There’s a lot of good stuff happening but how does it cascade down?”

“We see great initiatives but it gets lost in translation in the workplace,” agrees Nina Sharma.

“It’s a balancing act,” says Martin. “If you go under the radar, that’s one way, if you rock the boat, that’s another way, and there’s something about learning from setbacks.

“The energy and time needed for influencing key stakeholders is always more than anticipated so the danger is that momentum may be lost if we don’t keep focused on this agenda as part of the broader diversity and inclusion focus.”

“When I look at the 30% Club, that’s a certain type of woman, from a certain background... There’s nothing attractive about that to me,” says Brown.

“You have to be careful,” cautions O’Brien. “My background was privileged, my father took us all out of school at 16, he said, ‘you’ll get married, you’ll have a rich life’. I am the only woman in my family who has a profession, who actually made it.”

REGULATION AND CORPORATE GOVERNANCE

“If we had a quota with a comply or explain element to it, so people had to think about how they are encouraging female diversity and they’ve had to explain why they haven’t complied,” says Bell, “then there would be some balance.”

“Norway has quotas - the women flocked to become non-executives on boards. And now the number of executive women running businesses is low, they have completely lost the pipeline. There’s a massive gap at the top,” says Graham.

“The double-digit representation of women on the FTSE is mostly made up of NEDs,” adds Bingham. “It’s roughly 4% at executive level. But then the executive roles don’t

> “If you have a strong leader who says: ‘This is the way we do business and it will be part of your performance review’ then you’ll see change. If it affected your bonus, you’d find ways of dealing with it”

Sonia Brown MBE, *founder, National Black Women’s Network*

come up for replacement and renewal as often as NED roles.”

“There should be quotas with a time limit,” suggests Thompson. “We need a push; the opportunity for women to come through more easily, but give it a certain amount of time for that encouragement.”

“Everyone is trying to get their head around integrated reporting,” says Bell. “How do you measure culture, sustainability, purpose…? How do you make sure there is diversity in businesses, and how do you carry through that agenda as well?”

“We’ve implemented comply or explain, so if you have 40% women and 30% BME [black and minority ethnic] at a particular grade, we expect to see performance ratings and promotions in the proportion of your population,” says Bingham.

She continues: “It’s really moving the dial, because all of a sudden it becomes transparent.”

FINANCIAL IMPERATIVE

Brown says: “If you have a strong leader who says: ‘This is the way we do business and it will be part of your performance review’ then you’ll see change. If it affected your bonus, you’d find ways of dealing with it. It’s always about the bottom line. We should be saying to organisations: ‘If your boards are not diverse, we are taking our money somewhere else.’”

“At Proctor & Gamble they said to all of the senior people: ‘Your bonus will be based on demonstrating who you’ve mentored, who you’ve sponsored, how you have moved the dial [on diversity]’. In 10 years they’ve made massive change,” says Bingham.

“I like that lever. It’s more effective than regulation that you can always duck and dive,” says Graham.

She continues: “When I was a lass in the frozen north in the 1970s, women accountants were rare. I only got on because my clients liked me. I couldn’t be ignored. They asked for me. So I had to be supported - because I was good for business. Who is contributing, who is bringing in the business, who is making the profits?”

O’Brien adds: “Businesses are aware of reputation and pressure can be put on them in various ways.”

“There are pinchpoints of reward. If you mix your corporate social responsibility up with your remuneration committee statement and then justify what you’ve done then watch out… If we widen these areas of reporting we might start getting somewhere,” concludes Graham.

INSPIRATIONAL FEMALE 30

We've gathered the smartest advice from some of the world's most successful women. Here are their views on what makes a strong leader and their advice on the finest ways to harness ambition

"It's important that there is at least one other person on the board who you believe you can 'triangulate' with; someone who will back you up when you challenge the status quo"

BARONESS SARAH HOGG, former chairman of 3i Group and first female chairman of a FTSE 100 company

"Regardless of gender, CEOs are measured by the same criteria – the growth and success of the business"

SUSAN WOJCICKI, CEO, YouTube

"It's not just about the vision - you have to manage things through to the conclusion"

ANNE TUTT, director, Adventure Capital Fund and member of the audit committee at the Home Office

"90% of leadership is the ability to communicate something people want"

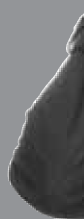
DIANNE FEINSTEIN, US senator

"On this side of the Atlantic, ambition is still a dirty word - as if, somehow, it's invariably prefaced, invisibly, by the adjective 'ruthless'"

JOSEPHINE FAIRLEY, co-founder, Green and Black's

"Successful business people tend to have highly-tuned bullshit radars and a natural ability to get right to the heart of things, which means they are able to make reasoned judgements quicker than most"

DEBORAH MEADEN, investor and businesswoman



"Passion is a gender-neutralising force"

MARISSA MAYER, president and CEO, Yahoo

"My motto is: 'When you start getting comfortable, get uncomfortable.' That's the only way to achieve what you're truly capable of"

RUBY SHARMA, partner and principal of the Centre for Board Matters, EY

"Turn your devices off an hour before you go to bed, have a bath and get eight hours' sleep. Learn to 'unitask' again. You are at your most effective when you are only doing one thing at a time"

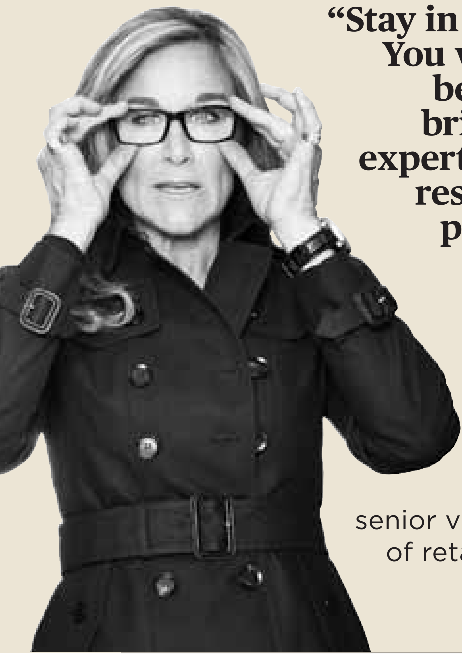
ARIANNA HUFFINGTON, co-founder and editor-in-chief, *The Huffington Post*

"If you're successful, it's because someone gave you a life or an idea that started you in the right direction. Remember you are indebted to life until you help some less fortunate person, just as you were helped"

MELINDA GATES, co-founder, Bill & Melinda Gates Foundation

"There isn't a magic formula for managing people well. There are basic principles of clear direction, accountability and support but, generally, to motivate individuals you have to find out what makes them tick"

THERESA SPENCER, CFO, Parseq



"Stay in your lane. You were hired because you bring certain expertise. Try to resist putting pressure on yourself, trying to learn it all on day one"

ANGELA AHRENDTS, senior vice-president of retail and online sales, Apple

"Put yourself forward and claim your victories – keep score. Don't wait for approval from others; write down your achievements and don't be too humble to share them"

CHARLOTTE BEERS, first female vice-president of JWT advertising

INSPIRATIONAL FEMALE 30

Wise women in business on confronting sexism in the workplace, their approach to juggling childcare commitments, and what needs to change for there to be a 50-50 gender balance

"My mentality is, our customers are a balance of men and women so shouldn't those serving them reflect that?"

HELEN ROSE, COO, TSB

"I always say, women have brains and uteruses, and are able to use both"

BARONESS KARREN BRADY CBE, vice-chairman, West Ham FC

"As a woman, I wasn't allowed to write reports. I complained to personnel. They said: 'That's what it's like: either put up or get out.' I got out"

MARGARET HODGE, of the Public Accounts Committee, on starting at Unilever

"The more women help one another, the more we help ourselves. A coalition truly produces results"

SHERYL SANDBERG, COO, Facebook

"I do still think that childcare is a big issue and you have to be earning a certain salary level to make it financially viable to work. Help with addressing that, and flexible working, is really important"

EMILY TATE, CFO, Office

"I see first-hand the pressures women are under during the transition phase [after having children]. Should I be at home, should I be developing my career? What is the right way? I'm just interested in trying to see a better balance"

HELENA MORRISSEY, CEO, Newton Investment Management and 30 Percent Club

"Being female worked to my advantage: I was noticeable because I was different"

YVONNE CRAGGS, retired, formerly a chartered accountant at KPMG

"I was the first female audit partner. I remember one partner saying: 'I'm very pleased we made Mary partner but what are we going to do with her now, because which company chairman is going to want to talk to a woman about his business problems?' He wasn't sexist himself, he was recognising that the marketplace was changing, but had yet to fully change"

DAME MARY KEEGAN, former head of government finance and winner of ICAEW's Outstanding Achievement Award 2014, on starting out at PwC in 1985

"There is chauvinism or misogyny in any industry. If a woman's got it in her, then for God's sake, fight, go for it, get there"

HILARY DEVEY CBE, CEO and chairman, Pall-Ex Group

"When I started in the City in 1985, women were in the minority. But now there is a huge pool of female talent, a lot of it buried. We're all guilty of talking about women on boards as if we're a novelty. It can feel tokenistic. But until we address the issue of getting more women into the management pipeline, it will be tough to change"

CHRISTINE HODGSON, chairman, Capgemini UK

"When I became finance minister they called me Okonjo-Wahala – or 'Trouble Woman'. It means, 'I give you hell.' But I don't care. I'm a fighter; I'm very focused, and relentless in what I want to achieve, almost to a fault. If you get in my way you get kicked"

NGOZI OKONJO-IWEALA, finance minister, Nigeria

"Having my first child was probably my biggest career challenge. I have been fortunate my firm has been so flexible"

NAIMA SIDDIQI, director, Eximus Capital

"Quotas are seen as taboo. But everything the industry has tried for 20 years hasn't really worked. So, why not try quotas? A lot of women don't naturally have the self-confidence needed in the City. We need to help them grow that"

SANAZ ZAIMI, global co-head of fixed income, currency and commodity sales, Bank of America Merrill Lynch

"When I was training there would be four women and 60 men on a course. When you went into an office, people would look as if to say: 'Why's she here?' and they wouldn't discuss things. I never let that stop me. You had to be very determined, and I was"

JACQUI DODDS, retired chartered accountant and first female president of ICAEW's Beds, Bucks and Herts Society

THE GENDER DEBATE:
Does it pay to discuss it?

JAN BABIAK, NED at Experian, Bank of Montreal, and Walgreens, on winning one of the CBI's inaugural First Women Awards – and receiving 50 emails from women telling her how encouraging it was:

"I was floored because they weren't women I knew. No matter how uncomfortable it is to be in the limelight, you have a responsibility to be there so that other women know they can do it too"

SUSAN DAVY, finance and regulatory director, South Wales Water:

"I believe success is merit-based, regardless of your gender, age, race or background"

DAME WENDY HALL DBE, professor of computer science, University of Southampton and former president of the British Computer Society

"Every minute I'm talking about women in science or talking to young women, my male colleagues are writing the research papers, getting the grant proposals [and] getting increases in salary"

MIKE ABRAHAMS/BG GROUP, CORBIS, TOBY COULSON, EYEVINE, GETTY, DAN HALLMAN, FELICITY MCCABE, CLARA MOLDEN/CAMERPRESS, BILL MORTON, KAI NEDDEN/CAMERA PRESS, LAURA PANNACK/CAMERA PRESS, REX, TOM STOCKILL/CAMERA PRESS

LEADING BY

The UK's General Election is looming. In a political arena that is increasingly personality driven, leadership consultant Jo Owen gives his judgement on which party leader has the charisma and qualities to be prime minister

The great election race is under starter's orders. This is a guide to the form of each of the runners in terms of leadership – not in terms of popularity or policies. The most effective leader is not always the one you like the most. The starting point is to decide what makes a good leader. To short cut that long debate, I will use Henry Kissinger's definition: "Leadership is the art of taking people where they would not have gone by themselves." That means leadership is about what you do, not your title. It is possible to be prime minister and not lead. Arguably, only two prime ministers since the Second World War passed the Kissinger test: Clement Attlee (the welfare state) and Margaret Thatcher (Thatcherism). When I ask groups to name what they remember of each prime minister since 1945, these are the only two who are remembered as they would hope to be remembered. Some are completely forgotten (Alec Douglas-Home, anyone?). Others are remembered for trivia: "Events, dear boy, events", "the white heat of the technological revolution", or for disasters: Suez, three-day weeks, Iraq.

To push the leadership test further, I have picked out seven characteristics political leaders need to succeed:

ARE THEY IN CONTROL?

You can't lead if you are not in control. Just because you have the title of CEO or prime minister, that does not mean you are in control, it is simply an invitation to take control. Achieving the top job does not necessarily mean you are a good leader, it means you have managed your career well.

Most of the party leaders have trouble with this basic requirement. David Cameron struggles to control the eurosceptics. Scottish Labour is distancing itself from Ed Miliband, playing up its Scottish credentials against the "London leadership". Nigel Farage leads a party without a party machine, the result is a steady stream of scandals he is unable to stop. He may be able to lead, but it is not clear he can manage.

The Green Party's Natalie Bennett heads a movement that is not too keen on leadership. Party leaders in Brighton (which they run) and Scotland are still called convenors to avoid the "L" word. Green MP Caroline Lucas joined strikers on the picket line to protest against

"Nick Clegg has held his party together in the face of massive pressure for nearly five years"

the Green council in Brighton. The movement itself appears to be far stronger and more sustainable than any one leader, who will always struggle to be in meaningful control.

Nick Clegg lost the Labour-leaning part of his party as soon as he entered the coalition. Since then he has held his party together in the face of massive pressure for nearly five years with membership recently rising. He passes this test. Nicola Sturgeon is riding high after her election to the SNP leadership, and has faced no serious challenges since. She passes by default, but is yet to prove herself.

WINNERS BY DEFAULT: STURGEON AND CLEGG

Y EXAMPLE

CAN THEY MOTIVATE PEOPLE?

Research shows leaders struggle here - 65% of leaders think they motivate well, only 32% of their team members agree. Think of bosses you have worked for and this statistic will not surprise you.

For politicians, motivation is even harder: The more they motivate their followers, the more they motivate their opponents.

Farage and Sturgeon create very enthusiastic supporters who will accept no criticism of their party or leader. They generate equally vigorous opposition from people who cordially loathe them. Meanwhile, the Greens are more motivated by their cause rather than by their leader.

Cameron, Miliband and Clegg by comparison generate more lukewarm support. Often, their strongest advocates are followers who want to keep the other lot out.

Motivation is a zero-sum game for politicians. The more you motivate your side, the more you mobilise the opposition. You cannot win. Arguably, the best leaders (for instance, Thatcher) look beyond this. They accept vigorous opposition as the price for making a difference.

WINNERS: NO WINNERS IN THIS ZERO-SUM GAME

ARE THEY HONEST AND TRUSTWORTHY?

Every two years, market research organisation Ipsos MORI conducts a survey on who the public trusts. Doctors, scientists and teachers do well. Bankers, journalists and estate agents do poorly. Politicians are bottom of the list. This is a problem, but also an opportunity: If you are the trusted politician, then you will stand out from the crowd.

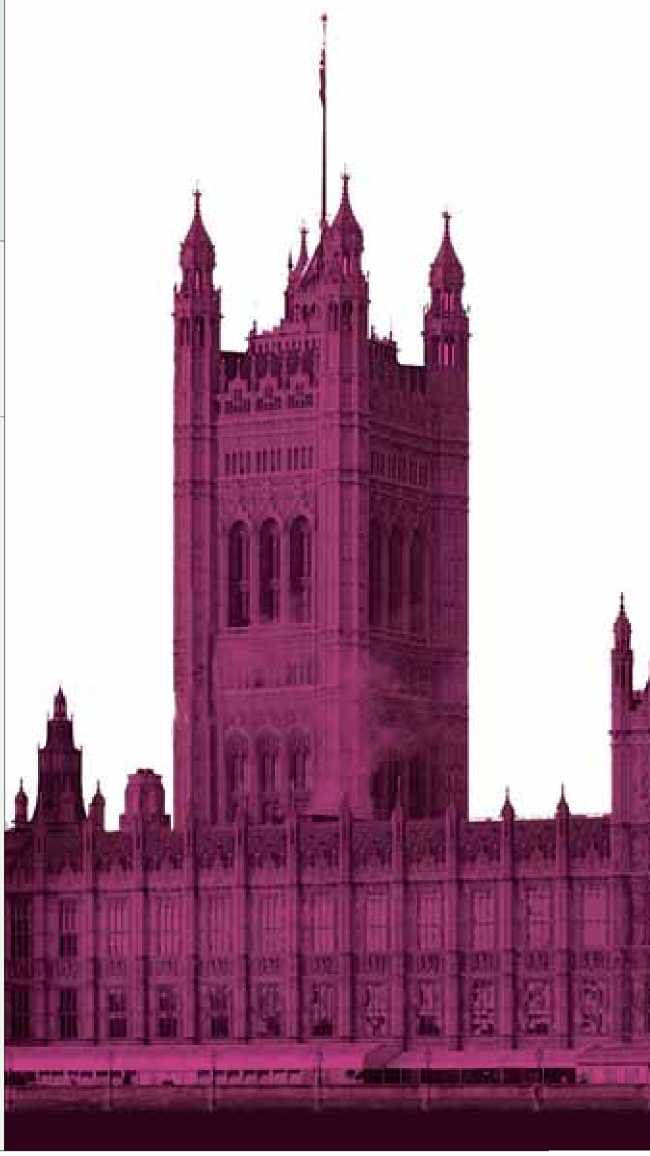
The leadership version of honesty is tough. It is about being ready to tell it like it is, even if that means having difficult conversations about expectations and performance. Honesty is not about ethics and morality, but trust. No one wants a leader they do not trust.

Cameron and Miliband do what politicians always do, they use nuanced words designed to avoid offence; they throw mud at each other; they make promises which events unravel. They are hard to trust. Sturgeon was party to outrageous referendum claims and Farage thinks immigrants are the cause of traffic jams on the M4.

That leaves Clegg, whom the public distrust because of his reneging on a written promise to prevent tuition fees rising. He admitted guilt and made a full apology in a much-parodied video. That should make him more trustworthy than most, but public opinion is against him on this.

Possibly the one winner is Bennett. She clearly acts as she talks. For instance, she took the train to Croatia for a conference to avoid flying. But she has not yet been meaningfully tested by the media.

WINNERS: THERE ARE NO WINNERS IN THIS CATEGORY EITHER, BUT WATCH BENNETT



ARE THEY RESILIENT?

Leadership is hard work. Often the difference between success and failure is as simple as giving up. In the course of a 40-year career, many potential leaders just give up. But the best keep going: Winston Churchill got the top job aged 65 after decades in the wilderness.

All of the party leaders show great resilience under huge pressure. The average chief executive does not have the media ready to pounce on every action and every word; they do not have to suffer an active opposition which denigrates them at every turn. Most business leaders would struggle to last one year under such unforgiving pressure and scrutiny.

In this category, all the party leaders are winners. But there are three special mentions.

Farage suffered a near fatal accident during the last General Election: It seemed to invigorate him and he went from a maverick who was ignored to a maverick who is loved or loathed. Cameron lost his son, Ivan, in February 2009, then powered straight on with his 2010 general election campaign.

And, rightly or wrongly, Clegg has been the object of public scorn, and abuse by the media and opposition for nearly five years. He has not cracked once. If he ever lost his cool, it would have finished him. He represents a masterclass in resilience.

WINNERS: ALL THE PARTY LEADERS WIN, WITH SPECIAL COMMENDATIONS FOR FARAGE, CAMERON AND CLEGG

"Farage came from being a maverick who was ignored to being the maverick who is loved or loathed"

DO THEY HAVE A VISION?

Thatcher and Attlee had strong visions and are very much remembered. I put our current party leaders to the 25-year test - how will they be remembered in 25 years' time?

They will not like the answer. Miliband and Cameron have dividing lines and positions, and these matter. But the vision thing is elusive for them. Clegg is caught between them and gets lost as a result. That leaves the challenger parties led by Farage, Sturgeon and Bennett.

They all have clear visions. Strong visions provoke strong reactions. For every visionary who leads you to the "promised land", another marches you straight back into the desert. You choose which type of vision they have.

The problem with visionaries is that they often struggle with reality: UKIP is struggling to produce a manifesto; the SNP with a low oil price would struggle with independence; and the Greens have found the reality of government tough in Brighton.

NO WINNERS: VISION AND PRAGMATISM APPEAR INCOMPATIBLE

ARE THEY POSITIVE?

Think about the best and worst leaders you have worked with. You may struggle to remember the details of all their triumphs and battles, but you will remember what they were like. The best were likely to be positive, energetic and supportive.
It is hard to find a good leader who is cynical and negative. But since politics involves attacking other parties, few of the leaders appear positive. Even the Greens have turned negative with their attacks on the TV debate format ("What are you afraid of, boys?").

Of the leaders, Farage projects the most positive personal style. Critics call it the "laugh and lie" strategy. But it seems to work, he is always seen with a smile on his face. But the politician who seems to do best here is Boris Johnson. He is the most popular choice for sharing a meal or Christmas with, by a long way. Like Farage, he projects a consistently positive persona.

NON-RUNNING WINNER: BORIS JOHNSON

"Since politics involves attacking other parties, few of the leaders appear positive"

ARE THEY RUTHLESS WHEN NECESSARY?

The best leaders have a hard edge. They do not shy away from conflict, difficult conversations and decisions. During the war, Churchill showed he could be utterly ruthless.

Politicians need to be ruthless to rise to the top. Blair eased Brown out of contention for leading Labour at their famous but disputed Granita restaurant meeting. Miliband showed equal ruthlessness in defeating his brother to become party leader. But these are all acts of career management, not of leadership. Without a clear vision, leaders compromise.

That is what we see the main party leaders doing on a range of issues. Because the leaders lack a vision to match that of Churchill, Attlee or Thatcher, their ruthlessness is about their careers, not about changing the world.

WINNERS: NO CLEAR WINNERS, BUT WATCH MILIBAND

SUMMARY

		Signature strength	Achilles' heel
	Cameron	Incumbency	Is he in control, vision
	Miliband	Ruthless	Is he in control
	Clegg	Resilience	Trust, perception
	Farage	Positive	Control, trust, perception
	Sturgeon	Vision	Trust, perception
	Bennett	Vision/honesty	Is she in control

It is genuinely hard to be an effective political leader. Most prime ministers fail the Kissinger test of "taking people where they would not have gone by themselves". The current crop of leaders look like failing the test as well. The leaders with the clearest visions are the most divisive: they take some people where they would not have gone by themselves, and threaten to take many more where they really do not want to go at all.

That leaves us with the problem of why Miliband and Cameron score poorly on leadership but are in leadership positions. There are two answers. First, leadership is about what you do, not your title. Second, you can reach a leadership position not by being a leader, but by managing your career well. Miliband and Cameron have managed their careers very well indeed.

As leaders, they all have to build on their strengths. Each leader has a signature strength. Cameron has the huge advantage of incumbency; Miliband has a ruthless streak; Clegg has vast reservoirs of resilience; Farage is relentlessly positive while holding a pint in his hand; while Sturgeon and Bennett both head parties with clear visions.

Ultimately, it is doubtful if any of them will be remembered the way they want. The mantle of great leadership is likely to pass them all by.

Disunited kingdom

As the UK government offers to devolve tax powers to its increasingly independent provinces, Peter Bartram asks who will it benefit, and can any region afford it?

ILLUSTRATION BY MIKE LEMANSKI

FTSE 100 companies already find themselves paying as many as 25 different taxes in the UK - but that could be about to get a lot more complicated if the trend for devolved tax powers takes off.

The coalition government has published draft legislation to devolve more tax-raising powers to Scotland. Wales is to get the chance to vote on whether it sets its own income tax rates. Chancellor George Osborne has said he will take a decision before the general election on whether Northern Ireland should be given the option to vary its rate of corporation tax.

London Mayor Boris Johnson says he thinks the capital should get more tax-raising powers, including over council tax, stamp duty, land tax and business rates. And, not to be outdone by the capital, the Core Cities Group of 10 UK conurbations, including Birmingham and Manchester, want some of the same.

No wonder finance directors (FDs) in FTSE 100 companies are looking at all of these proposals with a wary eye. No doubt many of them share the concerns of Andrew Bonfield, FD at National Grid, who is also chairman of the tax committee of the influential 100 Group of FDs.

He points out that companies making significant investments in the UK economy want a stable tax regime to enable them to make decisions with confidence. "It is, therefore, important that any devolution of tax-raising powers is balanced by the understanding that this may not only increase the costs for companies to administer any new obligations but may have implications for regional investment, both positive and negative," says Bonfield.

His measured response belies a deeper worry in large companies about what serious levels of devolved tax could mean. FDs are not just concerned about the costs but also the tax planning implications if the UK's traditional one-size-fits-all tax system becomes too fragmented. There are concerns among SMEs as well - especially those trading with staff across the UK.

Michael Izza, ICAEW chief executive, says further devolution of tax powers will require an expanded civil service and increased resources for HMRC at a time when both are already struggling to cope with the challenges they face.

He says: "It is essential we find out the projected costs of implementing any devolved taxes, especially when it comes to restructuring HMRC, which is not currently organised on any geographical lines."

Patrick Stevens, tax policy director at the Chartered Institute of Taxation, says that devolution will accentuate problems businesses already complain about - red tape, tax complexity and uncertainty. "I cannot possibly imagine that business will welcome the additional complexity devolution will create," he says.

Tax devolution may seem a great idea to politicians under pressure to give disgruntled voters more control over public finances. But it could also create a patchwork of tax regimes across the UK in which the law of unintended consequences could come into play. It is, for example, inevitable that if tax rates vary in different parts of the UK, both companies and individuals will seek out new ways to minimise their tax obligations. No wonder Bill Dodwell, head of tax policy at Deloitte, says: "We will all be given more to do."

That extra workload could include providing advice on how to resolve disputes about cross-border tax matters, an issue that accountants and lawyers have not had to tackle before within the UK. John Overs, corporate tax partner at law firm Berwin Leighton Paisner, points out that within the EU "any number" of cross-border tax disputes have reached the European Court of Justice. Most have been resolved by judges with reference to the EU's "four fundamental freedoms" - the free movement of people, goods, services and capital.

But Overs argues that intra-UK tax disputes will not qualify for hearing before the ECJ because it only deals with disputes between sovereign states. And currently within English law there is nothing like the four fundamental freedoms to guide the

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Supreme Court in making decisions on tax disputes. "As soon as you have a cross-border tax issue, you will have problems," he predicts.

Uncertainty over resolving this new category of tax dispute may not be the only unintended consequence in the move towards a disunited tax kingdom. In the race to win more tax powers, Scotland has been first off the starting blocks – so it is the first place to look for signs of what tax devolution may mean for the UK.

THE SCOTLAND QUESTION

In January, the government published *Scotland and the United Kingdom: An Enduring Settlement*, which sets out new tax powers for Scotland. These include extra powers to set income rates and bands over those already granted in the Scotland Act, to receive half of VAT payments raised in Scotland, to control air passenger duty on travellers from Scottish airports, and to receive the Scottish income from the aggregates levy. These new powers received a cool welcome from Scottish government ministers who said they didn't go far enough. Scotland's business leaders are worried they may go too far.

Brad MacKay, professor of strategic management at Edinburgh University Business School, points to research his team conducted among 70 Scottish business leaders during the referendum campaign. They discovered that around 10% of Scottish businesses would consider moving to other parts of the UK if the country's single market becomes fragmented or if it became more complex or costly to run a business in Scotland.

"The businesses pointed out that their success is based on having a uniform fiscal regime and regulatory environment across the UK," MacKay says. "A lot of Scottish company business comes from other parts of the UK so any divergence in fiscal or regulatory regimes poses a big challenge." For example, if income tax were higher in Scotland it might become more difficult for Scottish companies to attract talented staff.

MacKay thinks the uncertainty caused by possible future changes may cause businesses to ponder whether to expand existing firms or establish new companies in Scotland. He thinks the country should heed a warning from Quebec where the campaign to separate from Canada and two close-fought referendums shook businesses' confidence in the province. Between 1990 and 2011, Quebec lost 20% of Canada's top 500 companies and the province's share of Canada's GDP dropped from above 25% to below 20%. Much depends on how Scotland uses its new tax powers, but two early indicators have caused business concern.

First, Scotland will introduce its new land and buildings transaction tax (LBTT), which replaces stamp duty, in April. LBTT's 10% top rate of tax on house purchases above £250,000 is double the equivalent stamp duty rate in England and Wales. The unintended consequence may be to increase demand for lower- priced properties, making it more difficult for first-time buyers to get on the housing ladder, says MacKay.

The second straw in the wind is the way Scotland has adopted (in the Revenue Scotland and Tax Powers Act 2014) a more far-reaching form of the general anti-avoidance rule (GAAR) than the rest of the UK. Scotland's GAAR only applies to devolved taxes, such as LBTT or Scottish Landfill Tax, but its broader application sends a message about how Scotland's lawmakers may use their new powers.

Overs explains that UK GAAR is intended to stop tax arrangements which cannot reasonably be regarded as a reasonable course of action having regard to all the circumstances – the "double reasonableness test". Says Overs: "It was intended that the GAAR applied only to the most egregious forms of tax avoidance and not the centre ground of normal tax planning. However, the new Scottish GAAR counters tax arrangements that are merely artificial. An arrangement is artificial if it is not reasonable or if it lacks commercial substance. There is no double reasonableness test."

Of course, Scotland's government is a novice when it comes to operating tax raising powers but MacKay points out it has to steer a delicate course between raising revenue to address pressing social problems without destroying the wealth creators – or forcing them to move away.

THE WALES ACT

Wales was given new tax powers in the Wales Act 2014, but they are less far-reaching than Scotland's. The Welsh government has the right to levy stamp duty, business rates and landfill tax or replace them with taxes specific to Wales. It can also hold a referendum on whether it should be granted the right to levy the rate of income tax charged in Wales.

But Wales's problem in making these decisions is that it has a tax base that is more slender than the UK as a whole. Tax revenues in Wales were £5,400 per person compared to a UK average of £7,300 in 2012/13. In the long-term, Welsh decision-makers face a conundrum: they could raise tax rates to generate more revenue but at the cost of making Wales a less attractive destination for business. Ed Poole, a finance specialist at the Wales Governance Centre, Cardiff University, believes it is not yet clear whether the Welsh Assembly would vote the two-thirds majority to trigger a referendum. "There has been rapid constitutional change in Wales since 1999 so you can't rule anything out."

NORTHERN IRELAND

The change that could have more far-reaching repercussions is George Osborne's statement that Northern Ireland could take responsibility for setting its own corporation tax rate if local officials show they are able to handle it. If Northern Ireland gets freedom to set corporation tax, that could set off a domino effect. Scotland's first minister Nicola Sturgeon has said she could seek the same power. And if Scotland goes this way, would Wales want to be left out?

Meanwhile, Ulster politicians believe they need to be able to compete with Eire's 12.5% corporation tax rate in order to attract more business to the province – and build its tax base. But Neil Gibson, director of the Northern Ireland Centre for Economic Policy at Ulster Business School, says that the province's problem is not so much attracting inward investment as attracting better-paid jobs.

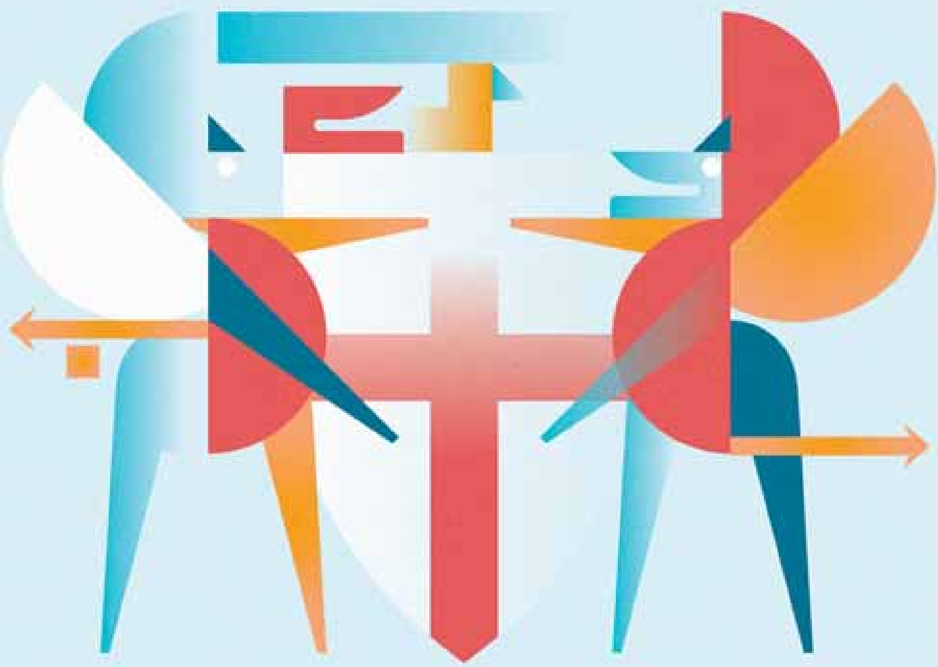
Eire's lower tax rate encourages companies such as US high-tech giants to set-up profit centre operations. Northern Ireland tends to attract lower level activities such as production or call centres, and Gibson says its big challenge is to build the size of its tax base.

But getting the power to cut corporation tax is one thing – taking decisions to slash the existing 21% rate (20% from April) is another. The power will come with a price tag attached – a cut in the block grant the province gets from London. "It remains to be seen whether politicians will have the fiscal bravery to reduce rates," he says. "They're not going to find the money to pay for the cut down the back of the sofa."

CORE CITIES

Britain's main cities are also agitating for more tax powers. Chris Murray, director of Core Cities, points out that UK cities retain only 5% of the taxes they raise locally compared with an average in other OECD countries, which is five times higher.

He believes that income tax could even be raised on a city-by-city basis – although not in every UK city. "I'm not saying there isn't complexity to it, but we appear to be able to work through that complexity in Scotland and Wales – so that has to be possible at city level, too," he says.



There is likely to be a strong link between the number and extent of devolved taxes and the costs and complexity for business. In its submission to the Smith Commission, ICAEW produced a "tax devolution scorecard" which traffic-lighted the relative ease of identifying and collecting different devolved taxes, the task of defining tax legal issues, and the complexity of managing devolved collection.

It pointed out that the taxes that score most green lights – business rates, landfill tax and air passenger duty – have already been devolved. Other taxes, including income tax, display a worrying number of amber and red warnings.

But the government has not heeded all ICAEW's warnings in its submission to the Smith Commission. For example, ICAEW warned that devolving income tax without corporation tax could create a "growth paradox". As Scottish businesses grow, many would switch from paying the Scottish rate of income tax to UK corporation tax.

"The switch is clearly contrary to the objective of providing devolved powers which may be used to encourage growth within the local economy in the devolved nation," says Frank Haskew, head of ICAEW's Tax Faculty.

Dodwell urges Britain to learn from Canada's experience. "You don't want to split responsibility for tax collection between provincial and central authorities," he says. "Allow one to collect the money and hand over the relevant portion to the other."

That advice may make life a little simpler for businesses that will be paying the taxes or – in the case of VAT and PAYE – collecting them on behalf of employees and customers. But more devolution will inevitably have the effect of making companies' tax tasks more complex.

"If economics was the only criterion, you could argue that the simplest system is best," says Dodwell. "But at its heart, tax is a political as well as economic animal." So as Britain's disunited tax kingdom develops, finance directors are going to have to learn how to tame a new kind of beast.

IF WOMEN ARE THE SOLUTION, WHAT IS THE PROBLEM?

28

PROFESSOR LAURA F SPIRA examines the case for increasing the number of women in the world's boardrooms

The debate about gender diversity on corporate boards is mostly about how to get more women on boards: there is very little discussion about why the number should be increased. But boards without female members have successfully run many companies for many years and company failure is rarely, if ever, ascribed to board gender balance. What problem is this intervention designed to address?

The argument for increasing the number of female directors is generally framed as "the business case". According to Women on Boards, the 2011 review led by Lord Davies, the business case has four dimensions; improving performance; accessing the widest talent pool; being more responsive to the market; and achieving better corporate governance. These are all important objectives, but it is not clear how increasing the number of women on boards should be such a central strategy in achieving them.

There is some evidence of an association between gender-balanced boards and corporate performance. However, the complexity of the potential relationships between measurable characteristics means that, although associations between different factors can be demonstrated, the direction of causation is far more challenging to identify. Do increased numbers of women on boards lead to better performance or do better-performing companies appoint more women to their boards?

"Accessing the widest talent pool" is also a persuasive idea, but should surely be an aspiration at all levels of an organisation. The Davies Review offers no evidence that such access improves boards in particular. "Being more responsive to the market" assumes that companies with a predominantly female customer base will be more successful if the board reflects this. We would expect board members to have a comprehensive understanding of the company's commercial environment but there is no evidence to show that the composition of the board should ideally be linked to customer demographics. "Achieving better corporate governance" should be an aspiration for all boards but there is no data to suggest gender-balanced boards are better equipped to do this: there is, as yet, no demonstrable link between board composition and improved oversight.

Following the original Davies Review, BIS has published annual reports assessing progress in meeting its recommendations. The business case has not been revisited, although in the 2014 report it is summarised again with a little more detail:

- Improve performance at board and business levels through input and challenge from a range of perspectives;
- Access and attract talent from the widest pool available;
- Be more responsive to market by aligning with a diverse customer base, many of whom are women; and
- Achieve better corporate governance, increase innovation and avoid the risks of 'group think'.

No evidence is cited to support the assumption that "challenge from a range of perspectives" improves performance or that appointing more women to boards can increase innovation or avoid groupthink. Published research on board gender diversity is ignored: the report lists "research published in 2013/14" but does not include a single article from an academic journal.

Surprisingly, these annual reports do not refer to the studies conducted by the Credit Suisse Research Institute which have prompted significant media commentary. Its 2012 report *Gender diversity and corporate performance*, while not a peer-reviewed academic study, provides a very good overview of academic literature in the area. Its authors emphasise that correlation does not prove causation. In 2014 they published a further report on women in senior management. Again, the researchers draw on a wide range of recent research and again they begin the report with a warning about the limitations of the research: "While our statistical findings suggest that diversity does coincide with better corporate financial performance and higher stock market valuations, we acknowledge that we are not able to answer the causality question. This is an important caveat to the observations in the report. Do better companies hire more women, do women choose to work for more successful companies, or do women themselves help improve companies' performance? The most likely answer is a combination of the three."

The 2010 European Commission report *Gender balance in business leadership* forms part of a review of gender equality across member states, looking particularly at gender balance in decision-making at high levels of government as well as business. It discusses the economic and business cases for gender balance on boards: the economic case is argued on the basis that economic growth demands the use of all available resources, making it essential to secure increased employment of qualified women in the workplace at all levels, while the business case rests on arguments similar to those listed in the Davies Review. The report refers to a very small selection of academic studies, noting that these studies do not prove causality, but this caveat does not appear in the subsequent report published in 2012, *Women in economic decision-making in the EU*, which formed the basis of a proposed directive on improving board gender balance in listed companies (approved by the European Parliament in November 2013 but yet to become law).

If the business case for pursuing board gender diversity is weak and based on unsupported assertions, are there other, stronger supporting arguments?

The 2010 European Commission report sets the requirements for increasing board gender diversity clearly within a broader social justice and equality context. In the UK this seems to have been ignored. Perhaps those pursuing the board diversity agenda believe that those who have to be persuaded of its value – male board members – would respond more positively to a business case, rather than social justice arguments. Such arguments have been explored extensively by political scientists, since gender-balanced representation has been a political issue for far longer than in the context of corporate boards. Corporate law enshrines the view that boards represent shareholders, but the board diversity debate has not been framed in that context.

Since the problem board gender diversity is designed to address remains unclear, the effectiveness of pursuing this solution will be difficult to assess. Counting the number of women appointed cannot be the whole story. The Davies Review annual reports have not attempted to assess success against the business case. Maybe the increased numbers are still too small to have a positive effect: the frequently-quoted mantra: “One is a token, two is a presence, three is a voice” may still be an aspiration in many boardrooms. But there is some evidence of outcomes.

The 2014 Credit Suisse Research Institute report on women in senior management noted an important change: “Companies displaying greater board gender diversity display excess stock market returns adjusted for sector bias. Companies with more than one woman on the board have returned a compound 3.7% a year over those that have none since 2005. The excess return has moderated since our initial report. Over the last two and a half years, the excess return is a compound 2% a year.”

The researchers offer no explanation for this, but it shows that the results of increasing board gender diversity may not be as clear cut as expected. In Norway, the country often cited as a leader in advancing gender-diverse boards because of its early introduction of quotas, researchers have demonstrated an association between the introduction of quotas and a loss of shareholder value in Norwegian companies. But again causality cannot be confirmed: it is possible that this may be a short-term effect attributable to a sudden increase in the appointment of less experienced board members.

Evidence from previous interventions mandating board composition suggests that such a policy may not be effective. In the UK, the initial pressure to influence board composition came in 1992 in the Cadbury Committee’s proposal that boards should appoint specified numbers of independent non-executive directors (NEDs) to strengthen the monitoring function, particularly in regard to financial reporting. There was little evidence available at the time to show that such appointments made a difference. Indeed, research in the US, where boards were already predominantly non-executive, had concluded that mandating specific aspects of board composition was ineffective, due to wide variations between companies and industries.

Although there was some early resistance to the requirement to appoint independent NEDs, it has become widely accepted. The 2013 Grant Thornton corporate governance survey of UK companies reports that 96% of FTSE 100 companies comply with the UK Corporate Governance Code requirement for at least half the board, excluding the chairman, to be independent NEDs. However, across the FTSE 350, the most common area of non-compliance with the Code relates to the number of independent NEDs on the board. Non-compliance is more prevalent among smaller companies, which suggests that smaller companies, with smaller boards, may have problems in complying with any form of mandated board composition.

The effects of this significant change in board composition are not easy to judge but research that clearly demonstrates positive outcomes from increased board independence is sparse. Indeed, there is some evidence of negative effects: banks with more independent boards performed more poorly than others in the recent financial crisis.

We have little insight into what goes on behind the boardroom door. The board gender diversity debate rests on the implicit assumption that male and female board members behave differently. The criteria for independent board appointments cannot guarantee independence of mind and behaviour: is it likely that gender can be a reliable predictor of the desirable behavioural characteristics sought for effective boards?

It is not unusual for policymakers to pick and choose the evidence that supports pre-determined plans but there is a danger of unintended consequences when policy enters the realm of conventional wisdom and underlying assumptions are no longer questioned. The debate about gender diversity has raised awareness of issues which boards should certainly consider but imposing demands for boards to demonstrate diversity in their composition, with no real understanding of how this influences board dynamics, may prove ultimately to be counter-productive.

And what of the women now being appointed to boards? We need to hear their stories. The 2014 Davies Review annual report contains some quotes from board members on their experience of strategies for improving gender diversity – all but one are from men.

Laura F Spira is emeritus professor of corporate governance at Oxford Brookes University and academic adviser to ICAEW. Her book The Cadbury Committee: a History *was published in 2013 by Oxford University Press.*
See page 41 for our feature on women in the boardroom.

Balancing act

Trust versus risk. Childcare versus partnership. Family versus career. **Kara Cauter's** 20 years in KPMG's financial services division has been a long balancing act. But a successful one too, as Laura Powell discovers

CAREER IN A NUTSHELL

2013-present partner, risk and regulatory change, KPMG
2010-2013 director, head of banking regulatory developments
2009-2010 senior manager, financial sector regulatory centre of excellence, regulatory change, KPMG
2003-2009 financial sector advisory, financial management and reporting, KPMG
1998-2003 senior manager, transactions advisory, KPMG
1994-1998 manager, financial sector audit, KPMG

No, I haven't had to fight at all," says Kara Cauter, on being made one of the first part-time partners in KPMG's history. Quite the opposite, in fact. Cauter says she was surprised to be offered a partnership in January 2013, having been director for just two years, and at first wasn't sure whether to accept. "When I was asked to put myself forward to be partner, I said I wasn't sure I could do it flexibly," she admits. "But they said: 'We think you can. We know you can do the job and we'll work with you to figure out a model that will work for the firm and for you.'"

Cauter, head of banking developments based at the firm's Canary Wharf office, has negotiated a variety of "flexible hour arrangements", as she prefers to call them, including three-day weeks, four-day weeks and, currently, five-day weeks with Fridays working from home and extended leave to spend school holidays with her daughters, aged seven and nine.

"There will always be times when, as a partner, you have to be flexible," she says. "A few Fridays ago I was called in and I said: 'I can see that's really important. That's fine.' But I reorganised so I could work from home the next Thursday. So it is manageable." She adds: "I make it work by time-boxing my days between 7.30am and 6.30pm. Every Sunday my husband and I sit down and do diaries. At the moment he's in Germany so I do the drop offs to the school coach, but next week I'm in Switzerland so he'll do more."

As simple and straightforward as she makes it sound, the sort of balance Cauter has achieved at this level is nonetheless rare. That the number of women plateaus at a certain level in KPMG, falling from 36% at senior manager level to 23% at director level and just 15% at partner level, is testament to this. It is an industry-wide pattern, and many hypotheses have been put forward as to why. Cauter believes she has the answer: "They [women] think 'I don't know if I can manage that balance and I'm better opting out now'. It's about getting past that barrier of people feeling they can't progress right the way up through the firm without having to sacrifice their other life objectives."

Cauter overcame that barrier by setting two rules. First by appointing a strong director to manage day-to-day tasks. "We should be doing more of that anyway; letting people lift up while we delegate down," she says. And by taking on a realistic number of tasks. "My gender has never held me back," adds Cauter. "I'm fairly resilient. Where I'm one of one or two females in a crowd of males, I never feel intimidated. I'm possibly an outlier in that respect."

Outlier or not, she is happy to discuss the subject. Yet she is equally enthusiastic talking about her experience of the banking sector, an industry she has been interested in since she read history, majoring in political economy, at the University of California, Los Angeles, graduating in 1994. "I went into banking because it was the closest I could get to the emerging markets stuff," she says. After graduating, she emigrated from her native California to "cold, grey, rainy London" where she has stayed ever since, earning her ACA at KPMG and working her way up the ranks at the firm, from an auditor, to principal adviser in strategic and commercial intelligence and, for the last two years, partner.

Having devoted much of her 20-year career to the banking sector, Cauter has watched it undergo tremendous change first hand. Speaking about the changes since the 2008 financial crisis, she says: "An awful lot is still in flight. The best thing we can do is look at how so much change - in terms of how banks govern themselves and manage their systemic stability - is going to bed in."

On whether a framework could ever be put in place to foresee such a crisis before it happens, she says: "No, I really don't think that's possible. What we can do, and what the supervisors are working towards, is having more resilience built into the system for when the next thing hits us that we can't possibly anticipate."

Cauter feels strongly that the UK press "unnecessarily amplified" the "systematic nature" of the bad behaviour in the banks, pointing out there are "bad apples" in every industry. So what does she think about the common accusation that banks' auditors got off comparatively lightly in the blame game? "There's a significant overestimation of the scope of the role that auditors had," she says carefully. "An awful lot of challenge went back from auditors but, actually, the scope of what they were previously there to look at is quite different from where we are heading going forward."

Trust, she says, is one of the most important focuses from now on. "Banking is effectively a trust industry so public trust is hugely important. Banks are getting better and monitoring much more carefully what their customers think about them."

However, she adds: "The problem is, there is always going to be a mismatch of information between banks and their customers. That naturally makes customers feel a bit suspicious because they don't always understand all elements of banking. Supervisors are trying hard to close that gap, but sometimes, the harder you try, the more confusing the information given to customers can be, and so the more distrustful they can become.

"So we need to figure out where the balancing point is going to be." Asked where she believes the balance is, she says she is unsure. And having herself found a series of complicated balancing points one has to wonder, if Cauter can't, who can? ■

• *Opinion from KPMG head of diversity and inclusion Stephen Frost on page 29*

PHOTOGRAPHY: ANDY LO PÓ

Technical
The top five

IFS warns on public finances, business gets the jitters, new rules for audit and small company accounting, and more criticism of HMRC

IFS GREEN BUDGET

1 The UK's public finances have a way to go before they recover from the effects of the financial crisis, the Institute of Fiscal Studies (IFS) says. In its 2015 Green Budget, it says debt is set to peak at over 80% of national income and that the deficit is still more than 5% of national income. This is partly due to poor economic performance at the beginning of this parliament but also because real spending cuts have been less than planned, no net additional tax rises have been implemented and tax revenues are unexpectedly low.

ICAEW, which works with the IFS, warns that when, say, future public service pension payments, all government assets and likely costs of nuclear decommission are taken into account, the accounting deficit is £94bn more than the current deficit reported in the national accounts.

ifs.org.uk

BUSINESS CONFIDENCE FALLS

2 Uncertainties caused by the UK general election, the eurozone's continuing problems and the UK's relationship with the European Union have combined to give British businesses "the jitters". According to the latest ICAEW/Grant Thornton UK Business Confidence Monitor, the index fell from +28.6 in Q4 2014 to +16.8 in Q2 2015.

The most dramatic falls in confidence were seen in construction and banking. Construction in particular is struggling to recruit skilled workers. IT and communications was the one sector where businesses were more confident about their prospects over the coming 12 months than they were a year ago.

Despite the fall, confidence is still well above the pre-recession levels, with optimism driven by growth in domestic demand, encouraged by low interest rates, inflation and oil and commodity prices.

icaew.com

NEW SMALL COMPANY ACCOUNTING REGIME

3 The government has issued finalised details of the new small company accounting regime. As well as adopting the maximum thresholds under the directive to define small companies, it allows small companies to prepare abbreviated balance sheets and p&l accounts - subject to shareholder agreement; reduces the number of mandatory notes to 13; allows alternative layouts when preparing the balance sheet and p&l account; removes the requirement for micro-entities to prepare a directors' report; and requires information on subsidiaries included in the consolidated financial statements to be provided in a note to those statements.

It will also allow the use of the equity method in individual company financial statements and, in exceptional instances where the useful life of goodwill cannot be reliably estimated, require it to be written off over no more than 10 years.

Companies will be required to apply the new financial reporting framework for financial years beginning on or after 1 January 2016.

HMRC SERVICE STANDARDS FALL

4 Falling service standards at HMRC have led to increased costs and wasted time, ICAEW's Tax Faculty reports.

The faculty's annual survey of small tax practitioners revealed that one in five of those who used the personal tax agent dedicated line thought the service had got better but that one in three felt it had deteriorated. Employee payroll and corporation tax services fared the worst though - 40% of practitioners who used them said they had worsened.

The thing that frustrated the tax agents most was HMRC staff's inability to "get things right first time". This is particularly noticeable in the employer payroll service where 80% felt that HMRC could not be trusted to get things right first time.

icaew.com

IAASB CATCHES UP ON AUDITOR REPORTS

5 The accountancy profession has hailed as "game-changing" the finalised international auditor reporting standards from the International Auditing and Assurance Standards Board (IAASB). The standards require auditors to specify in their report what they consider the key audit matters to be and what they did to address them.

They also require the auditors to focus more intently on issues of going concern, including disclosures in the financial statements. Where there is a material uncertainty about the company's ability to continue as a going concern, this needs to be highlighted in a separate, clearly-identified part of the report.

"These changes will reinvigorate the audit, as auditors substantively change their behavior and how they communicate about their work," IAASB chairman Arnold Schilder said. Implementation will not present difficulties for UK auditors who already have two years' experience of preparing expanded auditor reports, under Financial Reporting Council requirements.

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

ILLUSTRATION: ARON VELLEKOOP LEON

Key developments

BUSINESS

New ICAEW export guidance

Exports account for one third of UK GDP so increasing exports is fundamental to the long-term growth of the UK economy. As the Treasury has recognised, the economy needs to be better balanced and the trade deficit reduced. However, the number of companies involved in exporting has not risen as quickly as the government had hoped, despite putting in place a wide range of initiatives. Much of the UK's current economic growth is based on domestic spending.

ICAEW believes that this apparent lack of interest might be down to companies, especially SMEs, feeling daunted by the prospect of exporting for the first time. It has put together *Competing in the Global Race*, a guide to trade finance and credit insurance.

It explains how to access working capital, raise contract bonds, secure buyer finance and make sure you get paid, as well as explaining what trade finance and credit insurance is, giving information on banks, insurance brokers and UK Trade & Investment, and providing case studies.

icaew.com

Government support for SMEs

The government has committed to supporting increased competition in banking and is driving a programme of reforms so businesses get a better deal. These include initiatives aimed at SMEs wishing to grow and expand.

Examples include:

- The SME appeals process, under which businesses with a turnover of up to £25m can appeal to the relevant participating bank if it has been turned down for any form of lending.
- The Business Banking Insight Survey, which ranks the best bank institutions, products and service for UK SMEs.
- The new current account switching service, which makes it easier for business customers to change their current account provider.
- The Business Finance Guide, jointly produced by the British Business Bank and ICAEW, which outlines the finance options available to businesses.
- The Financial Ombudsman Service, which deals with complaints about banking and financial institutions from businesses and charities with a turnover of less than €2m (£1.48m) and fewer than 10 employees.

greatbusiness.gov.uk/finance and greatbusiness.gov.uk/workingwithbanks

Golden age for SMEs

The prime minister's enterprise adviser Lord Young believes small businesses are entering a "golden age", thanks to the changes wrought by the internet, which have brought down barriers that might otherwise have stopped a good idea from being turned into a viable business.

As well as the government's drive to roll out superfast broadband around the country, which has now reached more than 2m homes and businesses, the increasing use of smartphones and tablets have made it easier for those working for themselves to reach customers and make sales.

Figures show that small businesses have increased by some 760,000 to 5.2m over the past five years. In his fourth and latest publication, *Report on Small Firms*, Lord Young says that the conditions for enterprise opportunities in the UK are so good that "there has never been a better time to start and grow a business".

gov.uk

Companies House liable for company's collapse

A 124-year-old family business was wiped out after a Companies House (CH) blunder over its name caused its customers and suppliers to cancel orders and banks to withdraw credit.

In a recent ruling, the High Court said that liability for the collapse of Welsh engineering company Taylor & Sons Ltd lay firmly at the door of CH, which had mistakenly recorded that the company had gone bust. It had added an "s" to the name of another company – Taylor & Son Ltd – which had gone into liquidation, and then sold the false information on to credit reference agencies. As a result, when it attempted to correct its mistake three days later, it was already too late.

By the end of three weeks, all 3,000 suppliers had cancelled their orders and the company's credit facilities had been withdrawn. It was forced to call in administrators and ultimately the business was wound up with the loss of 250 jobs.

Taylor & Sons managing director Philip Davison-Sebry told the court the business had traded successfully for more than a century. The first he knew that something was amiss was when he received a phone call from a client while on holiday in the Maldives.

The client, Tata Steel subsidiary Corus, demanded he attend a meeting the next morning. "I said I was on holiday at which point they shouted, 'How can you be on holiday when your company is in liquidation?' I rang the office to find out what was going on – it was like Armageddon. This was all on the day of my wife's 50th birthday. We will never forget it."

The judge said that CH owed a duty of care to the business and its error had "created an environment in which no one wanted to deal with the company". He added that there was a special relationship between CH and companies because "it is foreseeable that if a company is wrongly said on the Register to be in liquidation, it will suffer serious harm".

Toughening up the late payment regime

The Department of Business, Innovation and Skills (BIS) is to tackle unfair payment terms and practices – in particular late payment – by introducing new powers for business groups.

Proposed measures include: consulting on ways to tackle poor payment practices, such as giving representative bodies greater powers to challenge grossly unfair payment terms and practices; new laws to increase transparency on the payment practices of large and listed companies and helping to change corporate payment culture; and toughening up the Prompt Payment Code.

BIS is also proposing to give the Groceries Code Adjudicator the power to fine supermarkets for breaching the Groceries Supply Code of Practice.

The government says it will lead by example. It has committed to paying 80% of central government invoices within five working days and is working on other reforms to increase prompt payment further down government supply chains.

gov.uk

Business names rules simplified

The government has simplified the rules relating to company and business names. Two regulations - The Company, Limited Liability Partnership and Business (Sensitive Words and Expression) Regulations 2014 and The Company, Limited Liability Partnership and Business (Names and Trading Disclosures) Regulations 2014 - came into operation on 31 January 2015.

Changes include reducing the number of sensitive words and expressions. The list no longer contains words like authority, disciplinary, human rights, pregnancy termination, register, United Kingdom and watchdog.

The list of permitted characters, signs, symbols and punctuation has also been updated to include accents and other diacritical marks.

Cable urges FTSE to avoid European quotas

Business secretary Vince Cable has raised the spectre of European mandatory quotas for women on boards in an effort to encourage more companies to pursue the voluntary approach.

He urged a gathering of FTSE chairmen last month to keep the momentum going so the UK can achieve its target of 25% of women on boards by 2015. The latest figures show that the average number among FTSE 100 companies is 22.8%.

"Businesses must not take their foot off the pedal during the final stretch," Cable said. "If we are to avoid action from Brussels we must continue to demonstrate that our voluntary approach is the right one and is working."

FTSE 100 companies generally are beating their smaller FTSE peers in the race to increase female representation. Latest statistics show that, while FTSE 100 boards now have 22.8% (up from 20.7% in March 2014), the FTSE 250 average has crept up more slowly (to 17.4% from 15.6%).

The 25% target is in sight, Cable added. "British businesses must keep up the momentum and alarm bells should be ringing in the ears of those FTSE chairs who are not yet doing their bit to improve gender diversity."

Auto enrolment advice

The Pensions Regulator will be writing to all UK small and micro businesses over the coming months warning them about their new legal duties in relation to auto enrolment of staff in a workplace pension scheme. It will also set out their staging date and ask them to nominate a contact to receive their emails at key points in the run-up to this date.

Employers may choose themselves, but it is more likely they will nominate a business adviser such as a chartered accountant. ICAEW members will need to be well briefed if they are to support their clients. Information is available on the regulator's website and there is also a dedicated adviser e-newsletter which offers practical information.

thepensionsregulator.gov.uk

REGULATION

FRC streamlines disciplinary process

The Financial Reporting Council has started holding joint tribunals in cases involving accountants and actuaries under new disciplinary arrangements that came into operation on 8 December 2014.

The regulator, which investigates potential misconduct by accountants and actuaries that may involve issues affecting public interest in the UK, runs separate disciplinary schemes for each profession. Until then it dealt with similar cases separately.

Since December it has combined cases where the formal complaints address the same point of law or fact, arise out of the same events, or there is "some other compelling reason" for the complaints to be heard together. The move was intended to streamline the disciplinary process, ensure consistent tribunal decision-making and reduce costs.

frc.org.uk

Accounting policies experimentation

Investors and analysts like the idea of experimenting with accounting policy disclosures because it helps them to understand the business and its performance better, the FRC says.

Research by its Finance Reporting Lab among some of William Hill's investors, retail shareholders and analysts has found that they liked the clear identification of significant accounting policies and effective disclosure of policy information. In fact, one investor was so pleased that he said: "William Hill is undoubtedly the best reporter in the sector. They provide balanced, clear information."

Investors also confirmed that they would like companies to follow William Hill's lead and identify which of their accounting policies are significant and give these more prominence than other policies.

frc.org.uk/lab/reports

Crossing the threshold

Over the last decade the audit threshold has been rising steadily, forcing smaller firms to evolve their services. But have they got the right expertise and are they aware of potential pitfalls? Iwona Tokc-Wilde investigates

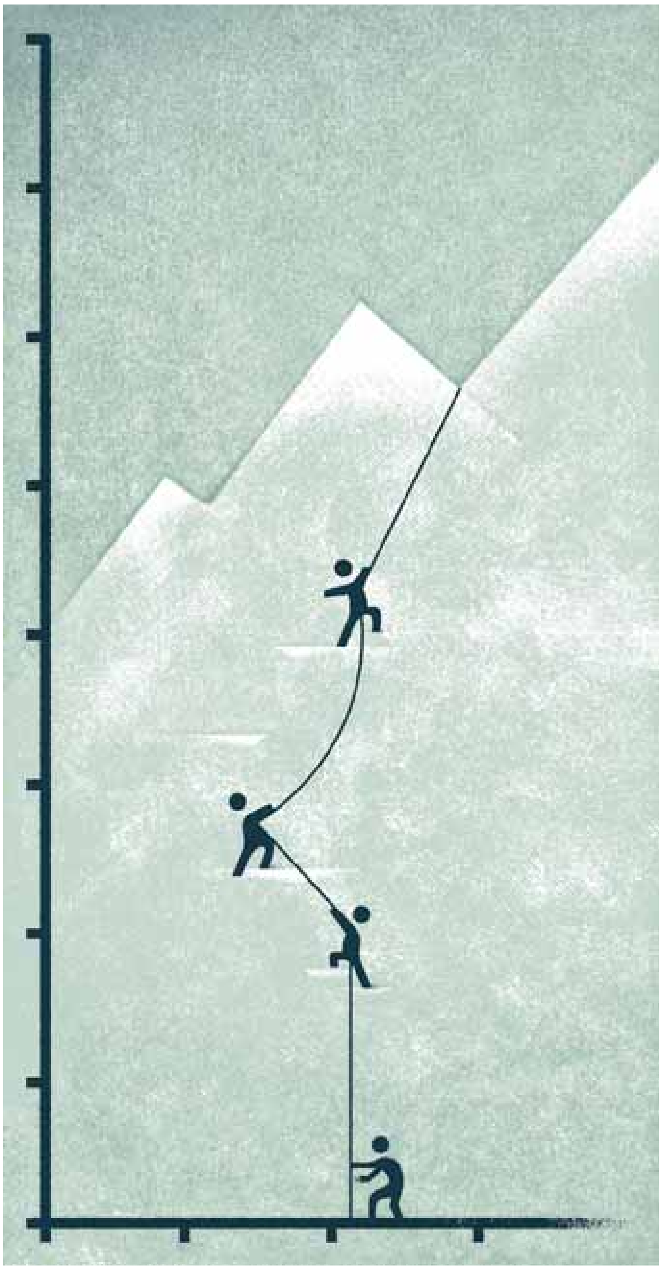


ILLUSTRATION: ARON VELLEKOOP LEON

New European regulations have already caused sweeping changes in the UK audit industry, although the new audit regime, including changes to structure for regulation, oversight and new technical and ethical standards, is still a work in progress.

If you follow the issue you will know that the latest moves from the Department for Business, Innovation and Skills (BIS) and the Financial Reporting Council (FRC) are their respective consultations on the new EU Audit Directive and Regulation, to be implemented in the UK by June 2016. "BIS is consulting on the broader regulatory points and principles of statutory audit regulation, while the FRC is consulting mostly on ethical standards for auditors and how to make it work in detail," says Henry Irving, head of ICAEW's Audit and Assurance Faculty.

The consultation process on the 2013 EU Accounting Directive has finished and it is very likely that the UK audit exemption thresholds will rise again. The gross assets threshold, currently £3.26m, is expected to rise to £5.1m; the turnover threshold is likely to rise from £6.5m to £10.2m.

But to put this in perspective: 99.9% of all 4.9m private enterprises in the UK are classed as micro, small or medium-sized, according to ICAEW's report *The 99.9%: small and medium-sized businesses*. Only 0.2% of companies are likely to find their status recategorised to small when the thresholds increase (BIS puts this number at 11,000).

"Our research shows that SMEs are becoming less familiar with the concept of audit too, as a consequence of the gradual rise of audit exemption for that section of the economy," says Irving. "There is even some anecdotal evidence that they confuse a financial statements audit with HMRC tax inspections," he adds.

Another rise in thresholds will not affect the majority of smaller accountancy practices either, as most have not been doing audits for years. "Nowadays, only a quarter of small to medium practices are registered to be auditors," says Irving.

So these reforms could, in fact, represent a world of opportunity for those proactive and innovative accountants that serve growing businesses. "When you remove regulation, the need for more and better business advice is strong," says Irving. "Clearly though, as clients grow, their needs become more sophisticated, so practices need to develop the right skills and competencies to be able to meet those needs."

As ICAEW's early research confirms, audit threshold changes mean that many smaller practices will need to fill the void by evolving their services from purely compliance-based offerings to include provision of other, non-standard services. These could be added-value services such as: cashflow planning, accounting software training, HR advice (linked to provision of payroll), pension scheme accounting, start-up mentoring or even an interim/part-time CFO role.

Indeed, the practices that specialise and tailor their services to their clients' needs are also the most successful in terms of their own growth.

Aynsley Damery is partner at Tayabali Tomlin, a firm with over 30 years' experience and offices in Cheltenham, Moreton-in-Marsh and London. Inspiring and challenging clients to build better businesses is at the core of the firm's proposition and it draws on its own growth experience. "If it works for us, it is likely to work for our clients," says Damery.

The firm offers a bespoke, 12-month entrepreneurship programme centred around the needs of owner-managed businesses that are looking to grow. The programme encompasses business and financial modelling, customer value propositions, systems planning, time management, strategic planning and management control. "We put it together from our own experiences and at the request of a number of our clients who were eager to learn from us how to put into place some of what we had done," says Damery.

The breadth of its experience also allows the firm to offer an interim and part-time CFO/FD service, for which a proven track record is paramount. "Prospective clients want to see testimonials and speak to existing clients about what value they receive," says Damery.

And if you have no track record but are thinking about expanding your current service offering to include outsourced CFO/FD? "You need to start small and with existing clients who know your capabilities and the value you can add. Keep up to date with business trends and teaching, especially on commerciality and strategic thinking. You will also need to practice what you preach, otherwise you will lack authenticity," says Damery. "And remember, CFO/FD services are not just about offering management accounts and payroll bundled up."

Both experienced and new practices now also earn a good proportion of their fees from start-up advice and mentoring, taking advantage of the UK's booming start-up market.

According to StartUp Britain, some 550,000 businesses were created in 2014: that is a new record. "As a very rough estimate, I'd say about 10-15% of our fee income comes from business consultancy, including and presenting ideas to potential investors, the firm also offers soft skills training.

In fact training, particularly systems and software training, is now a frequent added-value service, although it is not a big fee-earner. "The take-up of our accountancy software training is disappointingly low," admits Reader. This is in line with ICAEW's findings that only 4% of small and medium-sized businesses obtain IT services from their accountants.

While drawing on your own professional and business experience is one thing, provision of specialist services is fraught with pitfalls and therefore requires specialist skills and competencies.

> "You need to start small and with clients who know your capabilities and the value you can add"

start-up advice and mentoring," says Carl Reader, director at Dennis and Turnbull, a Swindon firm set up 20 years ago. "Start-up work is increasing, too, particularly off the back of my blog for start-ups," he adds.

Oxford-based Ridgefield Consulting is only three and a half years old, with a current turnover of £200,000. "For us, start-up work is a no-brainer and, outside acquisition, likely to generate the majority of all new fees," explains director Simon Thomas, who says the firm wins on average one new client every two weeks.

Other than the customary help with their business plans, cashflow forecasts, marketing strategies, accounting controls

Some firms offer HR advice on the back of their payroll services. "But accountancy firms are only well placed to offer this if they have HR advisers on board, either with generalist HR experience or with HR experience in the industries of their key clients," says Nicola Bell, HR director at Carter Backer Winter (CBW). "They must also appreciate the point at which a piece of HR advice needs to be referred to a solicitor," she adds.

Acquiring relevant experience is also a must if a firm wants to develop a specialism, such as charity. "You must understand how charities are formed and their variants, together with the variations in tax and accounting legislation governed by the two current Statements of Recommended Practice (SORPs)," says Alex Bell, owner of Studholme-Bell. The firm's income from charities work is now approximately 5% of total fees and growing year on year.

Pension scheme accounting and advisory also demands specialist knowledge, which Simon Thomas of Ridgefield Consulting gained when he was accounting for large household pension schemes in his previous employment with EY. "The main issue is compliance with the many complex rules of The Pensions Regulator, including those on eligibility, auto-enrolment and changes in membership."

Be aware of Department for Work and Pensions and Pension Protection Fund issues, adds Thomas.

Finally, although the actual insolvency appointments can only be taken by licensed insolvency practitioners, some accountants without the licence offer "pre-insolvency" services. "They mustn't go beyond their remit," warns John Dickinson, head of corporate recovery and insolvency at CBW.

"Understanding where the line should be drawn is especially important when they advise directors prior to a formal insolvency procedure. The risk is that those directors may become personally liable for actions they take as a result of their accountants' advice. Should this be the case, the advising accountant becomes vicariously liable.

"Accountants considering pre-insolvency services should have enough expertise to be clear about when they stop giving 'information' and start giving 'advice'."

Taxing change

Changes to VAT rules on EU digital sales are causing a stir among small businesses. Caroline Biebuyck finds out what professional service firms need to know to help their clients

Changes in VAT tend not to make national headlines, but new rules on cyber services have caused uproar among small businesses. Until last year the location of supply for digital services was the place the supplier was based. But from 1 January, VAT on EU sales of telecommunications, broadcasting and electronically -supplied services (TBES) is now charged in the country where the end consumer is located.

The good news is that suppliers don't have to register in all other 27 EU states to comply with the new law. They can choose to operate under an EU-wide scheme known as the mini one stop shop, or MOSS.

Under this scheme businesses make a single quarterly return to HMRC, which sends the appropriate information and payment to the other EU tax authorities. As ever, the devil is in the detail.

Businesses (and their advisers) have to decide whether their services fall under the new rules. Julie Towers, VAT partner at Francis Clark LLP, advises a number of smaller firms of accountants, one of whom has a number of musician clients.

"Many have websites from which people can download their music; this is an electronically-supplied service," says Towers. "If a consumer is downloading music in France, say, this will take the supply into the new rules."

Next, a business needs to clarify who is making the supply. Many e-services are sold on platforms, gateways and marketplaces that HMRC considers to be the final suppliers to consumers. But Iain Masterton, senior VAT manager at Chiene and Tait, says that while the situation might be fairly straightforward for larger players, smaller operators might not fit HMRC's description of a marketplace or platform.

"There are some grey areas in HMRC's guidance and intermediaries will need to consider whether they are acting as a principal or undisclosed agent in selling these services," he says.

"If they are, they will be caught by the new rules and not the person who has developed the service and is selling it through them. Some intermediaries might help the developers with downloads or payment processes but might not necessarily be considered to be a marketplace or digital platform under the rules. This raises the question: who is making the supply?"

While the threshold for VAT registration is currently £81,000 in the UK, there is no threshold for MOSS sales – a problem for those whose turnover falls under the current UK VAT limit.

HMRC guidance issued in December last year offered some relief: if affected businesses that are not currently registered choose to register for UK VAT and MOSS, they will be allowed to submit a nil UK VAT return and will be able to recover a proportion of their input VAT.

"Although the new rules for taxing TBES services do impose an additional bureaucratic burden on some small businesses the latest HMRC announcement makes it less bad," says Paul Booth, technical and development manager at ICAEW's IT Faculty.

New compliance procedures are just as tricky for businesses that are already VAT-registered. While they are used to charging either zero or 20% VAT on sales, they now need to consider which of the full and reduced rates from each of the other 27 countries to apply. "If the accounting software cannot cope with applying different rates to different sales then completing VAT returns is going to be very difficult," says Towers.

"And even if the software can cope, a business will need so many different codes to account for the different VAT rates in the different countries, making administration so much more open to error. You need to ensure you know exactly which VAT rate to apply to each service in each country – it's pretty mind-boggling."

Businesses also need to ensure they can correctly identify the location for the supply. "There is guidance on how to locate where your customer resides; however, identifying where your customer actually is can be tricky as people can download via all kinds of mobile devices in many different places," says Masterton. HMRC has said the email address can indicate where the customer belongs - little help if it is a dot com address. "HMRC has said that businesses will need two pieces of evidence to identify the correct location of the customer," says Towers. "This adds administration to something that could be very low value sales."

Businesses must apply for their MOSS registration by the 10th of the month following the month in which they make their first taxable supplies. But a quirk in the HMRC system means that agents cannot register on behalf of clients (they can still do normal VAT registrations). VAT MOSS records must be kept for 10 years (UK VAT records are held for six). Companies opting for MOSS will need to make both their normal VAT return, which can be on any quarterly basis, and their MOSS return, which has to be made on a calendar quarterly basis, and which must be in sterling.

Companies must also make a commercial decision about pricing. Should they charge according to the VAT rate in each country, or set a price with a blended VAT rate so that in some countries they pay a little more VAT and in others a little less than is included in the price?

The new rules could deter businesses from setting up internationally, says Booth. "A trader that does 98% of their business with UK-based customers and makes only the occasional sale elsewhere in the EU could decide to forego the non-UK sales and avoid the hassle - although they would still need to have a procedure in place to ensure that all customers really are UK-based," he says.

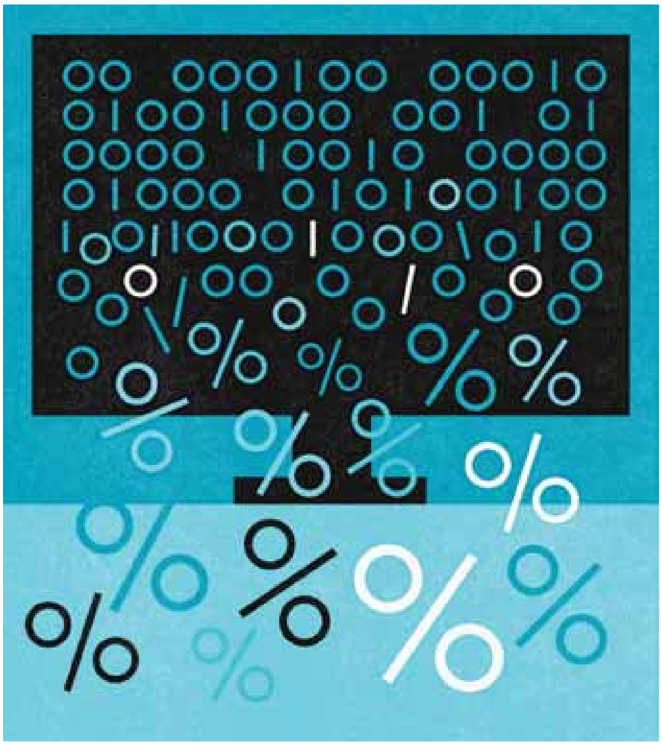


ILLUSTRATION: ARON VELLEKOOP LEON

"You need to know exactly which VAT rate to apply to each service in each country – it's mind-boggling"

Some smaller businesses have already chosen to concentrate non-domestic EU sales in the one or two countries where they have reasonable sales, register for VAT there and ignore MOSS. Others have chosen to only sell in the UK. "This is a bit sad as one of the main principles of the EU is to make it easier to trade across borders," he adds.

Even if a business does not face this kind of decision now, it might do soon. The OECD is consulting on guidelines for the place of supply of services on a worldwide basis - this could extend the principle of taxation in the country of the consumer internationally.

"If a UK business were to supply an electronic service to Japan, say, then at some point it may have to register in Japan and charge Japanese VAT," says Neil Gaskell, ICAEW tax manager. "The principle is already in place in South Africa and other countries are talking about it. About 160 countries have a VAT or GST, so if you have a website and trade worldwide you could potentially need a VAT registration in more than 130 countries, as it's doubtful a MOSS scheme could be extended outside the EU."

Companies selling other goods and services in the EU shouldn't relax either - the European Commission is discussing extending the change of place of supply to all services, and then to goods and services.

"It might be extended to businesses as well, so a business supplying a customer in another EU country, no matter who they were or what they were supplying, would have to follow the local VAT rules," says Gaskell.

"Extending the change of place of supply rules would simplify things. One of the problems is determining whether or not you are supplying an electronic service. If you extend the principle to all services, then this particular problem disappears."

WHICH SERVICES ARE AFFECTED?

The new rules apply to the supply of telecoms, broadcasting and electronically-supplied services (TBES) to consumers. These include website supply or web hosting, as well as distance maintenance of programmes or equipment and the supply of images, text, information and database use. Downloading music, film and games are covered, as is gambling – even though this is VAT exempt in the UK. Event broadcasting, all web-based broadcasting and distance teaching fall under the new regime. So do all downloads of newspapers, books and magazines, even though their print versions continue to be zero-rated.

Setting the standard

The Green Budget – produced this year by the IFS in association with ICAEW – could herald a turning point in cutting through the political rhetoric on government finances, writes Amy Duff

There's a reason that the Institute of Fiscal Studies' (IFS) Green Budget, in association with ICAEW, is so welcomed. It cuts through political rhetoric and presents the bare statistics in layman's terms. This year was no different. The 2015 Green Budget, issued in February, set Twitter alight with one of its findings: the UK is planning the largest fiscal consolidation out of 32 advanced economies over the period from 2015/19. Debt in the UK is set to peak at over 80% of national income while the deficit is still more than 5% of national income.

"Real spending cuts have been substantially less than originally planned, no net additional tax rises have been implemented, and tax revenues have proved less responsive to the economic growth we have had than was expected. Difficult choices lie ahead," said the IFS.

According to Paul Johnson, director of the IFS and a speaker at ICAEW's FD Conference in May, either chancellor George Osborne or his successor will have a lot of fiscal work to do over the course of the next parliament.

"Mr Osborne has perhaps not been quite such an austere chancellor as either his own rhetoric or that of his critics might suggest," said Johnson. "He deliberately allowed the forecast deficit to rise as growth undershot in the early years of the parliament.

"He has not cut spending in real terms as much as planned, as inflation has undershot. And he has cut departmental investment spending by only half as much as he originally planned. The public finances have a long way to go before they finally recover from the effects of the financial crisis."

But which public finances are we talking about? As Michael Izza, chief executive of ICAEW said when the Green Budget came out: "Financial analysis based on *Whole of Government Accounts* has the potential to transform the debate on public finance from the current narrow focus on balancing the deficit in the national accounts to a more comprehensive debate about how future governments' deal with long-term financial challenges." To that end, ICAEW worked with the IFS to produce a chapter for the Green Budget by putting together an analysis of the government's latest financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), with some adaptations for government use.

Although "new" to the government itself, financial statements prepared in this way are significantly different from the way public finances are reported in the national accounts by the Office for National Statistics and are similar to the financial accounting the government has required UK businesses to comply with for decades.

As Robert Hodgkinson, executive director, technical at ICAEW, explains: "We believe that the use of IFRS within government has the potential to significantly improve the public's understanding of the nation's finances, as well as providing better incentives for governments to take account of the long run when making financial decisions.

"Working together with the IFS on this strengthens our voice in arguing for financial accounting to become the primary financial language for assessing the government's financial performance and position."

THE GOVERNMENT'S FINANCIAL ACCOUNTS

Martin Wheatcroft, ICAEW member and managing director of Pendan, was given the job of helping compile the chapter on *Whole of Government Accounts* for this year's IFS Green Budget. As he explains, the *Whole of Government Accounts* is a set of consolidated financial statements for the public sector in the UK.

Unlike the public sector net debt number reported in the national accounts, financial statements incorporate an integrated balance sheet that reflects not only the inclusion of assets controlled by government bodies, but also other liabilities such as those for public sector employee pensions, nuclear decommissioning costs and clinical negligence claims.

Financial statements provide useful information that can be used to support financial decision-making, in addition to measuring progress against previous plans, budgets and market expectations. For example, the reported liabilities of £1.2trn for employee pension obligations included in the balance sheet give a measure for monitoring the scale of the government's obligations. They also offer the potential for improved transparency about how the government intends to fund payment of these obligations over the coming decades.

Implementation is still in its early stages, writes Wheatcroft, with the government taking 15 months to produce the latest available *Whole of Government Accounts*, covering the fiscal year ended 31 March 2013. The government plans to reduce this to 12 months for 2013/14 and to nine months for 2014/15.

In 2012/13, the accounting deficit of £179bn was £94bn more than the current deficit of £85bn reported in the national accounts. The main differences were £49bn in higher charges for pensions, £35bn from the accounting for assets and £16bn for nuclear decommissioning, clinical negligence and other obligations.

The balance sheet at 31 March 2013 reported total assets of £1.3trn, which included property, plant and equipment of £700bn. Liabilities of £2.9trn included £1.2trn for net pension obligations, £1.3bn in government debt and bank deposits and £400bn in other liabilities. Net liabilities of £1.6trn were higher than the public sector net debt of £1.2trn reported at the time, despite the inclusion in the balance of the substantial assets controlled by the government.

> "How does the government plan to address an accounting deficit of almost 30% of total revenue?"

So as can be seen, the *Whole of Government Accounts* compiled so far provoke some significant questions. How does the government plan to address an accounting deficit of almost 30% of total revenue? How will long-term public sector pension obligations and nuclear decommissioning costs be funded?

BENEFITS OF USING FINANCIAL ACCOUNTING

The next stage, which is to embed financial accounting into the government's financial processes and systems, making it the primary method of measuring financial performance within the public sector, should provide further benefits in ensuring the wider ramifications of financial decisions are captured into budgets, plans and other financial reports used for making decisions at all levels of government, writes Wheatcroft.

The greater use of financial accounting will enable the UK and other governments to benefit from the developments in accounting and financial reporting processes, systems, financial analysis techniques and skills in the private sector, rather than the specialised public finance reporting systems within the national accounts and its international equivalents. The 200 or so national governments involved in accounting in this way compare with millions of companies and other organisations around the world that use IFRS or similar financial reporting frameworks as a basis for their accounting and financial reporting.

CREATIVE ACCOUNTING; NO THANKS

One of the most significant developments in accounting in the private sector over the past few decades has been in restricting the ability of companies and other preparers of financial statements from adopting financial engineering techniques to manipulate their reported financial performance and position, for example by moving liabilities off balance sheet.

Robust financial accounting in accordance with independently established accounting standards, such as that now applied in the private sector, could potentially have prevented the criticism of successive governments in the UK for leaving both Network Rail and PFI contracts off-balance sheet within the national accounts. This would not have been possible if they had been required to use financial statements complying with accounting standards as the primary method of measuring their financial position over that time.

MORE TRANSPARENCY AND ACCOUNTABILITY

Listed companies, as we all know, are required to provide regular financial reports to investors on their financial performances under rules established by legislators and regulators to ensure the accountability of management teams to the owners of the businesses that they run.

They report on their financial performance at least twice a year, with some reporting quarterly, and will also typically hold in-depth sessions with investors and financial analysts on their strategy and financial performance. Internally management teams will report to their boards and audit committees (and regulators where appropriate) on their budgets, forecasts and long-term financial plans.

As the government accelerates the production of the *Whole of Government Accounts*, it will increasingly be able to provide similar briefings on its financial performance and position both to parliament and to the public, improving transparency and strengthening their ability to hold the government to account, says Wheatcroft.

"We look forward to the day, in the not too distant future, that it will be possible for the Budget to be presented on a financial accounting basis and for there to be an end of year financial presentation by the chancellor to the public on the *Whole of Government Accounts*."

RNF Business Advisory: at the double

Filippa Connor and **Ruth Duncan** tell Xenia Taliotis why they set up their insolvency practice at a time when insolvency levels were falling – and why the risk has since paid off with dividends

Filippa Connor and Ruth Duncan set up their specialist insolvency practice RNF Business Advisory in December 2013, at a time when insolvency levels were falling. Between 2011 and 2014 the number of company liquidations fell from 1,216 to 979; creditors' voluntary liquidations from 3,034 to 2,501; receiverships from 374 to 171; administrations from 673 to 421; and company voluntary arrangements from 206 to 142.

Entering the market just as other insolvency practices were shutting up shop and rebranding may seem unwise but, says Connor, "we read the situation differently. We saw that the UK economy was picking up and felt confident this would, before too long, result in the closure of countless companies that are barely solvent.

"There are so many businesses that are waiting to let go and declare themselves insolvent. Right now, no one can get credit so no one can move on. Businesses that have, to all intents and purposes, failed are being kept on life-support by directors' personal credit and incredibly low interest rates."

Once that situation changes, adds Duncan, the zombie companies will be allowed to die, particularly if market values increase, because this will motivate creditors to petition for liquidation.

"Companies that should have ceased trading long ago are being propped up by banks that are hoping to achieve returns. But this is not sustainable in the long term. All it's doing is freezing liquidity and putting many people under enormous stress. Keeping businesses in limbo is causing a lot of misery and is none too healthy for the economy, either. The sooner that ends the better."

Connor and Duncan are two of very few female insolvency practitioners in England and Wales. Of 2,000 IPs, fewer than 20% are women. In fact, they made the headlines in the profession when they set up for being the only all-female business recovery practice. That's still true on an operational level, though they now have a male external chairman who acts as mentor to ensure that the business stays on track while it grows.

Not that they need much mentoring: between them they have more than 40 years' experience of working in the sector - Connor as a partner at P&A Partnership and joint owner of B&C Associates, and Duncan at, among others, Smith & Williamson, Grant Thornton and Baker Tilly. She is vice chairman of the finance committee of the Insolvency Practitioners Association and also sits on its council.

RNF has two offices, its headquarters in Maidstone and a smaller hub in London, and operates as two limited companies - RNF Business Advisory and RNF Debt Advisory. The joint-company structure enables them to take advantage of the VAT exemption applicable to voluntary arrangement work by channeling that business through RNF Debt Advisory; this in turn offers a better rate of return for creditors who also benefit from the VAT exemption.

The firm currently employs four other full-time staff, but also calls in part-time help when needed. All staff receive ongoing training, whether they're on the administrative or professional side. "Our industry is very fast moving so everyone has to keep up to speed," says Duncan.

"Training is offered to all staff and it's in our interest as well as theirs to help them reach their potential. Our PA, for instance, will soon be starting a project management course, which will be of great help to us as we expand."

Even with the wane in insolvencies, RNF saw a turnover of £1m in its first year and is predicting growth of between 30% and 40% for 2014-2015. Their plans for the future also include outsourcing the back office work to India, which offers the same expertise for a fraction of the

> "Networking is the lifeblood of a firm like ours"

STRAIGHT TALKING

The firm has drawn up a customer charter that promises to "understand" its clients' problems and "provide them with solutions so they can put their debt problems behind them". Client testimonials support this, with the firm being commended for its straightforward and direct approach. Here's what one anonymous business owner has to say: "RNF's communication with all interested parties was superb, clear and prompt. Ruth and her team liaised with our creditors, notably HMRC, board of directors and our shareholders and managed from the whole process sensitively. The outcome was an acceptable company voluntary arrangement."

ILLUSTRATION: ARON VELLEKOOP LEON

cost, and are "spending big" on IT to ensure they have the necessary infrastructure to make the process seamless.

Business comes from referrals from accountants, direct from companies in trouble and from official receivers. Networking is key to their growth so they are active on the conference circuit and on social media. "Networking is the lifeblood of a firm like ours," says Connor.

"Our colleagues can't make shot-in-the-dark recommendations - they need to know they can trust the people they're recommending, because their reputation rests on the outcome of that referral.

"We do a lot of networking, which, incidentally, is how we met. It's something no amount of tweeting or online presence can replace. We're also planning more seminars this year, so should see our revenue stream from those increase."

RNF's work is 45% corporate insolvency, 30% personal insolvency, 15% solvent liquidations and 10% consulting, and the companies they act for are anything from one-man concerns to businesses with hundreds of employees. The work involved is just as varied:

"We handle every aspect of closing down a business," says Connor, "including securing the premises, selling the assets, clearing the site and disposing of all waste properly, dealing with the redundancies and advising employees of their rights and liaising with creditors."

Only once all this is done can they expect to be paid. Though business recovery firms are near the front of the queue when it comes to receiving payment, they typically only get paid for between 50% and 60% of their time costs. That's why, Connor says, the proposed changes to how IPs are paid - which could force them to base their fees on a percentage of realisations and distributions - presents a perennial problem. "The issues surrounding IP fees have been discussed for as long as IPs have existed.

"The latest proposal from government is that our fees will continue to be based on time costs, but we'll need to provide an upfront estimate and our fees will be capped at that.

"While we understand the concerns creditors have about our fees - because they impact on the dividend level that's paid back to them - there is a misapprehension about our work and the risks involved, which include personal liability that's not present in virtually any other field of business."

Connor adds that fees are a fraught issue. "There's no one-size-fits-all solution that can provide a fair result in each case. And assessing exactly how much time a closure of a business will take is also problematic. Ruth and I have been doing this for a very, very long time and yet there have been occasions when even we've wildly underestimated how long a job will take. Some cases are much more complicated than we're led to believe and then the creditors feel aggrieved because all they see are the escalating fees."

But it's not all doom and gloom: in fact, the primary purpose of an IP firm is to save any part of the business that's still viable and to safeguard as many jobs as possible. Public perception of IPs is poor, but, says Connor, while there's no getting away from the fact that they're seen as "financial undertakers", their function is to find the best possible resolution for all concerned.

"We work in crises situations," says Duncan, "but more often than not, we do manage to save some aspect of the business, to sell it on or to reinvent it in some way. That's why it's so important for accountants and banks to refer their clients to us early on.

"The sooner we come in, the more likely we are able to devise a successful survival strategy. We're a bit like medical consultants. If the patients are referred to us early enough, we can avert disaster. But we can't do anything if the disease has spread."

Ban for dishonest fund transfer, and crooked liquidator fined

Two cases from this month's disciplinary hearings are examined in more detail by Julia Irvine

BANNED FOR DISHONESTY

A provisional member of ICAEW has been banned and told not to reapply for registration for two years, after being found guilty of dishonesty.

Harvinder Sond, of London SE1, transferred €2,231.76 (£1,675.38) from a Paypal account owned and controlled by his former employer, A, into his own Paypal account and then changed the login and security details so that other members of staff were unable to access the account from which the money had been taken.

After the funds were discovered to be missing, A (which was within the same group as his current employer, B) set up a disciplinary investigation. Sond admitted what he had done and said that he had always intended to repay the money.

He blamed his action on his addiction, stress at work and related conditions. He resigned and paid the money back.

As well as his dishonest actions, the disciplinary committee tribunal had to consider a separate complaint relating to his use of the ACA designatory letters.

These were included after his name in his CV which was supplied to A as a prospective employer by recruitment consultants. The CV gave the false impression that Sond possessed a professional qualification which he did not in fact have.

The tribunal threw out the complaint. There was, it said, "a real possibility" that the CV might simply have been erroneous and it was possible that the defendant might not have been responsible for that error.

However, on the second complaint, it found that the test of dishonesty had been met. "For a person to take money for himself from his employer without appropriate authority is conduct which reasonable and honest people would consider dishonest," it said.

"The defendant's assertion to his employer that he had always intended to repay the money does not negate dishonest intent to misappropriate the money."

As well as banning him, the tribunal reprimanded Sond and ordered him to pay costs of £3,950.

CROOKED LIQUIDATOR FINED

An Andover-based insolvency practitioner overcharged three companies he was liquidating by more than £1.17m and then failed to pay the excess back despite a court order.

As a result, Peter Yeldon was made bankrupt in April 2011 and his ICAEW membership ceased. But his case still came before a ICAEW disciplinary committee tribunal (DCT) which fined him £20,000 after finding two complaints against him proved.

Yeldon, a former head of insolvency at Smith & Williamson, who had worked on major insolvency cases including liquidating the Maxwell offshore companies, was a founding partner of corporate recovery firm Middleton Partners (no longer trading) in Salisbury.

Back in 2002, he had been appointed liquidator to the three companies, all part of the same group, and all of which had been dormant for four years. Despite this, he had managed to draw remuneration from them of over £1.46m.

A complaint was made and the High Court ordered an assessor to review Yeldon's work and his remuneration. The assessor found that some of the work he had done was unnecessary and his charges were excessive. He had overcharged the companies £388,082, £196,477 and £585,525 respectively. All in all, instead of over £1.46m, his total bill should have been £289,915.

The court accepted most of the assessor's findings, although it reduced the allowable remuneration from one subsidiary even further. On 15 November 2010, the judge ordered Yeldon to pay £1.31m to the parent company and a further £295,916 to another company, both of which were in administration. He was also ordered to pay £120,000 in costs and the assessor's fees.

The court set a deadline of 15 March 2011 which Yeldon ignored. Three weeks later he was made bankrupt, at which point both his authorisation as an insolvency practitioner and his ICAEW membership ceased as a matter of course.

By that time more evidence of his dishonesty had come to light. In October 2010, he had given a written undertaking to the court in which he confirmed that he had not drawn any further remuneration, costs or disbursements from one of the companies since December 2009. In reality, he had withdrawn more than £345,000 from it, a fact that was only discovered after the court order was made and other liquidators appointed.

The DCT found that there were no mitigating circumstances in the case. "If the defendant had remained a member of ICAEW at the time of this complaint," it stated, "the tribunal would, without hesitation, have excluded him from membership with the recommendation that he never be permitted to be readmitted as a member."

Until his bankruptcy, Yeldon led a champagne lifestyle. He "bankrolled" Salisbury Football Club and listed sea fishing, fast cars, art and Rolls Royces among his recreations in Debretts.

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

● Gary Carruthers, 21 Orchard Road, Fair Oak, Eastleigh, Hampshire SO50 7AS
Complaint He prepared inaccurate management accounts which overstated EBITDA and cash at bank; he signed bank loan covenant certificates for Santander when he should have known that the level of interest cover stated in the certificates was materially incorrect; and he failed to properly account for the company's VAT affairs and to disclose full details to the directors and the company's auditors. Furthermore, he misled the board of directors by preparing a reconciliation of management accounts with the financial statements approved by the board which showed £84,105 of the difference related to deferred income journals when these journals had not yet been posted.
Order Severe reprimand, £3,000 fine.

● Charles Coffey, Unicredit House, Irwell Street Entrance, 16 Paley Road, Bradford, West Yorkshire BD4 7EJ
Complaint On his firm's behalf, he failed to electronically file the self-assessment corporation tax returns for a client and he breached the Code of Ethics when he failed to respond to letters from another firm of accountants in respect of this and two other former clients of his.
Order Severe reprimand, £1,500 costs and his practising certificate permanently withdrawn.

● Charles Coffey, Unicredit House, Irwell Street Entrance, 16 Paley Road, Bradford, West Yorkshire BD4 7EJ
Complaint He failed to comply with written assurances he had given on his firm's behalf following a quality assurance department visit and he failed to respond to the QAD's closing record of findings. He failed to certify compliance with continuing professional development requirements from November 2009 to October 2013.
Order Both cases were heard at the same time and the same order applies.

INVESTIGATION COMMITTEE CONSENT ORDERS

● Anthea Nembhard, 38 Ladbroke Grove, London W11 2PA
Complaint Between April 2011 and May 2014, she engaged in public practice without holding a practising certificate contrary to principal byelaw 51(a) and without professional indemnity insurance (PII) in breach of the PII Regulations.
Order Reprimand, £2,000 fine, £1,105 costs.

● Nicholas Michaels, Finsgate, 5-7 Cranwood Street, London EC1V 9EE
Complaint He compromised his objectivity by: loaning sums of money totalling £159,609 to a client who was also a director of a client; and by conducting work on the accounts of a company and allowing the firm in which he was a partner to do the same when he knew that his sister owned 5% of the company's shares. He also issued an audit report for the same company on behalf of his firm when his objectivity was compromised. All these are breaches of the Guide to Professional Ethics.
Order Severe reprimand, £16,650 fine, £2,400 costs.

● Bharat Shah, 786 London Road, Thornton Heath, Surrey CR7 6JB
Complaint On behalf of his firm, he issued an unqualified audit report in respect of a client's financial statements in breach of audit regulations 3.10 and 3.07. First, the audit had not been conducted in accordance with ISA 500, Audit Evidence, because the firm had failed to perform sufficient procedures in respect of the physical existence and valuation of stock at the year-end date, and it had failed to obtain independent confirmation of the company's bank balances. Second, the firm had failed to make adequate arrangements to prevent anyone who was not a responsible individual of the firm from having any influence which would be likely to affect the independence of integrity of the audit.
Order Severe reprimand, £7,125 fine, £2,717 costs.

AUDIT REGISTRATION COMMITTEE ORDERS

● Anstey Bond LLP, 1 Charterhouse Mews, London EC1M 6BB
Breach The firm admitted breach of audit regulation 6.06 for failing to comply with an undertaking to submit the results of external cold file reviews, within one month of their completion.
Order A £6,350 regulatory penalty.

● McDade Roberts Accountants ltd, 316 Blackpool Road, Fulwood, PRESTON PR2 3AE
Breach The firm admitted breach of audit regulations 2.03b, 2.07 and 2.11, by failing to notify ICAEW within 10 business days of the change in its structure and for not ensuring that it was controlled by an entity that was audit registered.
Order A £607 regulatory penalty.

● Waveney Accountants ltd, 4b Church Street, Diss, Norfolk IP22 4DD
Breach The firm admitted breach of audit regulation 6.06 for failing to comply with an undertaking to arrange and submit the results of an external hot file review within one month of its completion.
Order A £6,000 regulatory penalty.

● Hurst & Company Accountants LLP, Lancashire Gate, 21 Tiviot Dale, Stockport, Cheshire SK1 1TD
Breach The firm admitted breach of Ethical Standard 5 and Audit Regulation 3.01 in that the firm provided prohibited non-audit services to a listed audit client.
Order A £2,500 regulatory penalty.

● Austins, Pine House, Chandlers Way, Southend-on-Sea SS2 5SE
Order The firm's registration as company auditor was withdrawn on 25 November 2014 under regulation 7.03h of the Audit Regulations and Guidance 2008.

● Silver & Co, The Hollies, 16 St Johns Street, Bridgnorth, Shropshire WV15 6AG
Order The firm's registration as company auditor was withdrawn on 25 November 2014 under regulation 7.03h, Audit Regulations and Guidance 2008.

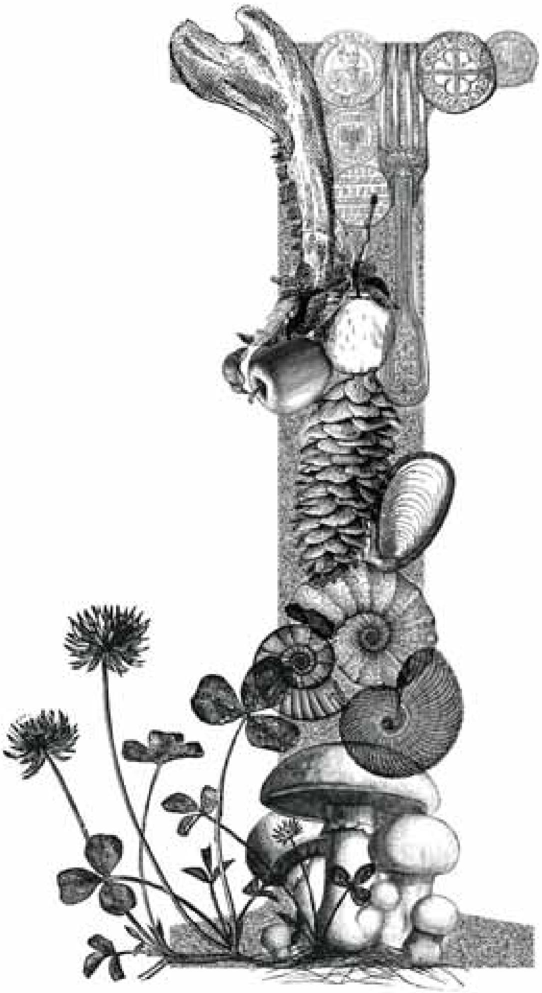
● GSK Accountancy ltd, 24 Barnehurst Avenue, Erith, Kent DA8 3NF
Order The firm's registration as company auditor was withdrawn on 10 December 2014 under regulation 7.03g, Audit Regulations and Guidance 2008.

CLARIFICATION

We would like to make clear that the Neil Turner referred to in our report, *Separation of clients' money*, in the February issue (page 82) is not Neil Turner of Türner & Co, Nottingham, but Neil Turner of Marple Bridge, Stockport.

Finders keepers

It's a wild world out there, with delicacies and treasures ripe for the picking. Patricia Carswell goes foraging



magine a world in which you could escape from the office, pick your dinner from the hedgerows, wander along the beach finding beautiful and unexpected objects and generally live a little more sustainably. If this sounds like an impossible fantasy, we've got news for you.

Incorporating a little foraging into your life doesn't mean you have to give up your job, live in a yurt and eat entirely off the land. As Anna Colquhoun, culinary anthropologist, cooking teacher and food writer, says: "We're not hunter-gatherers. The reasons to forage are that it's fun, it's outdoors, you often do it with other people and it reminds you of a connection with nature."

Liz Knight of Forage Fine Foods used to work in the corporate sector and understands the pressures of professional life, yet still believes foraging is possible for everyone.

"We're all under huge amounts of pressure and work doesn't finish at five o'clock," she says, "but you can still forage within seconds of your back garden and get amazing flavours. The reality is that you're not going to be able to spend a huge amount of time cooking, but what you might have time to do is, on a Monday, take some leftover chicken from your Sunday lunch and put it into some water with herbs that you've gathered in literally five minutes outside, and you've got an amazing, herby, spring chicken broth. It connects you with the outside environment, which many of us hanker for."

Spring is just about the best time to start foraging, as easily-identifiable plants grow in abundance. A walk in the country is likely to reveal nettles (not just good for traditional soup, but in any cooked recipe as a substitute for spinach), cleavers (also known as goose grass or sticky willy) which can be juiced or cooked as a green vegetable, dandelions (which make a surprisingly tasty salad leaf), wild garlic (superb in pesto or garlic butter) and wild mint.

By May or June you'll find elderflowers – easily turned into cordial – and later in the year you can look out for berries and fruits – blackberries, wild raspberries, elderberries (which make lovely syrup and jelly), plums, damsons and sloes.

What, though, if you live in a city and don't have country lanes or a garden at your disposal? According to Christopher Robbins, nutritionist, medical herbalist and forager who teaches courses on the subject, urban environments have huge foraging potential. Although he cautions against eating plants at ground level, there is plenty of wild food higher off the ground.

"You often get crab apples and wild pears on trees on the edges of parks because of the old houses there. You can knock on the door and ask if you can pick them; people will often let you."

Townies can also find berries and fruit, often growing plentifully and ignored by most passers-by.

Anyone living near the coast should look out for samphire (wildly expensive in the supermarket) and

Above: Shepherd's-purse is commonly used in China in stir-fries or as the filling in wontons. Pictured here growing wild on some stone steps in Bath

Left: Chrisopher Robbins says townies can forage too

seaweed, rich in iodine, iron and protein, and unexpectedly delicious. "I thought seaweed would be a Marmite thing," says Fiona Houston, co-author of *Seaweed and Eat It* and self-styled "SeaEO" of Mara Seaweed, "but everyone who is prepared to try it tends to like it."

Foragers often advocate wild food for its health benefits, but according to Robbins these should not be overstated: "I cringe when I hear people claim things are superfoods."

Robbins does acknowledge, though, that wild plants may have a higher concentration of nutrients than their cultivated cousins. "Because we're not giving them vigour from fertilisers and heat, they are not pumped up with water and the same weight contains a higher proportion of vitamins and minerals."

Whatever your reasons for foraging, there are a few basic rules. Most importantly, only eat what you can identify (this is especially important if picking mushrooms). A foraging course or guided walk can be a good start, and there are plenty of books to help you with identification.

If you're foraging on private land, it is wise to seek the permission of the landowner, and no matter where you are, pick only what you need and don't strip a tree or patch of land of all its produce. If abused, foraging can be actively harmful to the environment – Colquhoun points to woodland in Sussex, popular among foragers, where mushrooms and other species are being wiped out – so forage with care.

Of course, foraging isn't just about food; combing beaches and fields for hidden artefacts is hugely popular. Karen Miller started beachcombing seriously when she discovered that her driftwood Christmas trees and hearts were proving a hit with customers at a shop where she worked. Now she has her own business selling driftwood furniture and gifts and sources much of her driftwood from overseas.

Beachcombing was, for her, about much more than just sourcing the materials, though. "It was peaceful and very rewarding; it never became a chore," she says. "You would meet and see people just doing their thing; it was great."

Top: Fiona Houston of Mara Seaweed
Above and left: Karen Miller holding her beachcombing treasures

Beachcombers look for more than driftwood, depending on the area of the country. Pieces of amber and jet can be found on parts of the eastern coast of England, and fragments of ruby in Ruby Bay in Scotland. Fossils are quite common finds, as well as seashells, pottery shards, sea glass and the occasional historic artefact. If you're prepared to go overseas, you might find anything from fishing floats to petrified lightning.

Treasure-hunting isn't confined to coastal areas. City riversides can be a rich source of artefacts, as mudlarkers will tell you. The word, explains Nicola White, PA in an investment bank who has been mudlarking for 15 years, derives from the Victorian children who used to search for discarded objects to sell for a few pennies.

As the Thames is tidal, new finds are deposited each day, and the anaerobic nature of the mud means that they are usually perfectly preserved.

The appeal isn't hard to see. "What I particularly love," explains White, "is the secret history of the objects that I find. These objects are evocative of past lives, mysteries and stories that we will never know about - a small link between the past and the present."

White's finds have included part of a human skeleton dating from the 1600s, Victorian toys, pendants, coins and messages in bottles.

As with food foraging, beachcombers and mudlarks should respect their environment. In London a licence from the Port of London Authority is needed to disturb the surface of the foreshore, and historic finds must be reported to the Museum of London. For safety reasons, White advises a novice mudlark to join a group such as Thames and Field (thamesandfield.com) as the combination of mud and tide can make the riverside hazardous.

Whether it's pulling a handful of herbs to throw into your supper or an afternoon looking for shells on a beach, what excites all foragers is the thrill of finding something unexpected. As Houston explains: "It's an adventure. It's about being experimental." And it's also a whole lot more fun than trailing around a supermarket.

Below: Nicola White's finds, including coins and clay pipes
Bottom: White mudlarking on the banks of the Thames

Restaurants

Going local across the UK, Neil Davey picks the best of restaurants that forage for their food

From top: The Pig's kitchen garden; Stovell's in Surrey

Menu

BREAKFAST

The Full Pig Out £15

LUNCH (THREE-COURSE SET MENU)

Warm terrine of grouse, venison, wild duck, prunes, spiced pear, elderberries; braised and grilled ox cheeks, pickled tongue, sea radish; pear and elderflower fool £20.50

DINNER

Loch Creran oyster with shallot vinegar	£4.50
Scallop, watercress, cucumber, crème fraîche, scurvy grass	£5
Duck heart	£12
Smoked beef, cauliflower, onion, mushroom, kale, radish	£26
British cheese, biscuits, quince	£10

BREAKFAST

The Pig, Brockenhurst, Hampshire

While many places proclaim that they forage for ingredients, there are very few places where such ingredients play a part at breakfast. The Pig is a case in point. All ingredients served within this charming hotel's walls come from the garden, their forager or, at most, from within a 25-mile radius of the kitchen. Enjoy the fine, inevitably pig-heavy breakfast menu before heading with the forager on an informative, enthusiastic and downright tasty walk. Eggs come from the hotel's own chickens, the sausages and bacon are excellent, the muesli and granola are both home-made and the table darn near groans under the weight and wealth of local produce.

thepighotel.com

LUNCH

Stovell's, Chobham, Surrey

As rumour has it, Stovell's just missed out on full Michelin recognition last year. Three AA Rosettes and a top 100 place in the Waitrose *Good Food Guide* will have to suffice until the tyre lot get their act together. Husband-and-wife team Fernando and Kristy Stovell avoid all stuffiness with a friendly atmosphere and modern European menu dotted with foraged ingredients. Dill, yarrow and pennywort may sound like fairies from a children's novel but here they play a part in some very original cooking, every dish demonstrating Stovell's grasp of unusual, often big, flavours. The use of natural ingredients extends to the wood-fired grill, where fire and smoke bring out the best in the well-sourced ingredients and presentation is so achingly beautiful even the worst Instagrammer will look like a genius. All of that plus an open fire and barrel-aged negronis on the bar? Stovell's is an absolute gem.

stovells.com

DINNER

Timberyard, Edinburgh

The foraging at Timberyard doesn't stop at the menu. Everywhere in this converted timberyard you'll spot reclaimed wood and recycled items. Water is placed on side tables made of old tree stumps, oysters are served on remarkably uniform rocks, there's even an old pommel horse in the toilets. It would have you groaning if Ben Radford's cooking and sourcing weren't so good. That oyster adorned with local foliage screams of freshness and the sea. A scallop comes in a pool of green – watercress and cucumber – but brings to mind the finest of Tokyo. Meat tastes resolutely of meat. It's not completely perfect – a so-gamey-it's-almost-metallic duck heart was tough and looked like an autopsy – but it's always interesting and the highs are stellar. Great puddings too.

timberyard.co

Six of the best

If you're searching for the treasures of the sea, follow Patricia Carswell's guide to the top beachcombing spots

1. Best for sea glass
Playa Cofi in Puerto Rico. Glass washed up from nearby shipwrecks and disused landfills means the beach is covered in coloured pieces with the distinctive sea-washed frosting.

2. Best for seashells
Sanibel Island in Florida, America. The island's position in the Gulf of Mexico means the currents deposit shells along the shore. Find conches, whelks, cockles and sand dollars here.

3. Best for glass fishing floats
Ocean Shores, Washington. Storms and strong currents have cast floats, used by fishermen to keep their nets afloat, on the shores of the Pacific north-west.

4. Best for petrified lightning
Nags Head, Outer Banks, North Carolina. Intense lightning strikes - especially common on exposed beaches - melt the quartz in the sand into thin, delicately-shaped tubes called fulgurites, also known as petrified lightning. Take note, though: you may find you are not allowed to remove them from the beach.

5. Best for fossils
Jurassic Coast, Dorset, UK. With 90 miles of coastline to pick along, the exposed cliffs offer a wealth of petrified finds. Ammonites haunt the foreshore of this World Heritage Site, and can be dug out of soft stone. Beware the tide though, as it can quickly cut you off.

6. Best for random and unusual finds
Texel, an island off Holland's north coast. Tides, shipping lanes and winds have combined to make Texel the repository for huge amounts of unusual flotsam and jetsam, including fur coats, machine guns, messages in bottles and even a cage containing a dead parrot.

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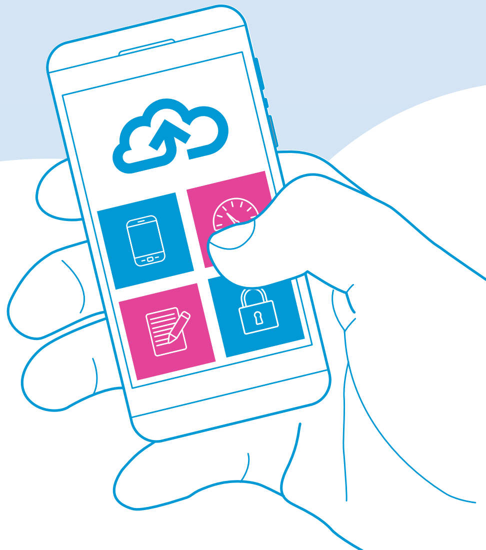

ALEXANDER CHARLES, AN AWARD-WINNING SERVICE

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.

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A bit of me time

At just 47, **Tinuke Bell** is looking forward to life after work with as much zeal as she approached her career. She tells Peter Taylor-Whiffen about her plans

Tinuke Bell clearly has a zest for life. Her accountancy and business career, she says, has been "a blast" – but now she's just as excited about a future without it. "I loved school, I loved uni and I love work," she says with infectious enthusiasm. "But now it's time to concentrate on me, and my family, and I can't wait."

Bell has lived her business life to the full, spending the past 20 years at Motorola, which she joined as a senior internal auditor and has just stepped down as senior Tetra (Terrestrial Trunked Radio) business manager. "I've been very lucky to have had really enjoyable jobs," she says, "but I also do try to make the most of opportunities."

This has been the case since her 1970s childhood in Hackney, east London. "As the daughter of Nigerian immigrants I was always going to do something academic. That was the point of my parents coming to England – to make sure their children got a good education. I sailed through school. I was always racing after my two older sisters – I couldn't wait to get homework. As I grew older I remember being quite mercenary, and wanting a career that might make me a bit of money."

Bell graduated from Middlesex Polytechnic, saying: "I got the traditional 'Desmond' (2:2)", and landed her first job in West End firm Stoy Hayward, now BDO. "They took on 100 students from a range of backgrounds, so it was like an extension of university – great fun." Her career really took off when, in 1994 at the age of 27, Bell moved to phone giant Motorola – and two years later became its corporate finance manager for the Middle East, based in Dubai. "Teams of three or four of us would fly business class, stay in five-star hotels in Egypt and Turkey. It was like I had a guardian angel."

Further promotions followed – EMEA project financial controller, product management business analyst, product marketing manager – but she also married and had two daughters, who are the main reason she is quitting work now.

"We all need a bit of me time," says Bell, who now lives in Barnes, south-west London. "We've always had a nanny (husband Rob is a property developer), and that used to be OK because I was never a 'baby' mum. But as the girls grew up I became jealous of the nanny doing all these things with them. They're nine and seven now, and I don't want to miss any more. Plus, I want to be there to guide them before they hit the next phase – I was an awful teenager."

Bell enjoys exercise, so her other "retirement" plans are very straightforward. "I want to improve my tennis, and my swimming, and I'll be able to run three times a week."

Does she plan to keep her hand in business? "People have said 'you won't' and maybe I won't, but I don't want to do consultancy. However, it's nice to be able to assist friends with business advice.

"So maybe I could take a non-executive role as a trustee doing, say, 20 days a year. I still love business, and if I can use my knowledge and experience to make a difference to people, that would suit me nicely."

PHOTOGRAPHY: RICHARD ANSETT

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