The price of justice How prison systems are financed and why the Dutch are so good at it

12 dates that shaped accountancy From Mesopotamia to the Natural Capital Protocol

Customer service Why do so many companies bite the hand that feeds them? It starts with culture

Corporate reporting Where it is now and the issues chartered accountants must address

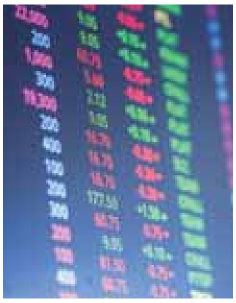
economia

DECEMBER 2017 ECONOMIA.ICAEW.COM

Flying high

Brighton & Hove Albion Football Club's David Jones on "friendly debt", Premier League TV revenue, and how to juggle two budgets

Extra Urban 44.1 (6.4) - 55.4 (5.1), Combined 36.2 (7.8) - 50.4 (5.6). CO_2 emissions: 178 - 145g/km. Fuel consumption and consumption achieved in ‘real world’ driving conditions. Image shown for illustration purposes only. Model shown features optional equipment, available at an additional cost. Choice of wheels and other



ARE STOCK MARKETS HEADING FOR A CRASH?

Apple was named in the Paradise Papers. On the day of the revelations, its share price jumped. This is less an indictment of the importance of reputation, more an indication of the state of global stock markets.

A few market watchers are very concerned that stocks are over-valued at the moment. While some are predicting a severe market correction (also known as a crash), others are less certain.

Global markets may be outperforming economies, but many of those economies are still doing OK.

Few looking at the US closely see much wrong with the economy. It is not overperforming, but neither is there any apparent economic crisis brewing.

Many of the fastest climbing stocks are technology businesses, suggesting what we are seeing is simply another tech bubble. Let's hope it deflates gently rather than bursting suddenly.

Have your say

We like to hear from readers about the magazine or issues facing the profession. You can email us at economia@icaew.com

The leader

Last month's release of the Paradise Papers, hacked from an offshore law firm, proves again that tax has become optional for the wealthy.

For those with the wealth, influence and ability to pay advisers - whether lawyers, investment managers, bankers or accountants - tax has become a game. Few people enjoy paying tax, but for those with the most money it has become a badge of honour to avoid it. A clever new scheme is something to boast about with friends over a swanky dinner on the yacht. Regulators and politicians set rules and make laws for their own region, including tax rates usually set to achieve short-term, local political ends.

This leads to the massive differences in tax regimes around the world, with many offering rates close to zero in order to attract soft inward investment and build up so-called financial services centres. Such locations are happy to be tax havens and for decades have been the playgrounds in which advisers' fancy schemes have exploited loopholes to reduce or eliminate tax liabilities.

This much is hardly news. But each data breach offers us a new set of household names, revealed to have been involved in playing these games. The advisers, and occasionally their clients, point out that the vast majority of this activity is legal. Most such schemes are cleverly constructed precisely to meet the letter of the law. With governments around the world struggling to make ends meet, the discussion then naturally turns to whether such avoidance is ever morally right. This is where things get tricky. If reducing your tax bill is always immoral, few of us are without sin. It boils down to something less cut and dried, something ICAEW CEO Michael Izza has referred to as "the sniff test". If something smells wrong, a rethink might be in order.

Another way of thinking about this is "the headline test". How comfortable would clients be if their latest tax-friendly investment was splashed across the world's media? The leaking of the Paradise Papers has led to calls for more transparency. There is already much better communication between tax authorities around the world, and further improvements are likely under new reporting rules. But for less scrupulous advisers, including those not covered by the standards of professional conduct that chartered accountants must meet, this is merely a new challenge. The rules have changed, but the game remains the same.

Some of the names and schemes identified in the Paradise Papers relate to legacy issues that new rules would now prevent. But total transparency quickly bumps up against a right to privacy. Perhaps it would be better to simply remind those about to invest in any scheme that fails the sniff test that an apparent lack of reliable data security, combined with huge global interest in tax issues, means reputations are at risk when their scheme is next to hit the headlines.

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Highlights

There's a prison crisis in the Netherlands, shouted the headlines in 2016, they've run out of prisoners. Apparently the preference for community service, fines and electronic tagging over custodial sentences has contributed to the decline of the prison population. Meanwhile, in the US and China, prisons are bursting at the seams. And that's a problem for the state, because crime doesn't pay. We asked David Adams to investigate the price of justice **PAGE 28**

36 HISTORY
In a crude but well intentioned acknowledgement of the Christmas season, the *economia* team has trawled the annals of accountancy history to compile 12 dates that we think most shaped the profession. What have we missed? Tell us @economiamag

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The adage that "the customer is always right" seems increasingly alien to some of the world's biggest companies. We take a look at why even the biggest names seem to struggle so much when customer service goes wrong

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Public demand for greater transparency, tighter regulation and the application of technology all add up to fundamental changes in the nature of corporate reporting. We explore some of the challenges this presents the profession

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CAREER PLANNING

"It's rewarding when you sell a business and save people's jobs. You get a real buzz from that" **54**

Brighton & Hove Albion Football club is in the Premier League for the first time in its history, just 20 years after narrowly avoiding going out of business. Finance director David Jones is the man who must make sure there's a sustainable plan for the future now the south coast club has access to the funds in the world's richest football league **PAGE 24**

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economia **is published by Progressive Content 71-73 Carter Lane London EC4V 5EQ progressivecontent.com**

Printed in the UK by Wyndeham Southernprint
Subscriptions: economia.icaew.com/subscriptions
ISSN 2049-4009
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Total average net circulation July 2016 to June 2017 133,723

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David Harrison, the photographer for our Day in the Life feature, has travelled widely for *The Sunday Times Magazine*, *Guardian Weekend*, *GQ* and others. He's addicted to photography because it gives him "permission to stop and stare, to drink in as much of what or who you are standing in front of". He says he enjoyed visiting the school with Michael de Giorgio and his "easy confidence and engagement with the children and staff. When things are so genuine they are a pleasure to capture with the camera and share with the world."

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Take a dip Our news team looks at the meaningful stories from last month, including aerial shots of Spanish fields, a Welsh zero waste initiative, and fake whisky

In case you missed it

Shooting Pablo

You could easily mistake this shot for a piece by the Spanish master Pablo Picasso but it is, in fact, a birds-eye view of the effect of dryland farming on fields in the Aragon region of northern Spain. Abstract Aerial Art tells *economia*: "This area has the most incredible-looking abstract field patterns when seen from above, the scale of which could never be appreciated at ground level. It took a lot of research and a couple of drone flights to find shapes and colours that worked. The image reminds us of something Pablo Picasso may have painted." Drones: they're not just pesky buzzing things...

THE PARADISE PAPERS: TAX AND TRANSPARENCY

Responding to the leak of financial documents from offshore legal service provider, Appleby, ICAEW's CEO Michael Izza said only complete transparency of corporate and trust ownership will provide the necessary sunlight for the secrecy that allows such behaviour: "We expect our members wherever they are based to uphold the highest ethical and professional standards when it comes to tax advice, in line with our ethical code," says Izza. "Other professions need to be challenged to abide by similar guidance."

UNILEVER AND MARS MOVE INTO B2C

As revealed in *Retail Gazette*, Unilever and Mars have signed up to a new digital grocery service, powered by blockchain, to sell to consumers direct. Tech firm INS says its system will cut out the middle man - wholesalers and retail stores - cutting bills by a potential 30%. "The grocery industry is inefficient and controlled by retailers," INS co-founder Peter Fedchenkov said. "In the UK, there are over 7,000 manufacturers and 25 million households dependent on four key grocery retailers controlling 76% of the market."

THE REAL LIVING WAGE AND IN-WORK POVERTY

As the Living Wage Foundation and the Greater London Authority announced an increase in the living wage, research commissioned by KPMG found 21% of UK workers are still earning a salary below the living wage. The research showed that the total number of people earning below the real living wage is down slightly - by around 100,000 - on last year's figure, but still around one million higher than in 2012. More than five million working people "cannot enjoy the standard of life so many of us take for granted," said KPMG's Andy Bagnall.

Trade mission

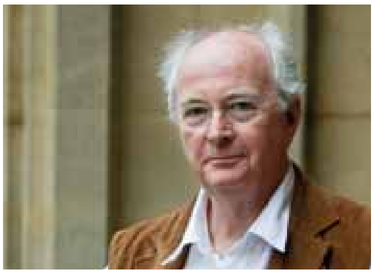
Scotland's only all-female business angel group, which started investing in 2015, announced three board appointments including Kirsty Paton, a tax specialist at accountants Chiene + Tait. Investing Women exists to bolster the number of female-led businesses in Scotland. At the other end of the scale, the Hampton-Alexander Review 2017, a government commissioned report into increasing the number of women in senior business roles, revealed that progress is slow. Sir Philip Hampton, who has been conducting the review, said: "We look forward to hearing cogent reasons from companies that struggle to identify women with strong executive abilities."

Green and pleasant

As various countries consider new laws regarding marijuana control (29 US states and the District of Columbia have approved the use of marijuana for medical purposes), US firm Hoban Law Group announced it is taking advantage of the "rapidly expanding" cannabis marketplace by opening offices in the EU and Latin America. The industry could become a multibillion-dollar business opportunity, according to some, and in October CannaTech, London's first medical marijuana conference, sold all 200 tickets. Founder Saul Kaye told the *FT* there is proven appetite among UK investors to learn more about the developing industry.

250 Natural Weigh will sell food free of plastic packaging on the site of a former pub from March next year, becoming the first zero-waste shop in Wales. The Corn Exchange pub in Crickhowell will be converted into three flats and three shops, including Natural Weigh, said the BBC. Around 250 shareholders, mainly Crickhowell residents, rallied round to oppose the planning application for a supermarket in 2015, raising £500,000 to buy the pub themselves. Consumers will bring their own containers, weigh them and pick foods. Zero-waste shopping is popular in Europe and the US but has been slow to catch on in the UK.

Quote of the month



Responding to fellow author Meg Rosoff's question in *The Guardian* - would you rather be a woodpecker or a writer - Philip Pullman says woodpeckers are more prolific

"I don't think of myself as a writer. Writing is an activity, it's a verb. Most of the time I'm not writing. I'm a grandfather, a cook, an aspiring ukulele player, a woodworker or a dog walker"

DRAM AND BLAST: VINTAGE SCOTCH IS A FAKE

One of the only known bottles of Macallan 1878 still in circulation was declared a fake following an investigation by valuation experts Rare Whisky 101. The Waldhaus Hotel Am See in Switzerland hit the headlines after a Chinese customer paid 9,999 Swiss Francs (c£7,700) for a glass of the rare Scotch whisky. But forensic tests carried out by RW101 showed the whisky dated back no further than 1970, deeming it almost worthless as a collector's item. Sandro Bernasconi from the hotel flew to Asia to refund the paying customer in full.

ALAMY, MATT WAGER/REDUX/EYEVINE, DANIEL LEAL-OLIVAS/AFP/GETTY IMAGES

Debate:

The economy can no longer be saved by people spending more

KYLE CHAYKA, writer, in an article for *The Cut* website

"We're encouraged to build our identities on consumption, but lately capitalism seems less satisfying than ever, and not just for proto-socialists."

MARK GREGORY, **EY's chief economist**

"Consumers have been the UK's key growth driver, accounting for over 75% of the growth in UK GDP from 1997 to 2007. But as real incomes fall, consumers have been borrowing more to keep their spending afloat. While trade, investment and public spending can help the economy grow, they cannot currently replace the consumer's contribution to GDP. We need a more sustainable base for consumer spending. This means investment in skills, infrastructure and new technology to enhance productivity and generate rising real wages. Research shows that people on lower incomes generally spend a larger proportion of their disposable incomes, so any wage increases here are likely to boost UK growth more effectively. Higher incomes, more fairly distributed, anchored in higher productivity, will create the basis for stronger and sustainable consumer spending in future."

RACHEL BOTSMAN AND ROO ROGERS, in *What's Mine Is Yours*

"Collaborative consumption - sharing, bartering, lending, renting, gifting and swapping - redefined through technology and peer communities is enabling people to realise the benefits of access to products and services over ownership."

LEIGH DROGEN, CEO of Estimize and Force Rank App, on Twitter

"Consumerism is dying, the Millennial generation had to cut back by necessity and found life is better without 'stuff'."

TREVOR WILLIAMS, professor at University of Derby and former chief economist at Lloyds Bank Commercial Banking

"The argument that consumerism is dying is based on its slower growth over the last decade or so in the mature economies. Only 10-12% of the world's population lives in developed economies. Regarding income, the global average is around $8,000 per head compared with roughly $40,000 in the advanced countries. The developed economies' share of global GDP has fallen from over 60% two decades ago to 40% today and global income inequality has halved. More people are able to afford middle-income consumer goods and services. Consumer spending as a share of GDP in the poorer countries is around half the 70% of the advanced economies. As global consumer spending rises towards this 70% average, a surge of expenditure will result. Hence, consumerism is not dead and will accelerate in the coming decades."

GOLDMAN SACHS, *Data Story Millennials* report

"Millennials have been reluctant to buy items such as cars, music and luxury goods. Instead, they're turning to a new set of services that provide access to products without the burdens of ownership, giving rise to what's being called a 'sharing economy'"

VICKY GRINNELL-WRIGHT, head of corporate engagement at A Blueprint for Better Business

"The human search for meaning, mastery, autonomy and belonging, as well as the increasing awareness of the limits to growth and the evidence of the environmental and social impact of wanton consumption, are clear. There is a retrenchment to more conscious consumption. Enlightened self-interest is leading the charge for people, in work and in life, as we reconcile the 'system' of which we are all part and never exempt. Consumer 'me' is no longer a 'me' that I recognise, that is easy to market to. Spending more (money, resources, social capital) is not an option in a world of finite. Brands and products must increasingly show they have more than extrinsic benefit and, on a macro level, systems thinking, circular economy and people, planet, profit thinking must prevail."

STEVE HOWARD, IKEA's chief sustainability officer, in an interview for NPR website

"Broadly, you saw a tremendous expansion in consumption and people's livelihoods through the 20th century. And the use of stuff is plateauing out."

ERIK ASSADOURIAN, sustainability researcher and senior fellow at the Worldwatch Institute

"It isn't consumerism but the planet that is dying. Earth can no longer sustain 7.5 billion people – particularly when primed to consume far more than they need – and continuing on this path is bringing about a climate catastrophe.

"There is only one option: economic degrowth. This would include an intentional shift away from some industries and cultivation of more sustainable industries to replace them. Overall, there'd be far less economic activity. More public goods would replace private goods, more private goods would be designed to last decades, and people would live a lot more simply.

"In the US, I see a key effort being conversion of the 40 million acres of lawns (our fifth largest crop by acreage) into a patchwork of sufficiency 'yard farms'. These will be a key provider of healthy food, community resilience and sustainable livelihoods for Americans.

"Yes, degrowth is politically daunting, but continued growth is biophysically impossible, so if we're wise we'll recognise that we're better off dealing with consumerism politically, than letting Earth deal with us ecologically."

NIKKI BAIRD, managing partner at RSR Research

"Services will have to take consumerism's place, where consumers are spending on the combination of products and enabling services. Fortunately, Millennials are a generation primed to spend on services – already the retail industry is preparing for Millennial homeowners who don't know how to paint walls or patch drywall or repair a toilet. Consumerism is dying, in the sense that the act of acquiring a product has been completely commoditised. What has not been commoditised is the act of using the product – and that is the shift ahead of us."

ALI EL IDRISSI, founder and CEO of UpChoose, writing to NewCo Shift

"Our productive economy demands we make consumption our way of life. The measure of social status, acceptance, prestige, is found in our consumptive patterns. We need things consumed, burned up, worn out, replaced and discarded."

GETTY IMAGES

PHOTOGRAPHY BY CHARLES BEST

Tales from the frontline

Charles Bowman, PwC senior partner and the new lord mayor of London, has ambitious plans to move a role long associated with tradition and ceremony into a more modern and practical one

I was seven years old when my father brought me to the City to watch the Lord Mayor's Show one cold November day. I was entranced. I have never forgotten the image of the spectacle, the colour and pageantry. Later, as a future architecture student, I spent time in the City sketching Wren churches to part finance my gap-year trip round North America, and developed a passion for the place. But it wasn't until much later that I actively became involved in City civic life.

I have had several mentors in my life, one of whom was former Lord Mayor John Stuttard. He was among the first Coopers partners I met after the merger with Price Waterhouse in 1998. He was just about to embark on his own civic career and he encouraged me to think about following suit.

It was the wrong time for me: I was working long hours and had a young family. So he said he would remind me later. That annual tap on the shoulder became a thud, a thump, a push, a shove. Some 10 years on, when I had just handed over an intense leadership role in the top tier practice, he said why not now? By May 2013 I had become an alderman of the ward of Lime Street. I became a sheriff in 2015 and Lord Mayor last month.

My year kicked off with the largely ceremonial Lord Mayor's weekend. It started on Friday with the Silent Ceremony when I was formally installed at Guildhall. This involves swapping hats with the outgoing Lord Mayor and swearing an oath - the only sound to break the silence. Saturday was the Lord Mayor's Show, the biggest unrehearsed parade anywhere in the world - 7,000 people, 200 horses, 70-plus floats, military bands, cadet forces and schools. It dates back to just before Magna Carta when the City negotiated with King John for the right to appoint a mayor. The quid pro quo was that the city had to parade its new mayor through the streets of London to present him to the citizens. I like to think of it as the very first public form of transparency and accountability.

Sunday was a service at St Paul's Cathedral and the laying of wreaths in front of the Royal Exchange, and Monday was the Lord Mayor's Banquet. This is a thank you to the outgoing Lord Mayor but also allows the new one to set out his manifesto.

Possibly as a result of this weekend, the public tends to think of the Lord Mayor as a caricature wearing tights and frills and sitting in a gold coach. But ceremonial events take up less than 5% of my time. My real role is to act as spokesperson and principal ambassador for the City and UK professional and financial services. The industry employs 2.2 million people across the country, 400,000 of them in the Square Mile, accounts for 12.5% of GDP and contributes £72bn to the annual tax take. So with life after Brexit in mind, I will be spending some 100 days of my year travelling to 27 countries selling financial services.

Another objective is rebuilding trust in business. Sceptics will say they've heard it all before but I am a passionate believer that there is a job to be done. The 2017 Edelman Trust Barometer revealed the largest ever drop in trust in government, business and media. I see a paradigm shift taking place that started around the time of the global financial crisis and is evident in recent events - the US and UK elections, Catalonia, Brexit. It's partly technology driven: access to data and the ability to transmit judgements based on that data have changed the dynamic beyond recognition over the last 20 years.

So we have consulted citizen's juries, distilled our existing codes and come up with five civic principles and five asks aimed at financial services businesses which we launched last month. What's extraordinary is that they almost replicate each other.

My third objective is the Lord Mayor's appeal, which my likely successors and I have reshaped from a year-long charitable project into something more long-term. We have chosen three charities and challenged them to develop ground-breaking projects over three years that will make the City fairer, inclusive, skilled and healthier. The Samaritans are, for example, working with PwC on developing an awareness training package relating to mental health and suicide risk. It is currently being piloted.

A key theme of my mayoral year is continuum. The pop-up Lord Mayor is long gone. My projects are all long-term and if I leave a legacy at all it will be that I have played a part in helping to create a better City for all. ●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From the Institute this month: warnings aired over prospects for the economy and the implications of no deal on Brexit, personal finance guide launched, and the return of a glass act

ICAEW news

ECONOMY ON CLIFF EDGE

Despite improvements in profit growth, capital investment and sales volumes, UK businesses continue to take a gloomy view of short-term prospects, the latest ICAEW Business Confidence Monitor (BCM) reveals.

The business confidence index stayed firmly in negative territory (-3.4) during Q4 of 2017 although it had improved on the Q3 low (-8) caused by the shock of the general election result. The slightly improved overall result might have been even better if it hadn't been for London, which is the most pessimistic region with an index rating of -7.8. According to the BCM, the capital has stayed below the national average in all but one quarter since the EU referendum.

This general negativity is surprising given that there are signs of improvements to the business environment. The BCM reports that profits growth has gone up from 3.4% in Q3 to 4.1% in Q4, and is expected to rise further to 4.7% next year on the back of rising sales and a slowdown in input price inflation. After years of flatlining, export sales are beginning to improve and are expected to rise by 3.5% and 3.9% in the next 12 months as the fall in sterling results in more selling.

ICAEW CEO Michael Izza said that the BCM findings highlighted "the cliff edge that the UK economy is on at the moment". And he warned that, although businesses had taken the recent interest rate rise in their stride because it was not unexpected, any sudden shocks from the chancellor at the Autumn Budget could have a serious impact on their health.

NO DEAL BREXIT "VERY BAD" FOR BUSINESS

Shadow Brexit secretary Sir Keir Starmer has warned the profession about the dangers of a "no deal" for professional services.

Speaking at an ICAEW event, the Labour MP said no deal would be "a really bad outcome" for the UK and the EU. It would hurt trade, manufacturing and the services sector.

When asked what accountants and business leaders could do to influence the negotiations he advised pushing for transitional arrangements. "It is the single most important thing. You need to make your voice heard. Speak now and speak loud to the government."

Sir Keir admitted that the government's approach to the negotiations had recently improved from its belligerent starting point, but that there was still a "deep division as to what they want from Brexit". He said that the "low tax, free trade" model of the UK post-Brexit recently advocated by foreign secretary Boris Johnson was at odds with others in the cabinet.

SUPPORT FOR FINANCIAL PLANNERS

This month sees the launch of ICAEW's latest interest grouping – the financial planning community.

Aimed at anyone working in the financial planning and investments sector (including non-ICAEW members), the community will not only be part of a network of like-minded people but will also have access to material on regulation, pensions, investments, tax and estate planning, probate and practice development. The launch coincides with publication of ICAEW's new *Lifetime Wealth Planning Guide*. This is designed to help members who are more involved in financial planning because of the introduction of the recently introduced pension freedoms – there are an estimated 400,000 individuals with money purchase pension pots retiring each year – and the subsequent greater demand for advice.

The guide centres on a case study of retiring SME owner Peter Pickle who is looking for a financial planning mentor. John Gaskell, head of personal financial planning at ICAEW, says that Pickle is typical of the kind of client who will increasingly turn to their chartered accountant as they head towards retirement.

"We believe that more chartered accountants should broaden their horizons to factor this personal finance market into their remit, as they are best placed to provide the support that is required for owner/managers to achieve their personal financial goals. If clients cannot receive the type of advice they need from their existing advisers, they tend to look elsewhere."

STAINED GLASS WINDOWS COME HOME

Four Henry Holiday stained glass windows, lost for almost 50 years, recently returned to their rightful home at Chartered Accountants' Hall where they now hold pride of place in the entrance to the great hall. The four works of art, which commemorate different aspects of the accountancy profession – law, enterprise, commerce and finance – were installed by Holiday, a renowned stained glass artist, in 1897 as an original commission for the building.

They were removed in 1970 to allow for the addition of the Whitfield Tower and the great hall and then spent the best part of the next five decades in a barn owned by the then Led Zeppelin manager, Peter Grant. After his death, his family rediscovered the windows and put them up for sale via auction as a job lot. Thanks to the ICAEW Foundation, whose remit encompasses preservation of heritage assets, they were finally tracked down and reacquired.

Holiday's original paper designs are housed in the Word and Image Department at the Victoria and Albert Museum, London, along with an alternative design for the enterprise window. ●

Highlighting diversity initiatives is vital for the future development of the profession, says ICAEW president **Nick Parker**

From the top

We are all members of an increasingly diverse and inclusive profession. If we are to improve social mobility and access to our membership, we need to let young people from all walks of life know about the benefits of being an ICAEW Chartered Accountant. Three separate but related initiatives should enable us to reach out to different communities, and encourage the young to think about ICAEW chartered accountancy as a potential career.

The first is that we now have in place a network of 10 regional diversity champions, all of them either ACA trainees or recently qualified ICAEW members, and all of them passionate about the profession. Their brief is to go out and actively promote diversity in schools, colleges and universities, as well as other ICAEW regional networking events. They may all come from different backgrounds but they are united by their enthusiasm for the profession. As trainee accountant Fiyza Awan says: "I am really proud to be a BME in this profession, a profession that has historically been made up of white middle class men. And it's really good to see that the profession is beginning to catch up and mirror what society actually looks like. It makes me really hopeful for the future."

Awan can be seen speaking about the profession, alongside five other diversity champions, in a new ICAEW video promoting how the membership is changing to embrace greater diversity and inclusion. Like Jake Holdroyd, a fellow trainee accountant, whose father is a welder and mother works in a shop and whose college friends all went into trades. He decided he wanted to go the professional qualification route instead. "It's easy when you get somewhere to take your path for granted but it is really important we come together and eliminate all obstacles so people can achieve their full potential," he says.

Our third initiative is the launch of a new ICAEW diversity community in Spring 2018, which will be free to join and open to all. Our vision is to "actively promote inclusivity within the profession, helping to educate, support, raise awareness and share best practice around equality and diversity". It will bring together the diversity work we are already doing, and offer support to individuals as well as advising firms, and offer the wider community pan-professional networking opportunities.

As recently qualified accountant Louise Hollington, another diversity champion, says in the video: "There's a lot of passion out there about increasing diversity and social mobility but now's the time for action and to put it into practice." And that's exactly what we're doing. ●

Have your say: email Nick at **president@icaew.com**

PHOTOGRAPHY BY DAVID BEBBER

Events

5 DECEMBER
FALSE ASSURANCE
ICAEW training film bringing to life ethical and accounting issues. *Exeter*

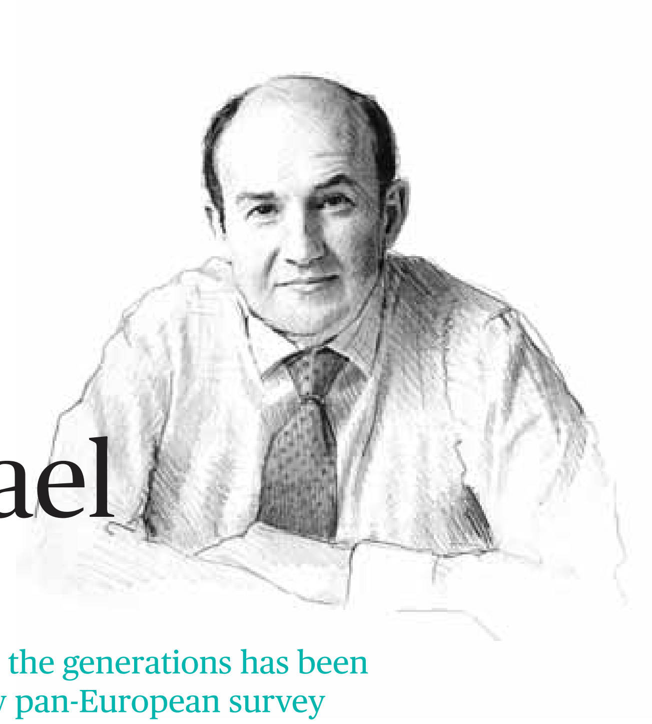
5 DECEMBER
EXCEL SKILLS
This webinar with John Tennant will explain how to get to grips with financial modelling and budgeting with Excel.

6 DECEMBER
INTERGENERATIONAL FAIRNESS DIALOGUE
Ensuring intergenerational fairness is one of the biggest challenges facing policymakers today. Report launch. *Brussels*

6 DECEMBER
AI AND HOW ACCOUNTANTS WILL BENEFIT
The industry is right in the middle of the biggest change we have seen for decades. With the disruption comes opportunity. *Manchester*

6 DECEMBER
MONEY LAUNDERING REGULATIONS 2017: AN UPDATE
Last June saw the release of the new Money Laundering Regulations 2017. This lunchtime event will consider the requirements imposed by the Proceeds of Crime Act and related legislation on firms and individuals. *Didsbury*

18, 19 DECEMBER
INFORMATION FOR BETTER MARKETS CONFERENCE
The theme of this year's conference – which forms part of ICAEW's Financial Reporting Faculty's thought leadership programme – is Corporate reporting: is it heading in the right direction? It will bring together academics and non-academics to debate current issues, in particular the findings of four academic research papers specifically commissioned for this event. *London*



Michael Izza

Tension between the generations has been revealed in a new pan-European survey carried out by ICAEW and the issue needs to be addressed

This month in Brussels we launched the results of a unique research project exploring how Europeans view intergenerational fairness. Over four days at the beginning of July, we surveyed more than 10,000 citizens across 10 different countries within Europe, and the results make for thought-provoking – and deeply concerning – reading.

They confirm that the intergenerational contract in Europe is under strain. Europeans are worried that they and their children are likely to end up worse off than their parents and grandparents. If this comes about, then we will have undermined the key premise that motivates society – that each successive generation should be in a better position than the previous ones.

The survey revealed that, across the 10 countries, fewer than one in four Europeans think that their generation is being treated fairly by their government when taking policy decisions. Interestingly, this sense of unfairness and distrust is not felt just among the young. It is broadly shared across genders and age groups. Similarly, Europeans of all ages don't believe their government thinks beyond the short term. A majority don't trust them to take into account the potential financial impact of their policy decisions on future generations.

Europeans also share remarkably similar views when it comes to which policies with a strong direct or indirect intergenerational dimension are the most important. More than half (54%) put addressing poverty and unemployment as a top priority, along with securing pensions and social care (47%). Education and a fair tax system are seen as of middling importance (35% and 29% respectively) while ensuring environmental sustainability and the reduction of government debt are, perhaps unexpectedly, regarded as low priorities (18% and 17% respectively).

Different generations placed greater emphasis on issues that more immediately concerned them. So, not surprisingly, the oldest people in the survey (55 to 64) place more importance on tackling pensions and social care, while the youngest (16 to 24) are slightly more worried about environmental and public finance issues.

What is clear from the survey results is that this broad consensus in policy issues across Europe and lack of trust in policymaking requires governments to take urgent action. Given the demographic trends, structural economic changes, rapid technological developments and the strained public finances that many countries are currently facing, the challenges are likely to increase.

Why, you might ask at this juncture, should ICAEW chartered accountants be getting involved in an issue such as intergenerational fairness? The answer is that ICAEW – and indeed any professional body with a public interest mandate – should be talking about issues that it can either shine a spotlight on or that give some help to policymakers in terms of reaching better policy decisions. And intergenerational fairness, I believe, goes to the heart of the kind of society that we want to build in the 21st century.

The way in which many governments, particularly in Europe and North America, responded to the global financial crisis in the last decade was to support the financial system. This avoided a systemic collapse but at what price? Years of sluggish growth, poor productivity and an ever widening gap between rich and poor. We have to find some way of rebalancing this asymmetric relationship across the generations.

Improving understanding and management of public finances would go a long way to help but I do believe we also need to make a step change in the way we tackle issues of intergenerational fairness, particularly when taking those policy decisions that will have a significant knock-on effect down the generations. As we look towards 2018, we are calling for a profoundly different approach – one which all stakeholders in society can understand, contribute to and scrutinise, and one which is based on a greater appreciation of different perspectives, timeframes, financial flows and trade-offs.

Our report, *Intergenerational Fairness: A Survey of Citizens in 10 European Countries*, can be accessed at icaew.com/intergenerational. We would be interested in hearing your views. Please send comments to europe@icaew.com and help promote this important debate. ●

Michael Izza
ICAEW chief executive

ILLUSTRATIONS BY DAN MURRELL

Bronwen Maddox

For many countries, 2017 has been a year of economic progress. But from the UK to the eurozone, the US and Latin America, instability of politics rather than economics is the factor that could have the greatest influence on shaping the future

It has hardly been a quiet year. But for all the turmoil, there have been many economic bright spots - and there are reasons why some might continue through 2018. Uncertainty and risk lies more in the political domain, which could cause upsets that cannot be captured in economic models.

The UK's prospects at the moment are dominated by Brexit. If you talk to civil servants, they will describe the difficulty of keeping open at least two versions of the future in their preparations. But they will also say that once the destination is clear, given more people, money and time, they can perform the technical acrobatics of getting there. The risks are on the political side - whether there is a deal that Brussels, the cabinet and parliament will accept - and economic, from the cost of business uncertainty and the possible terms of any deal.

The impact on the European Union itself is much less than on the UK, however. There, 2017 has brought a cautious recovery. The eurozone's problems are not over but the patches look more securely in place than they did just a few years ago, and growth (although recovering from a low base) has exceeded expectations, even if sceptics say that only fuller integration can really address the zone's weaknesses.

Again, Europe's main problems are political: the lack of a long term plan for countering immigration from Africa and the Middle East; the rise of nationalism and populism; and the separatist tendencies illustrated by Catalonia.

The European recovery has been underpinned by the strength of the US economy. The stock markets, buoyed by expectations of a substantial programme of tax cuts, may be overstating the prospects both of growth and of that legislation, but the picture painted by monthly figures has still amounted to something better than many thought at the start of the year. To say that uncertainty stems from the political arena, however, is to understate the obvious. That extends too to international relations where the possibility that the US might engage in war with North Korea, nuclear or otherwise, has moved from essentially zero under the Obama administration to something greater.

That problem, perhaps the single greatest threat to international stability, is still for China to solve, as the country with the greatest influence over Pyongyang. That it has not chosen to do so should not be a surprise; Beijing prefers to have an ally over that border rather than a united Korea sympathetic to the US. It has clearly hoped the provocations would simmer down while it concentrates on its two greatest concerns: maintaining political control and economic stability at home, and increasing its influence abroad.

Its economic stability should not be taken for granted. Its central bank has warned that local governments, in calling constantly for loose monetary policy to fuel growth, have helped create asset inflation that may turn out to be a bubble. But in contrast to western democracies, its politics is in a phase of remarkable stability, as premier Xi Jinping consolidates his power, laying claim to the title of the most powerful Chinese leader since Mao Tse Tung.

In the South China Sea and beyond, China has pressed ahead with the "Belt and Road" policy of knitting together strategic investments, using roads, railways and ports to link itself to key developing countries. In Africa, its investment over the past 15 years has, from China's point of view, been a low-risk experiment and has won it allies. The rerun of contested Kenyan elections has not appeared to give it significant doubt.

It is, in that strategy, showing more concern for its zone of influence than is the US towards Latin America, the region with which it so fitfully engages. This year will have shown growth picking up across the continent from 2016 - with the exception of Venezuela - and a further speeding up expected for 2018.

But as with much of the rest of the world, politics is the shadow threatening to blight economic progress. ●

Bronwen Maddox is director of the Institute for Government and a commentator and broadcaster

Jo Owen

Competition should stimulate good customer service. But many CEOs prefer rent-seeking to competition, and the consumer is the loser

CEOs routinely praise the merits of market competition and equally frequently try to avoid competition. They do not enjoy competing: they enjoy winning. More precisely, they enjoy the recognition and rewards that go with success, and competition is an unwelcome barrier to success. The problem with a fair fight is that you might lose it. No one wants to lose, so no sane CEO wants a fair fight. That means they do not want real competition. Rent-seeking is a surer way to success.

The most successful firms are those that have a source of thoroughly unfair competitive advantage. They qualify for investment by Warren Buffett who likes to invest in a firm "which any fool can run, because some day some fool will." If you have a near monopoly on desktop operating systems, it is hard to fail even if some of your operating systems are mediocre at best: your ecosystem is locked in and the switching costs are just too high.

Many of the giants of the internet era have a source of "unfair" competitive advantage. They succeed because they have advantages which accrue to scale: the deepest and most liquid markets are most attractive to both buyers and sellers. Being number one puts you in a very strong position: Google for paid search; Uber for taxi hire; Just Eat for restaurant food delivery; Amazon for the online market place. While it is easy to name the number one player in each market, the number two is often hard to name. Reaching number one is intensely competitive and unprofitable; staying at number one is far easier and more profitable.

In the old economy, there is continual outrage at the high executive pay and poor service of the regulated utilities: regulation is rarely an effective substitute for competition, and it is the consumer who pays the price. But even where there is not a natural monopoly, profits are greatest where the competition is least. Sources of "unfair" competitive advantage are everywhere. If you have access to the lowest cost oil fields, or to a limited resource like Heathrow landing slots, you are in a good position to profit.

Firms are often happy to use government to entrench their competitive advantage. Boeing persuaded the US International Trade Commission to slap 300% duties on the Bombardier C series aircraft. That is an effective way to eliminate a competitor, at least until Airbus stepped in. I was living in Japan when the modest Mini was outselling the Big Three US automakers combined. It was obvious why: the US autos were too big, too unreliable, too expensive and had steering wheels on the wrong side. The reaction of the Big Three was not to compete better but to seek government remedies, which required the Japanese government to intervene in the market and give them more dealerships in Japan. The problem was that no one wanted to be a dealer in cars that would not sell.

Rent seeking is a legitimate business tool. If you can hire lobbyists who will ensure you get a regulatory break, IP protection, a soft loan, or a subsidy or contract from government, that is a cheaper and easier way to success than competing in the market place.

Inevitably, there is a price to be paid for rent-seeking behaviour. It may be the long-suffering taxpayer or suppliers to the monopoly, such as the gig workers who drive taxis and deliver food with minimal pay or protection. More often it is the consumer who pays with increased prices or poor service.

But rent-seeking CEOs are not the only cause of poor customer service. As customers we are often as much villain as victim when it comes to poor service. Our collective commitment to free or cheap means that many firms pursue the birdie strategy relentlessly: they go "cheap, cheap, cheap". If you want cheap on a flight, do not be surprised with poor service, little leg room and repeated attempts by the airline to gouge you for everything. Cheap has consequences, and service is expensive.

As customers, if we do not get what we want we can blame rent-seeking CEOs and, just occasionally, we can blame ourselves. ●

Jo Owen is an author, a keynote speaker and the founder of eight NGOs. His latest book is *Global Teams* (FT Publishing/Pearson)

Oxford Economics

Based on the latest IMF Global Financial Stability report, Oxford Economics identifies Australia, Canada, Korea, Norway, and Switzerland as economies where household debt could pose a risk to growth and financial stability

The sour ending to soaring credit growth between 2003-2008 in some advanced countries is a stark reminder how much high household debt is a source of considerable macroeconomic and financial instability. The latest *IMF Global Financial Stability Report* systematically explores the consequences of household debt on the prospects for future growth and financial stability. But it's a largely backward-looking exercise, which stops short of naming countries at risk.

We believe that global credit risks are much less systemic than a decade ago, especially in larger advanced markets, although pockets of vulnerabilities do exist, particularly in high-yield corporate debt and US commercial property. And there has been a major rotation of global credit risks – above-trend credit growth has been a feature of emerging markets in recent years, a mirror of 2007, when credit growth had grown furiously in several key advanced markets.

Over the past decade, households have deleveraged in those countries that suffered a financial crisis. But ultra-accommodative monetary policy has contributed to household debt increasing globally.

The report states that rising household credit only starts to hurt growth and financial stability after the debt stocks reach a certain threshold: 30% of GDP in the case of long-term growth and 65% of GDP for financial stability.

The report's findings are potentially worrying for countries currently experiencing high household debt growth and feature a stock above the thresholds. High household debt affects GDP because of the damage to aggregate demand caused by prolonged deleveraging, and is estimated to be quite considerable, with a five percentage points increase in household debt-over-GDP ratio hurting growth by 1.25 percentage points. The report finds that even for those countries where debt is not growing, a high stock of debt can have some negative impact on long-term income per capita growth.

In most countries exhibiting the fastest growth, the stock is above the threshold at which financial stability risks begin to increase. While the probability of a fully fledged banking crisis in this scenario is, at a given year, still low, it is considerably higher than in the unconditional probability of a banking crisis.

Ten countries in our sample feature the problematic combination of growing debt stock and level of debt above both thresholds. We single out the five where household debt is growing the fastest as those that require closer scrutiny: Australia, Korea, Norway, Switzerland and Canada. In these countries, debt as a share of GDP has grown at a similar or higher growth than in the preceding years of the prototypical financial crisis.

The threshold approach summarises decades of experience across economies but there is no substitute for country-specific analysis of how individual economies and their institutions are able to cope with high levels and growth rates of debt. The IMF report finds that there are mitigants to general conclusions. For example, flexible exchange rates, quality of supervision, and transparency of consumer protection regulations and policy can potentially mitigate the risks.

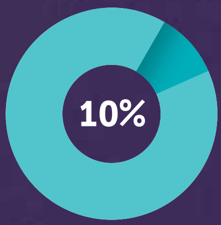
The IMF is right to highlight risks associated with trends in household debt. Mounting household balance sheet vulnerabilities do represent meaningful and increasing downside risks in a scenario of higher interest rates. Eventually, long spells of increasing debt in some countries are likely to mean that lenders start tapping into subprime borrowers with low capacity to repay, which over time may create generalised distress even under stable interest rates.

But we believe the risks could be overstated: there are two key respects in which the current environment is less risky than the 25-year history on which the report relies. First, we expect to be in a low rate environment for many years to come, strengthening debt-servicing capacity for longer than usual. Second, we think monetary and regulatory policy regimes have improved overall, particularly in EM, which we think have passed the mother of all stress tests in the 2015-16 period of capital outflows.

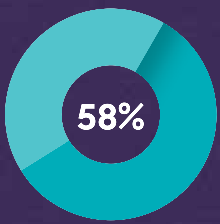
The IMF report offers a timely reminder that macroprudential tools are effective in reining in household debt growth. Policymakers will need to start acting decisively now. ●

Guillermo Tolosa is an economic advisor at Oxford Economics
oxfordeconomics.com

Firm financials*



Capacity in overdraft as a percentage of fees



Bank borrowings as a percentage of partner capital

£48,000

Bank balance at year end

Working capital

Lock-up	WIP	Debtor
115 days	38 days	71 days

*All figures shown are median

A solid year for the profession as average fees and profits outstrip inflation

The *2017 NatWest Accountancy Benchmarking Report* is a comprehensive review of accountancy firms with fee income of up to £35m. A total of 88 firms employing more than 6,000 people took part in the survey from across England, Wales and Scotland. The total fee income of the firms in the survey was over £370m. Robert Mowbray, author of the report, highlights his key findings

PROFITS AND FEES

The headline finding from the research is that median profit per equity partner has now reached £141,000 (£21,000 higher than in legal firms), with the lower quartile £59,000 and the upper quartile at £222,000.

The variance in figures at the margins might appear dramatic, but the good news is that profit per equity partner has grown by 6% compared to last year. As inflation during the last financial year was well below the 2% target set by the Bank of England, this 6% growth is significant.

There is some difference between the performance of small firms compared with larger firms, which is perhaps to be expected. The former posted gains of 10% in profit per equity partner, whereas larger firms recorded 3%. There are also some fairly significant differences by region, with the median being the highest in London & South East at £237,000. This compares with the North East and North West, where the median is less than one third of this at £69,000.

Annual fee income per equity partner shows considerable range, and reflects the focus among firms to control costs as much as it does the desire to increase fees.

The median figure stands at £551,000, with the lower quartile figure at £401,000 and the upper quartile figure at £863,000. In very large firms the figure is £1,001,000, showing how economies of scale can directly affect the bottom line.

Across the sector, fee income is up by 6% on last year, showing that fees are growing at the same rate as profits, and grew at a rate well above inflation for the period. The median of profit as a percentage of fees is now 23% with an upper quartile figure of 31% and a lower quartile figure of 16%. However, productivity is poor with median recorded chargeable hours per fee earner being just 1,054.

LOCK-UP AND WORKING CAPITAL

Despite healthy growth figures, accountancy firms need to review their approach to working capital, WIP days and lock-up. For instance, the median firm takes 115 days to turn time spent into cash, which is a figure that could be improved. By way of example, if a firm has fees of £551,000 per partner, it will need capital of one third of this (£180,000) to finance this lock-up before other investments could be considered.

Interestingly, there is no significant change to lock-up across small, large and very large firms. Whatever the reasons for this, there is an irony at play given the advice that many accountants will give their clients about the imperative to limit the number of lock-up days. In the legal profession lock-up is 113 days during the same period.

Just because firms do not borrow too much does not mean that they can't have a cash flow crisis fairly quickly. The data suggests that the median firm would run out of cash if it did not receive any more money from clients in the next 36 days.

FINANCE

While they may have not been concerned about lock-up and increasing working capital, accountants have remained prudent when it comes to borrowing.

The median bank balance at the year-end was £48,000, and partner capital was typically 28% of annual fee income. These figures approximately match what is being locked up in WIP and among debtors.

NatWest

For more information, or to download the report, visit: natwest.contentlive.co.uk/reports/2017accountancy

SOURCE: NATWEST ACCOUNTANCY BENCHMARKING REPORT 2017

Key numbers per partner*

Profit per equity partner

£141,000

£21,000 higher than in law firms

Fees per equity partner

£551,000

£12,000 higher than in law firms

Profit per equity partner growth = Fee growth of +6% = 5x Consumer Price Index (November 2016: +1.2%)

1,054

Chargeable hours per fee earner

28%

Partner capital as a percentage of fees

Fee earners per equity partner

4.2 accountants

3.94 solicitors

*All figures shown are median

Net profit

After a historic season, Brighton & Hove Albion FC's finance director **David Jones** tells Alex Miller how promotion to the Premier League will transform revenue

For any football romantic, the tale of the fall and rise of Brighton & Hove Albion is difficult to beat. Just 20 years after a fan-backed buy-out saved the club from liquidation and falling out of the Football League, the south coast club is playing in the Premier League for the first time.

The Seagulls have been on an incredible journey. They lost their stadium and spiritual home, the Goldstone Ground, when it was sold by previous owners to pay off debts. The club was then forced to play 70 miles away in Gillingham for two years, before making a temporary move to the Withdean athletics stadium, closer to home.

But during these testing days, Brighton & Hove Albion simply refused to give in. The ranks of employees who have contributed to the club's survival and subsequent climb through the leagues are too numerous to mention, but finance and operations director David Jones has been a vital component in the recent successes.

"It is a great credit to the hard work of so many people and a great example of the community pulling together," confirms Jones. "The club's triumph means it can now fulfill its potential and is reward for the hard work and investment and because the fans remained loyal."

Jones, a chartered accountant and a member of the Brighton & Hove Albion board, has been with the club for six years, having previously worked at Southampton and Plymouth Argyle football clubs.

He took a degree in accounting and finance before training with Grant Thornton in Bristol, qualifying in 1985. He reveals: "I have always enjoyed numbers - maths was my best subject at school - so I did a degree in accounting and finance. Moving into the profession was a natural progression."

Two years after qualifying, he moved into the property industry, first with Wimpey Hobbs, part of the George Wimpey group, and then with Secure Retirement. "After five years in the profession I wanted a new challenge and was attracted to the opportunity of being involved in the day-to-day running of a business and contributing to its success," he explains.

At the time, Secure was a listed company specialising in building retirement homes. As it looked to expand its activities, it ended up buying Southampton FC in a reverse takeover in 1997.

"My move into football was by chance. We came across Southampton FC, which was looking to build a new stadium and needed funding and a management team capable of delivering it. After the due diligence process we completed a reverse takeover and I became finance director of the club. It was clear to us at that time that with Sky's recent involvement, revenues in the football industry were set for substantial growth."

The Saints had outline planning permission for a new stadium but needed an executive team to manage the project and funding. They found the finance and built St Mary's Stadium in 2001. Jones recalls: "My 12 years there were certainly a roller-coaster. We had some successful years in the Premier League and enjoyed an FA Cup Final in 2003. However, following relegation in 2005, the club went through a difficult period as the finances dried up and the boardroom squabbles began. Eventually, wealthy new owners were found in 2009 and

PHOTOGRAPHY BY ALEX LAKE

“We operate on two budgets, an operating budget and a football budget. The operating budget we run to best business practices. The more we make at the operational level, the more we can contribute to the football”

as is common in football, the new owners bought in their own people and I parted company in 2010.”

Jones made the move west to Plymouth Argyle, a shift that quickly turned sour. “My 11 months at Plymouth was an incredibly difficult time. It involved an administration and a search for a new owner. We learned how to survive with virtually no money. The staff and fans were fantastic; they pulled together and never gave up hope.

Jones was among the directors responsible for finding the club a new owner. “I'm delighted that the new owner, James Brent, has brought financial stability to the club and I am really pleased Plymouth also won promotion last season,” he says.

Undeterred by this experience, Jones was determined to stay in football and was attracted by another south coast club, Brighton, due to its enormous growth potential. But to be an accountant in football can be complicated: it's an industry that permits – almost encourages – getting into debt. For example Arsenal, generally accepted as one of the best financially run clubs in the Premier League, is criticised by fans for producing profits and running with a cash reserve of close to £150m.

“It is not easy to be an accountant in football,” Jones confirms. “Luckily my family are sports mad, so love my involvement. My wife had never been to a match but now really enjoys the games. My sister lives in South Africa and now we are in the Premier League she gets to see virtually all the Brighton games. My son has recently started a business course at Brighton University and I know it won't be long before he is tapping me up for tickets and some boardroom hospitality.”

Jones clearly loves the role and the sector and would recommend it: “Jobs in football are few and far between for ACAs, but they do come up. My advice is to keep looking and be quick to apply. Be prepared to accept an entry-level position. Doing some part-time or voluntary work in football helps.”

He admits the journey with the Seagulls has been harder than he had expected. “Brighton & Hove Albion is a club with massive potential, a new state-of-the-art stadium and a committed owner and chairman [Tony Bloom]. When I joined the club almost six years ago, I was confident that promotion could be achieved in a five-year time frame. But in many ways it has been tougher than I imagined. The Championship is competitive and having lost in the playoff semi-finals in three of the previous four seasons, it was great to finally achieve automatic promotion to the Premier League.

“Off the pitch the club has made an enormous leap from leasing the athletics stadium at Withdean, to completing our £103m, 30,000 capacity American Express Community Stadium.” Since the move to the Amex, attendances have risen from 7,352 at Withdean as the new stadium finally met the latent local demand for tickets. This season has seen sell out games, and the club has in excess of 22,000 season ticket holders and 1901 Club members.

“The Amex Effect” cannot be underestimated. Since 2009 Brighton's total revenue has grown by an unprecedented 473%, says Jones. “But there was also a lot to do in terms of implementing financial awareness, systems and processes to drive revenues and cut overheads."

Jones was promoted to finance and operations director in March 2015. He also oversees the supporter services, facilities management and health and safety areas, and manages the club's relationship with caterers Sodexo.

Club accounts for the 2015/16 season show a turnover of £24.6m, up from £23.7m in 2014/15 (in 2011, Brighton's revenue was just £7.5m). But the club is not out of the woods yet. It made an overall annual loss of £25.8m, compared with £10.4m in the previous year, after investing in the squad, and its net debt has risen by £25.6m from £140.5m to £166.1m. Although Jones describes it as the "friendliest" of debt, because it is entirely owed to Bloom and is interest-free, it shows how much the club is dependent on him.

Still, Jones says they're fortunate to have him: "Tony Bloom loves the club and is passionate about it. His family has been involved for years; his grandfather was the vice chairman in the 1970s and 1980s. He has invested over £250m of his own money including £100m for the new stadium and £30m for a new training ground. He's funding the club's losses and provided the funding for a team capable of winning promotion to the Premier League."

But now that the Seagulls have made the journey to the promised land, what does the future hold? "From a systems point of view, we have already made the necessary changes. Based on my Premier League experience at Southampton, I recognised that Brighton operated like a Premier League club in everything it did, even before promotion," he says.

"I don't see the need for major changes operationally in the short-term because of the reorganisation two years ago. I now have both financial and operational responsibilities and work closely with the senior management team in all areas of the business. We have good people in all the key positions.

"The changes we implemented have allowed [CEO] Paul Barber more time to focus on the football side of the business, working closely with the chairman, the manager and the head of recruitment. We essentially operate two budgets, an operating budget and a football budget. The operating budget we run to best business practices, trying to maximise revenues and reduce costs wherever possible. The more we can make at the operational level, the more we can contribute to the football side of the business.

"The size of the football budget has been largely down to the chairman and how much he was prepared to commit, while at the same time living within the game's financial regulations such as Financial Fair Play (FFP) and its profitability and sustainability rules."

Promotion to the Premier League has had and will continue to have a profound effect on the club's revenues. Competing in it for a single season is worth a minimum of £175m to Brighton & Hove Albion.

A worst-case scenario would be that the club is relegated after one year. If that were the case, it would still earn approximately £100m from TV revenues, followed by a further £75m over two years from "parachute payments" given to all clubs who are relegated from the Premier League.

The budget will continue to change dramatically with the Premier League TV monies and improved commercials, "but we will also increase player wages and pay bigger transfer fees. We expect to make modest profits in the Premier League, compared to the significant losses we have reported in the Championship," Jones predicts.

The club has also confirmed that despite ongoing losses, it will meet the new profit and sustainability rules in 2015/16, which permit losses calculated over a rolling three-year period up to a maximum of £39m, ie an annual average of £13m, assuming that any losses in excess of £5m are covered by owners injecting equity.

This may seem incongruous - the latest available accounts show a £26m loss, twice the limit - but can be explained because losses defined under FFP are not the same as published accounts. Clubs are permitted to exclude some costs, such as depreciation, youth development, community schemes and any promotion-related bonuses.

While Brighton & Hove Albion will be looking to remain in the Premier League this season, there is a longer-term plan. "We need to consolidate our position in the Premier League. But we would like to push on and be a regular top 10 challenger with a realistic chance of European qualification and a realistic chance of winning cup competitions," says Jones.

And while he has no intention of leaving Brighton, he hopes that when the time does come he will have left behind a positive legacy. ●

THE PRICE OF JUSTICE

Crime doesn't pay – and it can also cost society a fortune. So how are governments trying to limit penalties to the criminals rather than the taxpayer? David Adams explores the financing of prison systems around the world

Rule 4 of the United Nations Standard Minimum Rules for the Treatment of Prisoners (called the Mandela Rules, after the most famous prisoner of recent times) states that the primary purposes of imprisonment are to protect society and to reduce recidivism; and that a period of imprisonment should be used "to ensure... the reintegration of such persons into society upon release so that they can lead a law-abiding and self-supporting life". If that aim can be achieved, an effective prison system is a worthwhile investment for any society.

But imprisonment is often an expensive waste of talent and economic productivity. It can undermine prisoners' ability to find housing or employment following their release, contribute to relationship or family breakdown, or addiction problems, and so increase the possibility of reoffence following release.

The US and China have the biggest prison populations: there are 2.1 million people in prison in the US and 1.6 million in China. Brazil and Russia both have more than 600,000 people in custody, India has 400,000 and six other countries have more than 200,000 (see box). Looking at numbers without detailed consideration of the circumstances in each country is a crude way to compare justice systems, but there has been no marked increase in crime in countries where the prison population has fallen in recent years.

One country where this is the case is the Netherlands. Its prison population has shrunk significantly since 2006, thanks to increased use of community service, fines and electronic tagging instead of custodial sentences. There are now maximum sentences for many crimes, no minimum sentences and life imprisonment is rare. Increased use of electronic tagging has allowed offenders to work while serving their sentences, helping to reduce reoffending rates.

This is not to suggest that the Dutch system is perfect: as is the case in many countries, people from minority ethnic backgrounds are over-represented in the prison population. There is also a high rate of pre-trial detention – almost a third (30%) of the prison population are awaiting trial (compared to about 11% in England and Wales, for example). But the system now has enough spare capacity to house prisoners for neighbouring countries, and 25 prisons in the Netherlands have been closed since 2013. One former prison has even been turned into a hotel – the Het Arresthuis ("House Arrest"), in Roermond, near Amsterdam.

In other countries, a different approach has led to very different outcomes. In Brazil, a police and judicial clampdown on tackling drugs offences, a lack of access to legal representation and an unusually high level of pre-trial imprisonment have contributed to creating one of the largest

Above from left: Gadsden County Jail, Florida; Stanley Prison, Hong Kong; Pedrinhas Prison Complex, Brazil

AFP / FRED R. CONRAD,REDUX / GETTY IMAGES / MARIO TAMA/GETTY IMAGES / ANTHONY WALLACE, EYEVINE / WILLIAM WIDMER/REDUX

prison populations in the world, housed in badly overcrowded, neglected facilities, with disastrous results. In the first fortnight of 2017 alone more than 125 prisoners were killed in five separate prison riots in Brazil, caused in part by shortages of food, bedding and staff.

In many countries prison overcrowding has become so endemic that governments are being forced to act. In Nigeria, with up to 100 prisoners sharing the same room overnight in some cases, the government has introduced a new law that would enable community service sentences to be passed as an alternative to custodial sentences for a wide range of offences. A similar initiative is underway in Cambodia.

Globally, it is thought that about 18% of prison sentences are linked to narcotics. That figure is particularly high in Thailand, which imprisons 455 people per 100,000, about 70% of whom are drug offenders. Its prisons currently hold more than double the number of people for which they were designed, with a 224% occupancy rate, according to figures from the International Federation for Human Rights.

Overcrowding within prisons in England and Wales is not so severe, but some individual prisons are dangerously overcrowded. Together with an ongoing shortage of prison officers, this has caused serious problems, particularly when prisoners spend prolonged periods locked in their cells. Rioting broke out at HMP The Mount in Hertfordshire in July 2017 after prisoners had been locked in their cells for three successive weekends. Other incidents of unrest included a spectacular riot at HMP Birmingham, managed by private company G4S, in December 2016, when 500 prisoners caused £1.7m worth of damage.

In the UK, successive governments have taken a tough approach to law enforcement during the past 25 years and this had a strong influence on sentencing. Professor Mike Nellis, Emeritus Professor of criminal and community justice in the law school at the University of Strathclyde, thinks it is ironic that the UK prison population is so high, because there have often been a broader range of alternatives to custody available in the UK than in other European countries with lower imprisonment rates.

"The UK government has increased community sentences, but without any strategic commitment to reducing numbers in prison," he says. "In most countries in Europe there is, if not a commitment to reduce the prison population, at least a policy to maintain it at roughly the same level."

Between 1993 and 2012, the prison population in England and Wales doubled, from around 44,000 to 87,000. This coincided with a fall in reported crime, but crime also fell in countries with very different prison policies.

Nellis believes there is a striking difference between the approach taken in the UK to that seen in, for example, Scandinavian countries. "Those countries have a manageable system of alternatives to custody, backed up by a strong welfare system," he says, noting in particular the value of services that help ex-offenders to find employment and housing, along with additional support for the families of ex-prisoners.

Those campaigning for reform of the UK system have found little succour in recent UK government policy. The tenure of Chris Grayling as justice secretary between 2012 and 2015 has been criticised by many observers. He increased sentences for some offences and introduced a

GLOBAL PRISON POPULATIONS

US: 2,145,100
China: 1,649,804
Brazil: 657,680
Russian Federation: 613,075
India: 419,623
England & Wales: 86,256
Netherlands: 10,102
Scotland: 7,421
Northern Ireland: 1,436

Source: prisonstudies.org

benchmarking programme that forced public sector prisons to reduce operating costs to match those of comparable privately-run prisons (there are very few of these in the UK). Reformers argue that these were largely false economies.

In 2016 the UK government announced a £1.3bn plan for further investment, including plans for four huge new prisons, but it is not currently clear if or when these plans will come to fruition – and reformers argue that building more prisons is not the right policy anyway. The government also drafted a new Prison and Courts Bill, but this

"This has to be about stopping the flow into the system, or significantly reducing it. But we also need to see the justice process within a broader view of the kind of society we want to live in"

had not yet completed its journey towards Royal Assent before Parliament was dissolved for the 2017 General Election and was not mentioned in the Queen's Speech after the election.

Andrew Neilson, director of campaigns at the Howard League, expresses frustration that further progress is now likely to be delayed indefinitely by the UK government's focus on Brexit. "The financial case for doing things differently is there in the state of the prisons," he says.

One previous policy that it was hoped might help to ease the pressure on the UK system and improve its cost-effectiveness was its partial privatisation, which began in the 1990s. Ross Campbell, director for the public sector at ICAEW, suggests that by then the argument in favour of working with the private sector was particularly strong because of the need to replace Victorian prisons. Private investment enabled the construction of some new facilities. Most were built using Private Finance Initiative (PFI) contracts, now generally regarded as having represented poor value to the taxpayer. Nonetheless, says Campbell, "if privatisation brought in a refresh of premises and operating practices that's got to be a positive thing".

But the spread of privatisation now appears to have stopped, in part as a result of Grayling's benchmarking initiative, which has made it harder for a private company to take over a state prison. The outcome-based incentive system upon which many contracts are based, Payment by Results (PbR), has been criticised, despite government claims that it has helped to reduce reoffending rates.

Three private sector companies – G4S, Serco and Sodexo – operate 14 prisons between them in England and Wales, and two in Scotland. The public sector runs 114 in England and Wales, 13 in Scotland and the four prisons in Northern Ireland.

Julia Rogers is managing director for justice and immigration at Serco, which runs five prisons in England and one in Scotland. She claims the private sector has introduced useful innovations, such as in-cell telephones and self-service systems that prisoners can use to buy food from the prison shop and to schedule visits or medical appointments. "We're using technology to empower them to take control of their own lives," says Rogers. "It will help to prepare them for life after they leave prison, in a world where digital technology has taken over." She hopes the private sector will be able to increase its participation in

Above, from left: Cape Collinson Correctional Institution, Hong Kong; HMP Birmingham; St. Clair Prison, Alabama

the UK prisons sector in future, but admits this is far from certain.

In some countries, the prison system is supported by the work of charities and some businesses, which help to offer education, training and employment opportunities to prisoners and former inmates. Examples in the UK include Bounce Back, which offers ex-offenders access to training and employment opportunities; and The Clink, which runs restaurants staffed by prisoners within four prisons, providing high quality training to inmates.

Roast, a restaurant based in Borough Market, south London, is one of a growing number of businesses that benefit from offering employment and work experience opportunities to ex-offenders and prisoners. Its founder, Iqbal Wahhab, campaigns to try to persuade businesses and government to work together more closely, to tap into what could be an extremely valuable source of employees. He has lobbied successive ministers to increase resources to enable similar initiatives, stressing the economic benefits. "The humanitarian arguments have been made, but we can also make a good economic case," he says.

That case is also being made by reformers in many other countries around the world, including in the US. A huge expansion in its prison population since 1980 (when there were about 500,000 Americans in jail) was largely due to policy decisions including the so-called War on Drugs - drug-related offences accounted for almost one third of all admissions to US prisons between 1993 and 2009.

The sheer size of the system means some stakeholders now arguably have less of an incentive to reduce the prison population. The private companies running a small number of US prisons are among them, but a January 2017 study published by the Prison Policy Initiative in the US revealed that the amount of money those companies take out of the system is dwarfed by money paid to financial, healthcare, utilities and telecommunications service providers, to construction companies and to local government - and in wages to thousands of employees.

Ultimately, prison reform campaigners across the world want to see a more co-ordinated approach to crime and justice, incorporating preventative measures. Policy needs to be integrated with social work, youth work and social care, says Richard Garside, director at the Centre for Crime and Justice Studies in the UK. He believes reducing prison populations is the key to reform. "This has to be about stopping the flow into the system, or significantly reducing it," he says. "But we also need to see the justice process within a broader view of the kind of society we want to live in."

Wherever you happen to be on the political spectrum, it is hard to deny the potential benefits to be gained from using a less wasteful way of dispensing justice than simply locking up millions of people.

Businesses and charities can help move towards that goal, but as Jo Owen, social entrepreneur and former chair of the UK charity Startup, which helps ex-offenders start businesses, notes: "Prisons are always about the lowest priority of any government until they go catastrophically wrong." While that remains the case, prisons and justice systems will continue to damage individuals, their families and communities and economic growth all over the world. ●

IMPRISONMENT PER 100,000 POPULATION

Seychelles: 738
US: 666
El Salvador: 595
Turkmenistan: 583
US Virgin Islands: 542
England & Wales: 146
Scotland: 136
Northern Ireland: 76
Netherlands: 59

Source: prisonstudies.org

Predictive powers

ICAEW is set to update its well regarded guidance for preparing prospective financial information such as forecasts and projections. We explore what this means for members

General economic and political uncertainty combined with rapid changes in business models and technology mean that information regarding a business's outlook can quickly become out of date. A preparation framework for published financial forecasts has long been used by quoted businesses and is set to be refreshed. Could members preparing other forward-looking financial information use it too?

ICAEW's guidance for preparing prospective financial information (PFI) such as forecasts and projections was first published in 2003. It assists directors of listed companies in preparing forward-looking financial information in a public market regulatory context - profit forecasts or warnings, working capital statements, merger benefit statements and a range of other financial projections. Since then many developments have taken place in the regulation of capital markets, in financial and corporate reporting, as well as in the wider fundraising context - the financial crisis and the advent of International Accounting Standards, to name but two.

So a more consistent update that reflects changes in the regulatory environment as well as a more volatile business environment makes sense. Robin Stevens, head of capital markets at Crowe Clark Whitehill, says he is in favour of enhancements to reporting of capital market transactions if they bring standardisation and consistency. "Since 2003 there has been an awful lot of change, so it's no bad thing to see what can be adapted and brought up to date," he says.

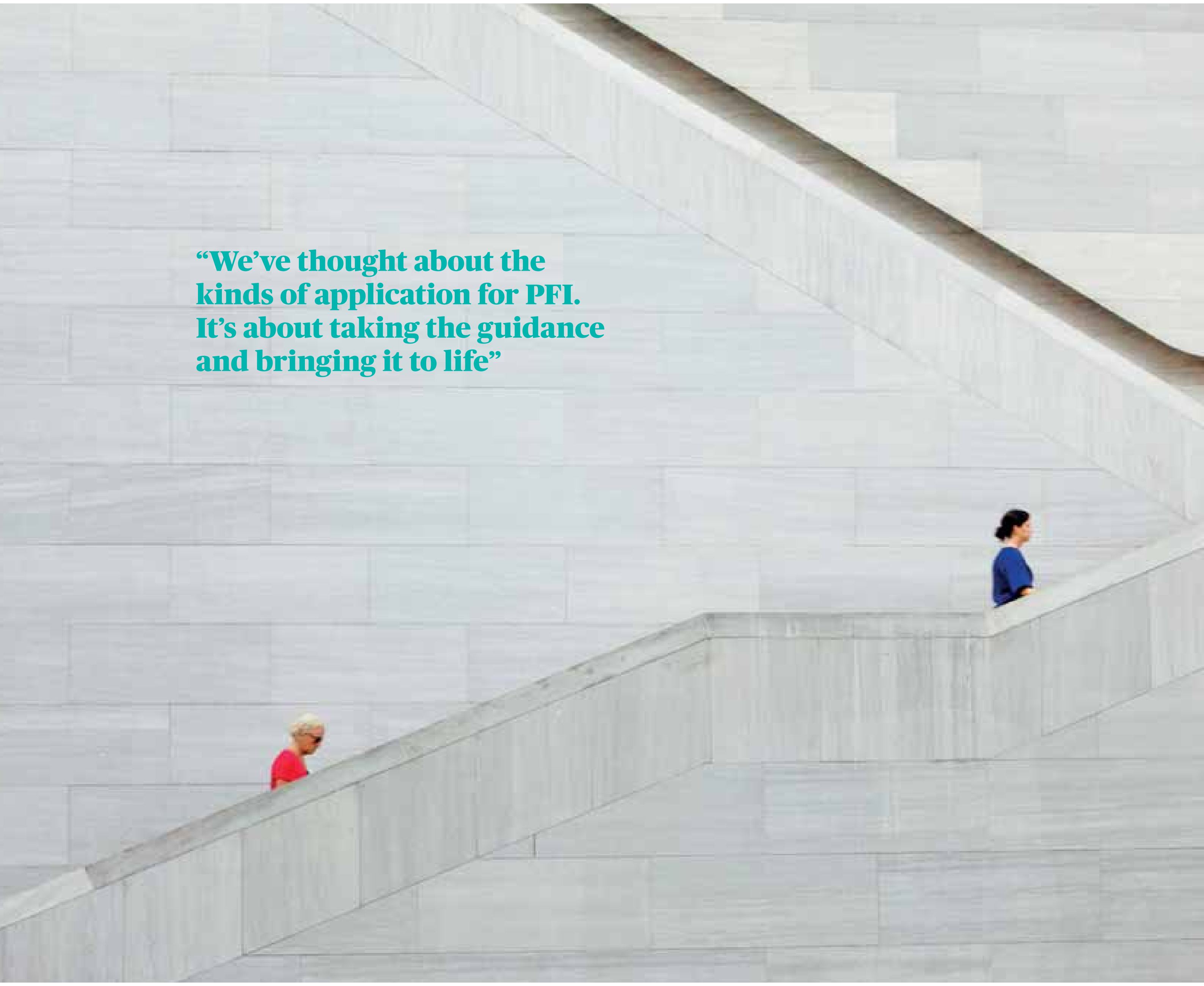
WIDER APPLICATIONS

The principles in the 2003 guidance should still be helpful as they aim to produce forecasts that are reliable, relevant, understandable and comparable. But when ICAEW's Corporate Finance Faculty published a consultation document earlier this year it identified a clear need to update the regulatory context of the guidance. It also consulted members about whether the same guidance might be used voluntarily in a wider context - it is no easy feat to give a credible guide to the future in such an uncertain environment, for example.

ICAEW believes there is a strong public interest in having unified, common standards for the preparation of forecasts. For its new framework, the Institute has suggested defining PFI more widely so it includes all financial information relating to a future period. This will reflect changing trends in capital markets more generally, including investor and lender needs and business accountability.

One of the motivating factors behind its proposal to broaden the scope of the guidance is the increased options companies have to raise new money. Not only is the funding mix greater, but the primacy of capital markets has been challenged. According to a Financial Conduct Authority (FCA) report this year, *Review of the Effectiveness of Primary Markets*, more companies are staying private for longer. In its 2015 report, *Capital Markets for Growing Companies: A review of the European listings regime*, TheCityUK stated that across the EU, capital markets play "too small a role" in funding businesses.

"The proposals still cover the core capital markets' activities," says Katerina Joannou, ICAEW manager of capital markets policy, who convened the working group that developed the consultation paper. "The first initiative is to address the principles underpinning PFI and produce up-to-date guidance for the quoted company sector aimed at people preparing forecasts and statements. The second initiative reflects a broader landscape of fund-raising activities and extends the PFI approach to forecasts prepared for private



finance raising, which could be new or renewed banking facilities and funding from business angels and via crowdfunding platforms," she says.

A principles-based approach to business forecasts and projections might be useful to private-market fundraising too, and could serve investors or other users. ICAEW's proposal to bring into scope all financial information with a future date attached might promote a positive role for accountants. For example, the PFI approach to thinking about the future could serve preparers of forward-looking financial information in the contexts of corporate and financial reporting, by bringing robustness to estimates.

A framework for arriving at PFI that can be referred to in relation to IFRS, particularly when looking at areas like impairment, would also be welcome, says Stevens. "IFRS can be a subjective form of accounting when compared to historic costs, so adding more consistency of approach there would be helpful. If everyone uses it, it will bring investors a level of comfort," he adds.

STAYING ON MISSION

This wider scope is not without its difficulties, however. "I am concerned that in refreshing its guidance ICAEW avoids 'mission creep' and tries to turn the guidance, which has a very clear application, into something for which it is not necessarily fit for purpose," says Steve Maslin, audit partner at Grant Thornton. "Considering profit forecasts to support fund raising on a public exchange has a clear purpose and audience. Providers of funding in a private environment or crowdsourcing will inevitably have different needs and it would be dangerous to assume applying the same guidance would meet their specific needs," he says.

That's one take on it. ICAEW's idea is to include within the new guidance hypothetical case studies that will enable preparers to formulate their own projections. Diane Craig, head of capital markets at RSM and a member of the ICAEW working group, says these are not intended as benchmarks, more as recognisable scenarios that will help preparers formulate their own projections. "We've thought about the kinds of application for PFI. It's about taking the guidance and bringing it to life," she says. The four original principles within the 2003 guidance have been the subject of much discussion, adds Craig, and consultees are also being asked about the inclusion of two new principles: namely that any forward-looking information should be aligned with other statements companies make, and that they should not be misleading.

The question of aligning PFI with other corporate statements makes sense, says Joannou, in terms of ensuring preparers consider other strategic documents and reports put out by their company. "There is an opportunity to make forecasts align with financial management information more generally," she says. "They should be underpinned by the same system. There will always be assumptions within forecasts, but the point about forecasts is that if they are based on these guidelines they will be justifiable and comparable. Otherwise it is difficult to track and support your forecast."

In proposing the extension of scope, ICAEW's working group anticipated questions of cost and proportionality and, before publishing the proposals, invited reactions from bodies in the banking, crowdfunding, business angel and private equity sectors. These were broadly positive, assuming that to be useful, forecasts must meet the needs of users.

GREY AREAS

ICAEW's revised guidance would remain voluntary and the Institute envisages that, for private fundraising, it would be applied in a proportional way. Still, Stevens sees difficulties when it comes to the question of "what is proportional" and believes there's potential to add costs and delay. "In terms of the private market, I would tend to leave it to the parties involved to decide on what they expect to see," he says. "Within the private investment sphere, where you have banks and financial institutions involved I would say you have a situation where the different parties can request the information they need in line with their expectations and that is probably safer than putting in a set of guidelines. The people involved are, by definition, experienced investors and it's up to them to decide on the information they require."

It is not ICAEW's intention to increase the complexity and the cost of preparing forecasts and projections for businesses seeking to raise additional funding, says David Petrie, ICAEW's head of corporate finance. "That's why we are consulting so widely on these proposals. The outcome should be an up-to-date framework, which is proportionate and essentially reflects current market practice. It's also not the intention to displace or preclude the ability of a private finance provider to question a business's forecasts or challenge the assumptions. That wouldn't happen quite so often if the information is prepared in a way that everyone expects."

While ICAEW is to be applauded for championing a consistent approach and providing guidance and illustrative examples to members responsible for producing PFI, there is a danger, suggests Maslin, in arriving at a situation of what he describes as "spurious accuracy". The thing about projections, he says, is that the reader understands they are likely to prove to be wrong. "What is important about them is to understand the assumptions on which they are based. If you look at a prospectus, it is very rare to have prospective financial information within it. In the context of public transactions, in the case of discussions between investors and brokers for an IPO, for example, you would expect to see working capital projections, but that's a private report, that would then form the basis of a research note that would in turn enter the public domain that way."

The Institute has considered this, says Petrie. "We know that businesses rarely hit forecasts exactly, but if information is consistently and diligently prepared (and we hope that our guidelines will help with that process) then at least any variances that do arise are more likely to be due to commercial success, or pressures, as opposed to weaknesses in the basis of preparation."

PROPOSED FRAMEWORK

The consultation paper explains that the proposed new framework for producing PFI will include general principles for its preparation in any context. Two new principles are proposed, bringing the total to six. In addition there will be up-to-date application notes covering PFI in a regulated capital markets transaction context and on how to apply the principles in a proportionate way. Depending on demand there may also be specific application notes for other types of forecasts and projections.

Those preparing forecasts will understand the importance of the tone of these outlook communications. Learning from a robust and considered preparation process would also enable a business to stand behind its projections, which increases the confidence of users. ●

Look out for further Corporate Finance Faculty updates at icaew.com

GALLERYSTOCK, JOSHUA NESS/UNSPLASH

The 12 dates that shaped accountancy

8,000BC

The birth of accounting

From Enron to Excel, Mesopotamia to Bristol, *economia* takes a tour through the history of accounting, digging up key dates that shaped the profession. Think we've left off a vital event? Then Tweet us @economiamag, #12dates

There seems to be some dispute about the earliest evidence of accounting, with dates ranging from around 8,000BC to 5,000BC. But most historians agree that the first accounting records in evidence were made on clay tablets in Mesopotamia and may be related to temples' trading activities and imposition of taxes. One example is a 5,000-year-old tablet that reads "29,086 measures barley 37 months Kushim", which can be interpreted as: "a total of 29,086 measures of barley were received over 37 months. Signed Kushim". If Kushim is the name of an individual rather than a generic title of office, then they are not only the earliest accountant but also the first person in history whose name is known to us. This would certainly knock Luca Pacioli off the top spot as "father of accountancy" and the world's most famous accountant.

1494
The magic of double-entry bookkeeping

In 1494 Luca Pacioli, Italian monk, magician, chess master, maths professor and mate of Leonardo Da Vinci, wrote a heavy-duty (632-page) reference manual, *Summa de Arithmetica, Geometria, Proportioni et Proportionalità*, which included 27 pages on double-entry bookkeeping. Contrary to popular myth, he didn't invent the discipline - it had been developed in the 13th century and was widely used by Italian merchants - but he was the first to publish a treatise on it, and in vernacular Italian, which made it widely accessible. He chose to recommend the Venetian method over other versions: this included three books of account - the memorial (memorandum), the giornale (journal) and the quaderno (ledger) - and formed the basis for the double-entry bookkeeping practised today. ICAEW is the proud owner of not one but two original copies in its rare books collection.

1780
The Big One

Little did Josiah Wade know when he set up his new business venture in Bristol in 1780 that he was taking the first step towards UK (but not quite world) domination. His firm, which specialised in auditing merchants' accounts, would merge 199 years later with Deloitte, whose UK partners would then rebel against a proposed global merger with Touche Ross in 1989 (which created the Deloitte we know today) by voting to merge with Coopers & Lybrand instead. Nine years later, C&L merged with Price Waterhouse to form PwC. These manoeuvres down the years have not only ensured that Wade's is the oldest firm in the world to trace its continuous existence, but have also helped to morph what was then the Big Eight into the Big Five (with Arthur Andersen) and, post-Enron, into the Big Four (with KPMG and EY). Deloitte, of course, is now the largest accountancy firm in the world and PwC, the UK's largest firm, is a close second.

1870
Institute of Accountants of London held its first Council meeting

1872
The Institute voted to drop London from its name and widen its membership to the UK

1879
Rejected the idea of admitting non-practising accountants in business

1880
The Institute received its Royal Charter and was renamed the Institute of Chartered Accountants in England and Wales

1870
Accountants get institutionalised

The 1870s were when it all started for ICAEW with the establishment of the four founding district societies in London, Liverpool, Manchester and Sheffield, and a voluntary association called the Institute of Accountants of London, which held its first Council meeting on 13 December 1870. In 1872, the Institute voted to drop London from its name and widen its membership to the UK, but in 1879 rejected the idea of admitting non-practising accountants in business. In 1880 the Institute received its Royal Charter and was renamed the Institute of Chartered Accountants in England and Wales. A year later, in its first disciplinary case, it censured a member for advertising for work in liquidation cases and in 1888 refused admission to a woman. (Despite a request in 1909 from the then board of trade president Winston Churchill, women were not admitted until 1919 when the Sex Disqualification (Removal) Act was passed. It would be another 81 years before the first woman president was elected.) Accountants in business were eventually admitted, although in 1942 their request to join Council was refused (this was overturned a year later). They were allowed to join a new committee dealing with tax and business finance matters: this enabled them to influence ICAEW affairs for the first time, and the series of accounting principles they published was the first programme by a professional body in the British Empire to give advice on proper accounting practice.

ILLUSTRATION BY ROSE BLAKE

1931

Royal Mail Steam Packet Company's loss changes audit

In 1931, the chairman of the Royal Mail Steam Packet Company, Lord Kylsant, and its auditor, HJ Moreland, were tried for fraud. The case concerned the concealment of transfers from secret reserves into the profit account when in fact the company made heavy losses. Moreland was found not guilty but the chairman was imprisoned for a year. Accountancy bodies recognise the importance of stating true profit and loss accounts but this did not become a legal requirement until 1967. The case led to several major changes in the way companies are audited.

1979

The software revolution begins

One of the key ingredients behind the success of the Apple II computer in the late 1970s was the then ground-breaking number-crunching package Visicalc, first released in 1979. The non-sequential approach of the software was described by US IT legend Ted Nelson as "a new way of thinking about the world", that forever changed how computations were made. Visicalc was later improved on (and subsequently replaced by) Lotus 123, which could also handle databases and graphics. Ultimately it was with the launch of Microsoft Excel in 1985 that the spreadsheet came into its own. It has grown to become arguably the most important computer program in workplaces around the world.

"We continue to believe in the the long-term vision of a single set of consistently applied, high-quality, globally accepted accounting standards. However, acceptance of an outright move to international standards is off the table, at least for now"

David Schmid
PwC's IFRS and US Standard Setting leader

1 April

2001

IFRS spans the world

The vision was to create global accounting standards; consistent, common standards that investors could use to make more accurate, direct comparisons and judgements. On 1 April 2001, the International Accounting Standards Board assumed its responsibilities to develop and approve International Financial Reporting Standards (IFRS). ICAEW had long been contemplating convergence and its Financial Reporting Faculty warned the transition might not be straightforward. Although IFRS are standard in many parts of the world, the US has not yet committed. In 2015 PwC's IFRS and US Standard Setting leader, David Schmid said that, while the ambition remained, the move to globally-accepted standards was not imminent.

2002

Sarbox rises from Andersen's ashes

Originally one of the Big Five international accountancy firms, Arthur Andersen collapsed after fraud on a massive scale was discovered at its audit client Enron, which subsequently crashed. A US district court had found Arthur Andersen guilty of shredding documents relating to the Enron audit and although the US Supreme Court eventually overturned the conviction and exonerated the firm, the ruling came too late to save it. By then Andersen's client base had melted away. The catastrophic failure at Enron brought US lawmakers together to cut down on the incidence of corporate fraud. Senator Paul Sarbanes and representative Michael Oxley penned the Sarbanes-Oxley (Sarbox) Act.

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9 August

2007

Credit gets crunched

This was the day the credit crunch began. Earlier that year HSBC had announced losses linked to US subprime mortgages, Freddie Mac had said it would no longer buy riskier subprime mortgages and New Century Financial Corporation, a big subprime mortgage lender, had filed for bankruptcy. But the crisis really took hold when French bank BNP Paribas announced it was freezing the assets of three hedge funds exposed to the US subprime mortgage market. It told investors they would not be able to take money out of the funds because it could not value the assets in them, owing to a "complete evaporation of liquidity" in the market. The sharp escalation in the cost of credit for all banks lead to the subsequent run on Northern Rock, the demise of Lehman Brothers, and the bailout of Royal Bank of Scotland and Lloyds/HBOS - to say the least.

2008

(ish)

Blockchain arrives

Depending on whom you believe (nobody really knows), either Dr Kelce Wilson or an anonymous collective called Satoshi Nakamoto invented blockchain. Bitcoin, a digital currency experiment, came first and is now used by millions of people for payments, including a large and growing remittances market. It became apparent that blockchain, the technology on which bitcoin operated, could be separated and used as an incorruptible digital ledger for economic transactions - not just financial transactions but virtually anything of value. Many major financial institutions are still investigating its potential and it is being extensively tested to find out whether it will make business more efficient. In October this year, BNP Paribas and EY announced they were collaborating on using private blockchain technology to improve the bank's global internal treasury operations. Xavier Toudoire, BNP Paribas' head of ALM Treasury IT strategy and architecture, said that while the future development of blockchain was unclear, it's potential was clear.

"Although it is still too early to determine how the technology will evolve and whether it is suitable for large-scale deployment, our pilot has demonstrated the clear strengths of private blockchain and its potential as one of the most effective ways to improve the existing internal processes between different businesses on an international level."

Xavier Toudoire
BNP Paribas

April

2012

The Campaign for Real Time

Since the turn of the century, HMRC, like all large organisations, has had to digitise its operations. It hasn't all been plain sailing. Many businesses were caught out by auto-enrolment. By comparison, RTI - which requires a business to submit information to HMRC in real time when it pays an employee - went relatively smoothly when it was introduced in April 2012. Making Tax Digital, the government's plan to shift tax online, is broadly supported by the profession (although sufficient detail is lacking). Trials are ongoing.

13 July

2016

Nature gets audited

The Natural Capital Protocol, produced by the Natural Capital Coalition and backed by ICAEW, helps business managers around the world make informed decisions based on a trusted, credible and actionable source. It helps businesses understand their relationship with nature's assets. "The days of defining business success by financial metrics alone are over," said Peter Bakker, president and CEO of the World Business Council for Sustainable Development. "As we move to fulfil the Paris Agreement and achieve the SDGs, business will need to take a holistic view and start including information on natural and social capital in the definition of performance." ●

Monday

Tuesday

Wednesday

Thursday

Friday

A DAY IN THE LIFE

After selling his consultancy, **Michael de Giorgio** established charity Greenhouse Sports to support disenfranchised youngsters. He tells Xenia Taliotis about using coaching and competition to build community champions

PHOTOGRAPHY BY DAVID HARRISON

Michael de Giorgio uses his business acumen to ensure the charity is able to continue delivering on its mission

HOW I CHANGED CAREER

I qualified with PwC in the early 1980s, but left soon after to start my own consultancy business. It afforded me a good lifestyle. I was travelling all over the world, dealing with wealthy clients but what I was missing was a sense of what these countries were like. It dawned on me that the whole world was right here on London's diverse doorstep, and I wanted to become involved with people from other backgrounds and to find a way of helping those who were disadvantaged.

When I sold my business in 2001, I decided to follow through on three things I've always cared about - sport, social injustice and disenfranchised youngsters. I started the charity Greenhouse Sports to bring the three together. For our first project, we used the facilities at St Paul's School to run a sports coaching pilot for young people from a local housing estate. Now we have 50 programmes in schools and community centres in the most deprived parts of London. More than 40,000 youngsters - 20% of whom have special needs - have been involved.

Sport is an immensely powerful tool. It's not about teaching kids to compete with each other, but to compete and overcome the immense challenges life has presented them with. Our aim is to give our groups the life skills they need through quality, intensive sports programmes taught by inspirational, specially trained coaches who are mentors.

The purpose of Greenhouse Sports is not to create champion athletes - though that is sometimes the by-product - but adults who can overcome their disadvantages to succeed in life. Sport gives people confidence and resilience; it can level the playing field between those who are privileged and those who are not.

THE CHALLENGES I'VE OVERCOME

It took us a while to realise what we needed in a coach - someone who could mentor and who could relate to youngsters who come from very difficult backgrounds. Establishing sustainable funding is also a massive challenge. We receive generous donations, but what we most need is long-term commitment from our supporters. Achieving this can be difficult. Another difficulty is balancing our ideals with the practicalities needed to achieve our goals. Our Church Street community centre will attract Marylebone's more privileged residents and we have to find a way of

"Sport is an immensely powerful tool. Our aim is to give our groups life skills they need through intensive sports programmes"

putting their participation to good use. We want to break down barriers between those people and the ones we want to help, but we don't want the centre to be used mainly by kids who already have access to great sports facilities.

MY RESPONSIBILITIES

As anyone who's ever set up a business will know, the founder does everything at the beginning - or at least tries to. I realised soon enough what I could and couldn't do. I was CEO from 2002 to August 2016, but purely on a voluntary basis - so I didn't draw a salary or expenses. After I stood down, my title became founder and trustee, and my duties shifted. As CEO, I managed the entire organisation, with overall responsibility for campaigning, fundraising, funding and delivering each project, and managing the senior leadership team. Now I oversee two of our three committees - fundraising, and finance and risk - manage the accounts, and look after health and safety.

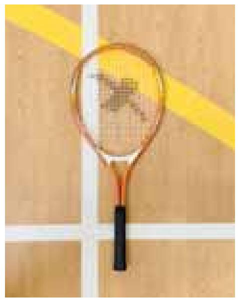
MY TYPICAL DAY

A typical day is... never typical! Right now, I'm renovating an old deconsecrated church in Marylebone, in the City of Westminster. It's a very generous gift from a donor that we are turning into our first community sports centre. It's in the Church Street ward, where life expectancy is 15 years lower than in the rest of the borough. It's going to have one of the best table tennis facilities in London, and we hope it will prove a vehicle for breaking down barriers between rich and poor.

A huge aspect of my job is fundraising. This is on-going - we've covered the renovation costs, but need a constant revenue stream to operate.

INDUSTRY QUIRKS

Greenhouse Sports is a business, but it's one with a social purpose - which is to look after the kids. And for that, we need to fundraise. This is what our life depends on - day in day out, so much of



Greenhouse Sports will have its first community sports centre in Marylebone, which will have "one of the best table tennis facilities in London"

"In my former career, I worked with those whose lives were filled with excess. Now I'm involved with people who have very little"

our work revolves around finding the income to expand and bring our programmes to more people who need them.

In my former career, I worked with those who had so much, whose lives were filled with abundance and excess. Now I'm involved with people who have very little.

We are redefining success, trying to show that it isn't measured in pounds, cars, houses. Even though we run sports programmes, our projects aren't play-schemes or sports academies - they are a means to teach kids to respect themselves and others and give them a sense of achievement to carry through to other areas of life.

HOW THE ACA HELPED MY CAREER

The ACA has given me the discipline, the skills and the experience to do what I do. When we were setting up Greenhouse Sports, I knew how to sort out our system, admin and processes, how to manage money and, critically, how to use it to raise more funds. Not one penny is wasted. When you run a charity, your operations have to be completely transparent. My whole career has been about getting the most out of every pound.

What's also invaluable is the network it has given me. So many doors open because of my qualification, and I am connected to many people who can help Greenhouse Sports fulfil its aims.

THE HABITS OF AN ACCOUNTANT

Accountants are prudent, yet entrepreneurial. This combination, which ultimately equates to having the willingness to take risks and the ability to carefully calculate how far to go, is crucial in setting up and running sustainable businesses.

We're extremely methodical and disciplined, with a forensic eye for detail. And we're used to being completely accountable. I would say that many of these are character traits - but what our training does is hone and hardwire them. ●

Show the benefits of bringing your clients to the cloud

Research suggests the market for cloud services is set to grow by 18% in 2017 to reach a staggering £184bn. By 2020 it will be worth £295bn. In other words, says Sean Evers, now is the time to move

SOME OF THE world's biggest firms make a significant proportion of their revenues from cloud services. Microsoft will generate 30% of its revenue from its cloud-based services by 2018. Amazon posted revenues of $12.2bn from its Web Services in 2017 – of which $3.1bn was profit. It's no longer a matter of whether businesses move to the cloud, it's about when and with whom.

Through cloud computing, accountants have faster access to business intelligence. They can also tailor software to their needs, bringing together customer relationship management, payroll and more.

According to a recent report, more than half of C-level executives and professionals in finance and accountancy expect automated accounting systems to have the greatest impact over the next three to 10 years. And with good reason.

We can categorise the benefits under four headings. These are important in making the case for the cloud to your clients.

First, cloud accounting is more efficient. Clients with masses of spreadsheets and boxes of receipts will notice the largest benefits. But cloud systems are generally designed to be one-touch experiences. You snap a receipt, for example, and it populates an expenses claim immediately.

Second, your clients' data can be updated and accessed from anywhere. That frees them, and your people, to work more flexibly. Third, it transforms your clients' decision-making ability. Cloud financials can be real time, all the time. That means they can see how their business is doing at the touch of a button. And fourth, it streamlines your systems. Less paperwork, clutter and worry about backups or system resilience.

Cloud computing, then, gives accountants freedom to concentrate on their clients. So let's discuss the practicalities. Of most pressing concern is bookkeeping and basic accountancy. You'll need to think about which apps and web services you're going to be able to offer and how you'll streamline your back-end to make efficiency gains.

Compliance is the next consideration. What systems can you put in place to import data reliably and securely from clients using the cloud? And practice management is a third aspect of a cloud-based system that can help with streamlining your own operation. Ideally, you will have these areas aligned with cloud principles and be well on the way to automating common processes.

There's another great reason to increase automation: open APIs. From next year, banks must offer access to account-holders' data to trusted third parties and enable them to conduct transactions. Having cloud-ready, secure and automated processes opens the door to a slew of useful client services potentially using these APIs.

Some clients will be reluctant to consider cloud accounting. There could be a variety of reasons – from technophobia, to erratic internet connection, or fears over security.

We'd recommend a process-mapping exercise with the firm's fee-earners. Look at how your processes fit together. Then look at client journeys, from reconciling the books to keying in data. Look at each stage and ask: what's the smarter way of doing this? How would cloud computing help? What's the sell?

The aim is to create an experience for clients showing the benefit of adopting the cloud. Addressing pain points is a clear starting point. But as they adopt more cloud services, it's important to enhance your offering. That's a win for both of you.

sage

To help move your clients to the cloud, or for advice and support visit us at sage.co.uk/accountants

AT WHOSE SERVICE?

Giving customers a good experience should be at the heart of any business. So why are some of the world's biggest organisations so bad at it? Nick Martindale investigates

The debacle surrounding Ryanair's cancelled flights on account of failing to plan its pilots' working hours effectively is just the latest in a long list of sorry tales surrounding some of the world's biggest companies. Aviation as a sector is a repeat offender, but it is far from the only culprit.

There are many reasons why things may not always go according to plan, but how businesses react to these is ultimately what they are judged on from a customer service perspective. Tim Knight, managing director of customer experience firm KPMG Nunwood, which conducts research into how well or otherwise organisations from around the world handle this, says that while it is not always the case that large organisations fail to deliver adequate levels of service, there are reasons why such businesses can struggle.

"It tends to be due to a combination of geographic spread - the larger the organisation the more geographically diffuse it is and the less control you have centrally over how customer service is delivered - and the extent to which that organisation has grown organically rather than through a series of mergers and acquisitions," he says. "The world leaders in customer service have tended to grow organically because it's easier to put in place compatible systems or ways of thinking around the customer if it has grown from a common set of values."

Often the failure comes down to the lack of a culture which is genuinely built around customers, rather than just paying lip service to the concept, says Professor Moira Clark, director of the Henley Centre for Customer Management at Henley Business School.

"The key is organisational climate, which is the practices, procedures and rewards in the organisation, which the employees perceive," she says. "If the head of an organisation says they're passionate about customer service but managers ignore customers then staff will realise they're not practising what they preach."

She gives the example of staff working in call centres being rewarded on how many calls they get through in a certain period of time. "That instantly impacts on customer service because they're trying to get through the calls quickly, and the message you send to staff is that what matters is speed and efficiency," she says. "What really matters should be that you have dealt with the customer properly so they don't have to phone back again." This is the concept adopted by First Direct, she adds, which has pledged to customers that the agent they speak to will take ownership of any issue themselves and not pass it off to someone else.

WELCOMING COMPLAINTS

Helen Dewdney is founder of the Complaining Cow website and author of *How to Complain: The Essential Consumer Guide to Getting Refunds, Redress and Results!* She believes good customer service stems from the very top of an organisation, and should filter down to those who have contact with customers.

"No one expects a CEO to spend time investigating and responding personally to a complaint, but they should be developing a culture of welcoming complaints to improve service and ensure that staff are trained in dealing with complaints," she says. "Every

company makes mistakes; it is how those mistakes are handled that is important."

Putting in this kind of culture paid dividends for video collaboration firm Lifesize, which appointed Amy Downs as chief customer success and happiness officer as part of a deliberate strategy to better engage with customers back in 2014. "The CEO wanted me to transform the culture of the company to be customer-obsessed," she says. "We had to transform the way people thought about customers, and help them realise that it's our customers that pay us and our job is to serve them."

CUSTOMER EXPERIENCE

Crucially, this extended far beyond the customer service team to include engineering, product development and service teams. "In many companies, departments don't get along or feel something is their area and don't want anyone else to touch it," she says. "That's often where the customer experience breaks down because you're then designing processes and systems which do not look at the experience the customer would have. That's why that customer-centricity has to be a CEO-driven initiative rather than sitting in any particular function."

A combination of changing the culture and focusing on issues that had already been highlighted through customer feedback has seen the business acquire more than 5,000 new customers and significantly improve the retention of existing customers, she adds.

In some sectors, there can be a tendency for organisations to hide behind legalities, falling back on procedures rather than admitting they got something wrong and attempting to fix it. "With organisations that are heavily regulated or subject to certain forms of legislation around data control, particularly GDPR in the UK and EU, they get into a position where the need to manage that can be over-emphasised," says Knight. "There is a tension between the needs of the regulator, the requirements of the customer, and the culture of the organisation. The best organisations become very adept at walking that tightrope."

Often an over-emphasis on policies and procedures can restrain customer-facing staff from taking action they know would improve service. "Changing this top-heavy approach is not merely challenging to business leaders – it is terrifying," says Robin Gadsby, founder and CEO of creative communications company Forever Beta. "Today's business leaders need to throw out the rule book and allow employees the space to think on their feet; team members need the power and flexibility to respond to individual customer needs."

> "Our research shows customers are willing to pay more for better service, and 'human touch' factors such as a friendly conversation and honest advice can increase spend by 42%"

Yet while organisations have much room for improvement, there is also an argument that customers should expect a standard of service in line with the price they have paid and the ethos of the brand. "If you pay a premium it is reasonable to expect a good service," says Knight. "Equally if you don't pay a premium it's reasonable to expect an appropriate level of service. Where this becomes difficult for the consumer is where they believe they're buying into a premium proposition and don't receive the service associated with that."

HUMAN TOUCH

Technology such as chatbots or automated call centres can play a role here, helping organisations handle certain types of enquiry and freeing human operators to focus on more complicated issues. "Businesses need to provide customers with choice by offering an omnichannel experience where customers may start their journey speaking to a chatbot, but can have that query escalated to a human where needed," says Shashi Nirale, senior vice president and general manager EMEA at Servion. "In the future, these systems are also likely to detect and react to emotion so this escalation process will be seamless, and companies will have specialist hubs where call handlers will be trained to deal with more complex queries."

But Mike Petrook, director of policy at The Institute of Customer Service, believes companies need to tread carefully with the use of automation. "Our research shows customers are willing to pay more for better service, and human touch factors such

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TIME TO REFLECT

Poor customer service is just one factor that can adversely affect how consumers view particular businesses or sectors, something that contributes to a wider mistrust over how business operates.

Over the last year, ICAEW has developed a campaign that aims to rebuild trust. Known as Connect and Reflect, it seeks to generate discussion around the big issues facing business, and foster new norms of behaviour in order to overcome these.

ICAEW has already outlined the vision behind the initiative in an explanatory white paper, and intends to publish pieces on a range of issues. These include whistleblowing, employee directors, excessive pay, how to mark corporate governance, and the effective use of social media.

"We've gone for quite challenging topics and we hope to help companies navigate their way through these difficult areas," says Elizabeth Richards, head of corporate governance, technical strategy department at ICAEW.

The initiative fits in with the FRC's wider review of the UK Corporate Governance Code, she adds, but will seek to provide more practical assistance. "The subject matter and the underlying dilemmas are not new," adds Richards. "They're the problems that won't go away. The ultimate aim is to see improved public trust in business."

ICAEW members can voice their opinions and share best practice at the new Talk Accountancy section on the ICAEW Communities platform. Visit ion.icaew.com/talkaccountancy

as a friendly conversation and honest advice can increase spend by 42%," he says. "Although increased automation can meet customer expectations for speed and efficiency, the impact on the bottom line of an empathetic, personal approach cannot be ignored."

Benedetta Crisafulli, lecturer in marketing at Cranfield School of Management, questions whether the idea that consumers require a quick response - as facilitated by technology - is correct. "I have done research which goes against this whole idea of getting instant responses," she says. "Sometimes less timely responses are accepted by customers on the basis that they are necessary and can lead to a satisfactory resolution. We will accept a delay, as long as other aspects such as interpersonal interaction or more tangible resources such as an apology or compensation are rendered."

There are examples of countries, sectors and organisations that handle customer service well. KPMG Nunwood's research identifies six traits shared by businesses offering a great customer service experience, including setting appropriate expectations for customers, staff having the freedom to respond to any issues that need addressing, and empathising with how customers are feeling. "One of the key headlines from our Customer Experience Excellence Centre research is that if we in the UK want to learn more about how excellent service experiences occur consistently and at volume, then we should look at the US," he says.

CUSTOMER SERVICE IS THE BRAND

Organisations there tend to have a stronger customer-focused culture, he says, and also realise there is a close link between customer service and the brand itself. "We no longer live in a world where you can have a group of people responsible for service delivery in one function and another function that is responsible for marketing, communications and branding," he says. "The world's best organisations are restructuring to bring those functions together, so they fundamentally recognise that in a socially enabled, always-on, mobile world, customer service is branding."

Clark, meanwhile, points to companies such as John Lewis, Metro Bank, Amazon, Apple and US-based online shoe retailer Zappos as examples of best practice. "The lesson we can learn is that all those organisations treat their staff really well," she says. "The more you do that, the more it impacts on the customer. It doesn't have to be face-to-face; with Zappos or Amazon you order online but if you have an issue the people behind the scenes still need to be doing things properly. You need this match between culture and climate, customer satisfaction and the performance of the firm." This contrasts with sectors such as telecommunications, utilities and aviation, she adds, where organisations have engaged in a race to the bottom in terms of price and customer service, and failed to invest in appropriate technology.

> "If the head of an organisation says they're passionate about customer service but managers ignore customers then staff will realise they're not practising what they preach"

The business case alone - in terms of winning new customers and retaining existing ones - should be enough to force firms to ensure they deliver consistently high levels of customer service, making it all the more baffling why some are seemingly unable to do so. The UK Customer Satisfaction Index, published by The Institute of Customer Service, makes a clear link between a brand's reputation and business performance. "Analysis of 42 major retailers over the past five years finds that in 60% of cases when customer satisfaction increases or decreases, share price follows suit," says Petrook. "Our findings paint a clear picture for big UK companies: place the customer at the centre of business strategy, or risk losing out to those who do." ●

GETTY IMAGES

The path less travelled

George Richards explores some of the specialist, more diverse career options available to those accountants armed with an ACA

In this section

ALL CHANGE
How to start your career if you want to be a specialist

CAREER LADDER
The key decisions of Ma "Pony" Huateng

CAREER CLINIC
Mark Freebairn on the benefits of choosing the harder path

Accounting as a profession can be misunderstood. People tend to think of it as secure and reliable but not that exciting. This could not be further from the truth. As the needs and environments of business change, so too does the work of accountants, and for those offering specialist services, their work lives can be even more diverse.

ICAEW has a thriving network of communities to support these members. For instance, it is launching its Personal Financial Planning Community and *Lifetime Wealth Planning Guide* this month to provide more support to members with an interest in regulation, pensions, investments, tax and estate planning, probate and practice development.

The communities also provide an excellent opportunity for accountants starting their careers to consider what options are available. Here three accountants - one trained in insolvency, one in forensic investigations, and another who works in entertainment - discuss what makes their jobs different, and give advice on how to start a career in their chosen discipline.

FORENSIC ACCOUNTING: GAVIN PEARSON, PARTNER, HSNO

"There are two routes into forensic accounting, one where you train in general accounts and audit before transferring across, and another where you can train more specifically in forensic accounting while doing your professional

qualification. Those who go through the accounts and audit route have the advantage that they've got a broader set of skills, while accountants who train in forensic have the advantage of getting more experience and can potentially move quicker with their careers.

"A good forensic accountant will need an analytical brain: someone who enjoys getting into detail, analysing things and working out the answers. You've got to be happy dealing with large amounts of data and you need to have an investigatory mind. Forensic accountants also need good communications skills because the vast majority of forensic accounting work results in a report - written or spoken - that needs to explain complicated content in a simple way.

"Forensic accountants are involved in large fraud cases, where there might be millions, tens of millions, or even hundreds of millions of pounds that been defrauded; those cases can be high profile. In civil terms, we can be involved in highly publicised disputes between major corporations. These stories can be widely reported on and it's that high-profile nature of the work that makes it interesting.

"When people work for large firms, or firms where there is forensic accounting, then having a secondment or helping out the forensic team is often the best way in. Otherwise a large proportion of forensic accounting teams recruit people at a newly qualified level and that's the logical time to move. I came through the traditional route of audits and accounts before taking a secondment with my then firm's forensic team. I also spent some time at the Serious Fraud Office.

"It's our role to be as independent as possible and it's important that, even when we are instructed by a particular party, if we think they haven't got it right we tell them at the earliest possible stage"

"No two cases are ever the same so you have to think about how you approach each one differently. It's our role to be as independent as possible and it's important that, even when we are instructed by a particular party, if we think they haven't got it right we tell them at the earliest possible stage.

"Forensic accountants are always working on different cases with different clients, and ultimately working towards a resolution that is better for them: to effectively solve the problem. I enjoy the variety and contributing to an outcome that will hopefully be positive to our clients."

ILLUSTRATION BY NEIL STEVENS

INSOLVENCY: ALLISON BROAD, SENIOR MANAGER, PROFESSIONAL STANDARDS, ICAEW

"Before I joined ICAEW I worked in the insolvency department at PwC in Sheffield. Training was very much on the job, working on insolvency cases with more senior staff. That training can be supplemented with formal learning. Exams such as ICAEW's Certificate in Insolvency can give staff a broad introduction to insolvency concepts and key aspects of the different types of insolvency.

"Accountants who want to become licensed insolvency practitioners need to take the Joint Insolvency Examination Board, or JIEB, exams. These are tough and tutors will often say that it will be a year out of your life if you want to pass them. The number of papers is reducing to two in 2018, but the rigour won't change.

"The exams tend to cover different scenarios, because you need to be able to deal with a wide range of situations and sectors in insolvency. Practitioners are highly regulated and there are only a small number of them: 1,606 in the UK. They have specialist, detailed knowledge, and that's why the exams are hard.

"One important skill in insolvency is getting people to work with you. Generally, the people you are dealing with are aggrieved or upset. The directors don't want you there, they aren't in a good place, and staff are worried about losing their jobs. Creditors will be on the phone, or may turn up at the premises; they have lost money and don't understand why you can't do anything about it. You need to be able to pull everybody in, to get them to work together, to work with you, so you can achieve the best possible outcome. Time is generally critical. There can be a potentially short window to deal with the appointment, sell the business or assets or get a CVA approved, so it can be high-pressured with long hours. Every day costs money, and insolvent businesses don't have that.

"The most difficult part is if you have to make people redundant - it's horrible. While day to day insolvency practitioners are working with legislation and Statements of Insolvency Practice, they also need to be aware of tax issues, health and safety and employment law. They don't necessarily need to be experts in all those areas, but they need to have enough knowledge to be alert to potential problems and to know when to seek specialist advice.

"It's rewarding when you sell a business and save people's jobs. You get a real buzz from that. These days, a lot of accountants working in insolvency get involved in advisory work, so they'll be working upstream before a company is actually insolvent, helping to restructure it. There is a great satisfaction from achieving a successful restructuring and saving a business."

ENTERTAINMENT: DAVID STEAD, FINANCE DIRECTOR, FOXTROT DELTA

"I started at Deloitte with quite a wide cross section of clients and it just so happened that at the time when I was looking to move into industry, a role came up at a marketing company. Technically speaking, the work differs very little. The difference is in the characters working within the entertainment industry. It's not just the talent but the people who occupy that space. They tend to be more colourful and more volatile and you need to rely on your soft skills and communication.

"On the royalties side, the entertainment industry has been affected significantly by technology, but this hasn't affected accounting. We still have to keep up with technological trends, but that's true of most sectors.

"New starters in entertainment have to understand that as well as following the regulatory and accounting rules, you also have to operate within certain boundaries rather than the strict letter of the law. Accountants have to realise they control expense policies, cash management and so on, but in a way that also manages the people involved - you have to comply with legislation in a way that people in the entertainment industry can deal with. You have to be flexible.

"Professionalism is key. It would be very easy to go native, to try to be mates with these people, when actually you are their accountant. It's a nice environment, it's a sexy environment, but you're still there to do a disciplined job. You see people drawn in by the bright lights. I think if you started out in entertainment at 21 or 22, it might be harder to deal with.

"If you are looking after a celebrity or a person in the entertainment industry, you need to protect them from tax schemes. You need to show them that all that glitters is not gold, and actually there is a reason that the returns on offer are so fantastic: it's because it's not quite as legitimate as it would appear.

"When someone comes in with a fantastic, too-good-to-be-true offer, you need to have built up a relationship with them so that they believe you. You can't be a technical accountant who just says 'no, that's not right' - to be honest, they wouldn't listen. You have to build that relationship with them to make them see." ●

In November ICAEW's Special Interest Groups (SIGs) rebranded as Communities. These offer chartered accountants up-to-date information and guidance tailored to their sector and professional specialisms. For further information visit icaew.com/en/groups-and-networks/communities

Next issue

January 2018

ONES TO WATCH 2018

From Jerome Powell, head of the Federal Reserve from February, and Sir Damon Buffini, chair of the Patient Capital Review panel, to Jeremy Darroch, new chair of Business in the Community and Anne Boden, CEO of Starling Bank, we profile the likely business and finance stars of this year

BUSINESS VALUES
Do values matter in business? And if so, what values do the public most care about? After a series of high-profile scandals, the reputation of capitalism and business in general has taken a hit. But a combination of public, client and investor pressure, as well as a compelling business case, means change may be on the way

BREXIT GUIDE
Whatever form it takes, Brexit will have implications for all UK businesses, even those that are not directly involved in cross-border trade and do not employ EU nationals. So what practical preparations can businesses make to get Brexit-ready?

SHRINKING TAX BASE
As the UK's opportunities to collect tax shrink - a big threat to income tax and National Insurance, for example, is the growth of the "gig economy" - the government is facing hard choices about where revenues are going to come from. Peter Batram looks at how the country can stop living beyond its means

Career ladder Ma Huateng

The low-profile, high-achieving co-founder of Tencent

1971: Born, China. **Education:** BSc in Computer Science, Shenzhen University

1998 He joined China Motion Telecom Development in 1993, working on software for pagers, but saw the potential of instant messaging and co-founded Tencent in 1998. The company's name in mandarin means galloping message.

2010 Developed by a small team in Guangzhou, Tencent launched text messaging and group chat app Weixin (Wechat), in 2011. It's now the largest instant messaging platform in the world.

2014 WeChat pushed into mobile commerce. People could hail a cab, for example, and pay for it with their app, no cash required. It makes its money by selling games and integrating online payment functions that encourage shopping through the app. Users tend to spend more time on WeChat than they do on WhatsApp.

"We are much more focused on the direction of where we are going and the process than on the share price"

2017 Tencent's interim report, which revealed 59% year-on-year revenue growth, also said AI will be a focus.

LINTAO ZHANG/GETTY IMAGES

Career clinic

There is a better reason than you may imagine for making work hard for yourself, says **Mark Freebairn**

Surreal is the word I use to describe a regular conversation I have. It goes something like this. I have two roles to discuss with you. The first is a good business, it's growing nicely, the previous incumbent was talented, the team is motivated and settled, the CEO is lovely and the work-life balance is decent. The second is a nightmare. It's a turnaround, the team is in bits, the function and infrastructure needs rebuilding, the CEO is lovely and the work-life balance is non-existent. Both pay the same. The latter will take five years off your life expectancy. But if you are successful you will be able to see the difference you can make.

When I first started in headhunting, I used to discuss both options assuming everyone bar me would opt for the former. But I have come to appreciate that most people happily opt for the latter. I used to ask why they were choosing to create havoc with their life, to take the risk of failure on. But I have learned that my job puts me in front of a group I have come to call Professional Masochists.

What is it that makes many of us all turn towards the flame rather than away from it?

Clearly for many it's about developing self worth. It's about taking on a challenge that few can succeed at and being one of the few that do. It's about being able to look back and see the increased value you made, and know that only you could have made it. It's about a fear of boredom that you might find in an easy job. It's about wanting to know at the end of the week that you deserve the money you have earned. And it's about waking up every day and going to do a job that matters - and knowing how successful you are at it makes achievement even harder next time.

This matters for two reasons. First - the quicker you realise this about yourself the quicker you will stop complaining about how stressed you are, how little sleep you are getting, how little hair is left and how much work you have to do at the weekend. Because deep down you know you wouldn't have it any other way. If all the fires went out, you'd look for another one or set something alight yourself.

And second - because the sooner you realise this about yourself the sooner you can plan at what point you reward yourself with a nice, simple last job that can ease you into retirement.

And finally - thank you. Without you, business, health, education, government and frankly the global economy would be in pieces. Because the difficult jobs wouldn't get done and many businesses and roles would vanish.

But luckily you choose to do this - long may Professional Masochism be a credible and stimulating career choice. ●

I f you want to know what the next big thing is going to be this Christmas, just ask Matthew Brown, finance director of NPW, the fast-growing "impulse giftware" company. He predicts that this year's best-seller will be the gold face mask, one of the products from NPW's Korean beauty range that are sourced in South Korea and apparently so popular that NPW is cheekily selling them back to Korean high street retailers.

"The Koreans are leaders in facial treatments and skincare and they've got lots of products," Brown explains. "There are 47 routines that they do to their faces on a weekly basis. They pop into a beauty salon at least twice a week for facemasks. And it's moving across now into North America..." He stops and laughs. "Whoever would have thought, when I was studying for my ACA exams, I'd end up discussing Korean beauty treatments?" And yes, he admits, he has tried one - a facemask that "bubbles up when you put it on".

The Oh K! range is not the only winning product line NPW has come up with - its inflatable king's crown graced the heads of the Chelsea football team when they won the Premier League last year and hip-hop and grime artist Stormzy wore one on stage at a September gig. And then there's been a craze among children for NPW's unicorn-branded stationery, shortly to be joined by another range with mermaid designs.

These and other goodies you may not have come across unless you're a parent of young

Mister Christmas

Spreading a little festive cheer, NPW finance director Matthew Brown tells Julia Irvine why the impulse gift business is shaping up to bring joy to its shareholders all through the year, not just at Christmas

children or have been on a stag do recently - "Our target market is anywhere between five and 30 years" - are currently contributing to NPW's rapid growth, with some parts of the business experiencing rates of 20% year on year. In September, the company discovered it had made it into *The Sunday Times* and HSBC's International Fast Track Top 200. Brown considers being placed 197th as just "scraping in" and is determined that next year NPW will make it into the top 100.

> **"I am relatively young, but people do respect what you've achieved through the ACA: it brings gravitas to what you say and the judgements you make"**

Brown has been with NPW for three years. He joined in 2014 as head of group finance but within a year found himself thrown in at the deep end when there was an interregnum between finance directors. It was, he recalls, a question of "sink or swim" in board meetings and "going through the finance deck when the numbers weren't always so great". He must have impressed his executive colleagues, however, because despite his youth (he's now 31), by September 2016 he'd been promoted to the role on a permanent basis.

"I am relatively young," he says, "but people do respect what you've achieved through the ACA: it brings gravitas to what you say and the judgements you make. Also, having dealt with business owners and senior businesspeople from a relatively early point in my career has made it easier to understand what people are concerned about and how to communicate with them.

"I'm fairly level-headed and I find the best approach is to tackle things honestly and back them up with explanations and solutions. I do think that is something that comes from dealing with an audit because if you find things that aren't perfect, you have to communicate it back to the client."

Brown has come a long way since his days post-university working for Mark Warner as a chef de partie in Méribel for a couple of ski seasons. He admits that accountancy was not first on his list of career choices, but 2007 wasn't the ideal time to be applying for jobs in the City. He flirted with the army and TeachFirst but ended up as a trainee ACA at Shipleys, a medium-sized firm based in London's Soho with a client base largely in media but also encompassing owner-managed businesses in manufacturing and retail. He enjoyed the formal training and stayed on after qualification for two years before moving to the other side of the table.

Working in the giftware business presents particular challenges, he says. Historically, it has been a highly seasonal business. "Q3 has been our busy period when the retailers are stocking up for Q4 and in previous years it has generated 50% of our business. We are now working to become an all-year-round business. While there will always be a peak ahead of Christmas, we are designing products that we hope will have appeal throughout the year. There's always birthdays, Mother's Day, Father's Day, Hallowe'en, St Patrick's Day, Easter." It's already starting to pay dividends. "Two years ago, we had eight loss-making months. Now we are forecasting we will only have four this year. We have always been profitable: it's just that the gains made in Q3 have funded the rest of the year.

"We are on course for a turnover of £36m in 2017, roughly split 40% to the Americas, 40% UK and 20% rest of the world. The Middle and Far East have been growing fast and I think next year the three territories will be nearer a third each. UK retail, which is relatively flat, is a smaller market and developed in terms of our customer base, whereas there's still plenty of growth for us throughout the US and the rest of the world."

Brown says his job is fast-paced and demanding. He won't be drawing breath now until Christmas arrives because NPW retail customers will be queueing up for re-orders as the pre-Christmas rush gathers pace. However, there's always time for a bit of festive spirit in the office before it closes between Christmas and New Year for a "proper break".

"We always do a secret Santa but we have a rule that it cannot be an NPW product. We've lots of creative people around so you tend to get homemade gifts. However, one year I got a mug with a heater that plugs into your USB and keeps your coffee warm. They clearly know that I'm chained to my desk..." ●

THE XMAS ACCOUNT

The best Christmas present I've given myself is... The ACA because it allowed me to get the job I've got now.

My favourite gift to give is... The inflatable crown – "King for the day". Much better than what you get in a cracker.

The love of my life gives me... Lots of support and an objective view.

I'm happiest at Christmas when... I can be with my family. It's becoming more tricky with two siblings in Sydney and Abu Dhabi, but Christmas has always been a time when we can get back together.

My worst festive habit is... Still checking my emails. We always say we won't but we inevitably do.

PHOTOGRAPHY BY TOM CAMPBELL

Technical key developments

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

AUDIT AND ASSURANCE

US EXTENDED AUDITOR REPORTS

The US Securities & Exchange Commission (SEC) has approved proposals from the Public Company Accounting Oversight Board that will see auditors in the US following those in the UK in producing extended and informative auditor reports.

Auditors will have to provide more specific information about how they reached their opinion. They will have to discuss critical audit matters: these are designed to provide investors and other users with the auditor's view on matters discussed with the audit committee that relate to material accounts or disclosures and involved especially challenging, subjective or complex auditor judgement. Auditors will also have to reveal how long they have been auditing the client.

pcaobus.org

AUDITORS AND PRELIMINARY ANNOUNCEMENTS

The Financial Reporting Council (FRC) has decided not to go ahead with its proposals on auditors and preliminary announcements following feedback from the consultation which suggests that stakeholders are "broadly content" with the current arrangements. It will go ahead with only minor changes to auditor guidance.

The original proposals would have converted the current guidance into an engagement standard and required auditors to have completed the statutory financial statement audit and signed the auditor's report before agreeing to the publication of preliminary announcements.

The FRC says that it will include a draft report in the revised bulletin that sets out the status of the financial statement audit and the procedures performed by the auditor on the preliminary announcement. This will be prepared and published on a voluntary basis.

frc.org.uk

COMPANY

CHANGES TO MERGER REGIME

The government has issued proposals aimed at updating the merger regime and strengthening national security. They will enable it to intervene in mergers that raise national security concerns, even when they involve smaller businesses. Target sectors include the design and manufacture of military and dual use products, and parts of the advanced technology industry.

Currently, the government can only intervene where the companies have a UK turnover of more than £70m or where the share of UK supply increases to 25% or over. The threshold is to be reduced to a UK turnover of £1m and the 25% requirement removed altogether.

The Green Paper also contains proposals to allow better scrutiny of transactions that could give rise to national security concerns. They include introducing a "call-in" power modelled on the one in the Enterprise Act 2002 to allow government more power to scrutinise a broader range of transactions for national security concerns to strengthen the current voluntary notification regime; this will be supplemented by a mandatory notification regime for foreign investment in parts of the economy critical for national security.

gov.uk

SHAPING GLOBAL POLICY ON BUSINESS

The International Chamber of Commerce (ICC) is calling on UK businesses to sign up to the B20 forum ahead of the Argentinian G20 presidency and help to shape global policy.

The forum, which brings business leaders together to give their views on the G20 recommendations, wants to see more UK businesses involved – during the German G20 presidency only 18 companies represented UK interests, of which 50% were from the financial services sector and 16 based in London. This, it believes, is unacceptable if UK businesses want to be successful outside the EU.

The ICC is targeting the aerospace, automotive, construction, energy, financial services, food and drink and tech sectors.

B20@iccwbo.uk

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The latest survey of FTSE 350 companies' compliance with the Corporate Governance Code shows that while 66% declared full compliance (up 4% on 2016), only 33% were deemed to provide "informative insights" (which is down on the high of 64% in 2014). According to the corporate governance review, carried out by Grant Thornton, there was little improvement year-on-year in longer-term viability statements, internal control reporting and gender diversity. Investor engagement was poor, with only 12.5% of companies reporting that the remuneration chair held face-to-face meetings with shareholders on executive remuneration.

Diversity in the boardroom plateaued during the year: 26% of FTSE 100 board roles were filled by women and 77% of the FTSE 100 and 85% of the FTSE 250 did not have a woman in an executive role.

There were improvements in culture-related reporting – 39% of companies currently provide a good overview of their organisation (versus 20% last year); however, only 29% of chief executives made personal reference to culture in their opening statements.

This chimes with a survey from Mazars, which revealed that even though culture was one of the three most important priorities for company boards, only 20% reported spending the necessary time on managing and improving it.

grantthornton.co.uk

NEW FRAUD GUIDANCE FOR CHARITIES

The Fraud Advisory Panel has joined with the police, regulators and other stakeholders to publish simple fraud

prevention guidance for the public, to help them donate on the doorstep, on the street or online (including crowd-funding sites) safely. Much of it is straightforward, for example, ignoring unsolicited emails, texts or messages from charities the recipient does not recognise, never revealing passwords or PINs, and looking out for spelling or grammar mistakes, photocopied IDs and unsealed collection buckets.
fraudadvisorypanel.org

FINANCIAL SERVICES

FCA LAUNCHES ASSET MANAGEMENT HUB

The Financial Conduct Authority (FCA) has set up a new asset management hub to support new firms wishing to enter the market. In the first phase it will offer the firms pre-application meetings, dedicated case officers and access to the new website portal. This will help them understand how the FCA works, make a complete submission and transition from FCA authorisation to its supervision regime.

The FCA intends to roll out further phases of the hub throughout 2018. These will help firms post authorisation.

The FCA stresses that the authorisation hub will not lower entry standards to the market. Entrants will have to meet the same exacting standards that current firms do before they achieve authorisation.
fca.org.uk

FCA FINALISES REFORMS

Following a number of consultations over the last two years, the FCA has issued final rules to enhance the effectiveness of the UK primary markets. The aim is to reform the availability of information during the UK equity initial public offering (IPO) process and clarify and enhance elements of the Listing Rules.

The regulator has produced two policy statements (PS 17/22 and PS 17/23). The former enhances the Listing Rules by changing the FCA's approach to the suspension of listing for reverse takeovers, updating how premium listed issues classify transactions and allowing property companies to better take into account assets values when seeking a premium listing. The latter improves the range, quality and timeliness of information available to investors during the equity IPO process.

A feedback statement (FS 17/3) sets out three areas the FCA believes merit further consideration: the relative positioning of standard versus premium listing; the provision of patient capital to companies that require long-term investment; and retail access to debt markets.

SEC AND MIFID II RESEARCH PROVISIONS

The SEC has consulted with the European authorities to ensure that investors do not lose access to valuable research during transition to MiFID II's research provisions. It has issued three related no-action letters that will help market participants as they work towards compliance with the directive ahead of implementation on 3 January 2018.

The temporary no-action relief will enable market participants to comply in a manner that is consistent with the US federal securities laws. So broker-dealers may receive research payment accounts, while money managers may continue to aggregate orders for mutual funds and other clients and rely on an existing safe harbour when paying broker-dealers for research and brokerage.

The SEC says it will be monitoring and assessing the impact of MiFID II's research provisions on the research marketplace and will decide whether more action, including rule-making, is necessary and appropriate in the public interest.
sec.gov

ASSET SALES IN COMPETITION WITH AN OFFER

ICAEW has told the Takeover Panel's code committee that it supports the proposition that an offeror should be restricted from circumventing the provisions of the Takeover Code by buying the offeree company's assets after the offer has lapsed or been withdrawn. However, it says in its response (REP 103/17) to the Panel's consultation, PCP 2017/1, *Assets Sales in Competition with an Offer and Other Matters*, that it has reservations about the proposed approach.

ICAEW would have been interested in hearing about whether consideration had been given to dealing with a scenario that is relatively rare through clear disclaimers and disclosures to the market. "The Panel's intention may be to apply equal treatment to two bids for the substance of a business – the proposed amendments extend the Code's remit beyond takeovers to asset deals including, arguably, in respect of those which fall considerably short of 'disposals of the whole'."

It is also concerned about how restrictions will sit with other non-Panel oversight or restrictions, including, in many cases, the ability or requirement for target shareholders to vote on whether such a disposal should be made. It suggests that additional substantial protection for stakeholders or the market may not be necessary.
icaew.com/representations

STATEMENTS OF INTENTION AND RELATED MATTERS

ICAEW has warned the Takeover Panel's code committee that its proposal relating to publication of an offer document represents such a fundamental change to the timetable that the consultation period should be extended and the proposal given more careful scrutiny than is being currently afforded to it.

In its response (REP 122/17) to the Panel's consultation, *Statements of Intent and Related Matters*, it points out that the proposal preventing an offeror from publishing an offer document within 14 days of its firm offer announcement, without the permission of the offeree's board, will largely benefit target company boards and shareholders since it will give them more time to assess a bid. At the same time, for a potential bidder, the process becomes more costly and, given the increased time available for a counter bid, even higher risk.

ICAEW is also concerned about the proposal that an offeror should make specific statements of intention with regard to the offeree company's R&D functions, the balance of skills and functions of the offeree's employees and management and the location of the offeree's headquarters and HQ functions. It supports the idea in principle but only if the offeror is able to change its statements, without any code consequences, once due diligence has been completed.
icaew.com/representations

PENSIONS

NEW MADE SIMPLE GUIDES

The Pensions and Lifetime Savings Association (PLSA) has published three new made simple guides.

The first, *Fiduciary Management*, which was written by Schroders, is intended to help pension scheme trustees understand how fiduciary management can help them overcome the typical difficulties faced by defined benefit pension schemes in managing investment portfolios.

The second, *Good Quality Data for the Private Sector*, produced by Equiniti, explains what is necessary for good quality data and what it should look like for pension schemes. And the third, *Integrated Risk Management*, put together by Cardano and Lincoln Pensions, gives guidance on the concept of integrated risk management and sets out what the effective implementation options are that would assist trustees and sponsors achieve their objectives together.
plsa.co.uk

PRACTICE

DISCIPLINARY BYELAWS AMENDED

Following ICAEW Privy Council approval, the disciplinary byelaws have been amended with effect from 11 October 2017. The key change is the insertion of a new byelaw (14A) that incorporates a process enabling certain types of minor, compliance-type complaints to be dealt with by way of fixed penalty. The process will only apply to complaints designated from time to time by the ICAEW Regulatory Board (IRB). This will start at a date determined by the IRB.

Other changes include amendments to definitions and the expansion of the fitness regime to capture foundation qualification holders (holders of the designation "BFP"), provisional foundation qualification holders and CFAB students.

icaew.com

REPORTING

NO CHANGES TO FRS 101 FOR 2018

The FRC has decided not to make changes to the reduced disclosure framework standard, FRS 101, despite implementation of major changes to international financial reporting standards (IFRS). It has also decided to defer detailed consideration of any changes that might result from implementation of IFRS 17, *Insurance Contracts*, until the progress with the standard's EU endorsement becomes clearer.

In FRED 69, FRS 101, *Reduced Disclosure Framework - 2017/18 Cycle*, the FRC says it reached its conclusion after reviewing the amendments in the light of potential changes to the disclosure exemptions FRS 101 allows. It also considered whether the amendments were inconsistent with current UK legal requirements.

FRS 101 sets out an optional reduced disclosure framework which covers the financial reporting requirements for individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements. It is reviewed annually.

Comments deadline is 2 February 2018.

frc.org.uk

COMPANIES PUT ON WARNING BY FRC LETTER

The implementation of three major new international accounting standards are likely to have a significant impact on many companies' results and their financial position, the FRC has warned.

In its annual letter to company audit committee chairs and finance directors highlighting key developments ahead of the 2017/18 reporting season, the regulator stresses the importance of companies disclosing the likely impact of IFRS 9, *Financial Instruments*, IFRS 15, *Revenue from Contracts with Customers*, and IFRS 16, *Leases*, as soon as this can be reliably measured.

It will expect to see detailed quantitative disclosure on the effects of the new standards in the last set of financial statements before the implementation date and it wants to see a step change in the quality of companies' disclosures this year, particularly in respect of IFRS 15 and IFRS 9 which they will be implementing. It is also expecting IFRS 16, which is operational for accounting periods starting on or after 1 January 2019, to be approved by the end of 2017 in time for companies to adopt it early so they can implement it at the same time as IFRS 15.

The letter also highlights the need for companies to improve the quality of their communications in the strategic report to ensure that the story they are telling is "fair, balanced and understandable" as well as effective. The FRC reveals that the strategic report remains high up on its list of areas most frequently subject to challenge by its monitoring team. Some companies clearly prepare theirs with an eye on compliance rather than on communicating the whole story while others produce reports that appear to lack balance.

Despite Brexit, the European Union continues to drive changes in UK reporting, including new regulations for non-financial reporting which implement the EU Directive on Non-Financial and Diversity Information. The regulations require certain large companies to provide enhanced disclosures on issues ranging from human rights to anti-corruption and bribery, for financial years beginning on or after 1 January 2017. The FRC is revising its guidance which will be completed in 2018 but until then it has published a fact sheet on the new regulations.

Another area of concern is the viability statement. Most companies have opted for a three-year period, largely to reflect their medium-term business plan. But the FRC says that other factors should be considered and it points to investment and planning periods, the board's stewardship responsibilities, the nature of the business and its stage of development, and previous statements made (especially in raising capital). It would like to see companies developing the viability statement in two separate stages. The first would involve reporting on the company's prospects over a period that reflects its business and investment cycles, while the second would cover the board's reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

frc.org

DON'T RUSH FRED 68

ICAEW has welcomed the FRC's move to tackle the lack of consistency in charities' accounting treatment of gift aid payments made by trading subsidiaries to charitable parents.

However, it complains that the one-month consultation was far too short to allow indepth discussion with members who would be affected by what are – and may well continue to be – controversial changes. The FRC would do better, it says, to take the time necessary to reflect on the responses to the consultation and stakeholder participation rather than racing to ensure that the final amendments coincide with the new version of FRS 102.

In its response to the FRC on FRED 68, *Draft Amendments to FRS 102 – Payments by Subsidiaries to their Charitable Parents that Qualify for Gift Aid*, (REP 121/17), ICAEW recognises that there are strongly held and diverse views on the correct accounting treatment, including within its own committees. In particular, it mentions the argument that the gift aid payment should be treated as expense in the profit and loss account for the year, with a constructive obligation recognised as a liability at the year end. It says it sympathises with this approach but, after careful consideration, it decided to accept the FRC view that the gift aid payment is a distribution to owners that should be recognised in equity and that a liability should not be recognised at the reporting date if the payment becomes an obligation after the reporting date: "This is the most important principle underlying the accounting, which should not be lost because of the particular tax circumstances relating to the payment."

It adds that the FRC proposals will result in a consistent treatment across the sector and improve the understandability of the financial statements.

icaew.com

NARROW SCOPE AMENDMENTS TO IFRS 9 AND IAS 28

The IASB has issued amendments to IFRS 9, *Financial Instruments*, and to IAS 28, *Investments in Associates and Joint*

Ventures. The amendments to IFRS 9 allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met, rather than at fair value through profit or loss.

The changes to IAS 28 make it clear that companies should account for long-term interests in an associate of joint venture, to which the equity method is not applied, using IFRS 9. They also provide an example to show how this may be done.

The board has issued a consultation document containing consequential updates to the IFRS taxonomy. The deadline for comments on *Prepayment Features with Negative Compensation* is 11 December.

ifrs.org

TAX

SIMPLE ASSESSMENT

HMRC has published a briefing on simple assessment, the power it was given in the 2016 Finance Act to issue simple income tax assessments. These are different to self assessments.

The briefing explains that taxpayers have 60 days from the date of the assessment to query it and if the query is not resolved satisfactorily in that time, then they will have a further 30 days within which to lodge a formal appeal. The due date for payment is 31 January following the year end or, if later, three months plus seven days from the date of the assessment, and HMRC says that it would prefer electronic payment through the personal tax account.

In September HMRC issued a first tranche of the assessments: these were sent to taxpayers who had underpaid PAYE for 2016/17 but where the underpayments could not be collected by adjusting the tax code. Next on the list are people who started to receive state pension in 2016/17 where it is their only source of income.

gov.uk

NIC BILL DELAYED

The government has announced that the National Insurance Contributions (NICs) Bill, which was expected this autumn, is to be deferred until 2018 and the NIC changes it will effect – including the abolition of Class 2 NICs, reforms to the NICs treatment of termination payments, and changes to the NICs treatment of sporting testimonials – will now take place a year later, from April 2019.

In a House of Commons written statement, exchequer secretary to the Treasury Andrew Jones explained that the delay would allow time to engage with interested parties and parliamentarians with concerns relating to the impact of the abolition of Class 2 NICs on self-employed individuals with low profits.

gov.uk

HMRC PAYMENT CHANGES

Two changes have been announced that will affect how taxpayers make payments to HMRC in future.

From 15 December, it will no longer be possible to make payments to HMRC at a post office. The contract with Santander that allowed this method of payment expires on that date and Santander and HMRC have not reached agreement on a new contract. Where electronic payment is not possible, payments can still be made at bank branches (with a payslip) and payments for self-assessment income tax can still be posted to HMRC.

From 13 January 2018, it will not be possible to pay HMRC using a personal credit card. The timing of this change coincides with the date from which HMRC will no longer be permitted to charge fees for payment by credit card.

gov.uk

VAT SIMPLIFICATION – OTS PROPOSALS

The Office of Tax Simplification (OTS) has recommended changes to the current level and design of the VAT threshold. It says that the threshold, at £85,000, is one of the highest in the world and, while it enables many small businesses to stay out of the VAT system, it is an expensive relief, costing around £2bn a year.

The OTS says it has evidence that the threshold is acting as a brake on business growth because it discourages businesses from expanding beyond this point. There is a visible bunching of businesses just below the threshold and an equally large drop off in the number of businesses with turnovers just above it. The OTS says it is currently considering the benefits of introducing a smoothing mechanism to reduce this "cliff edge" effect. Alternatively, it is looking at the option of reducing or increasing the threshold.

gov.uk

Five in brief

01 **GDPR:** This comes into force in May 2018. Businesses need to start thinking about the type of personal data they hold and how it is controlled. There will be further ICAEW guidance in early 2018. **icaew.com/gdpr**

02 **AML:** The Money Laundering Regulations 2017 are in force and new CCAB guidance is available. Practices and other regulated businesses will need to review their processes and controls to ensure compliance. **ccab.org.uk**

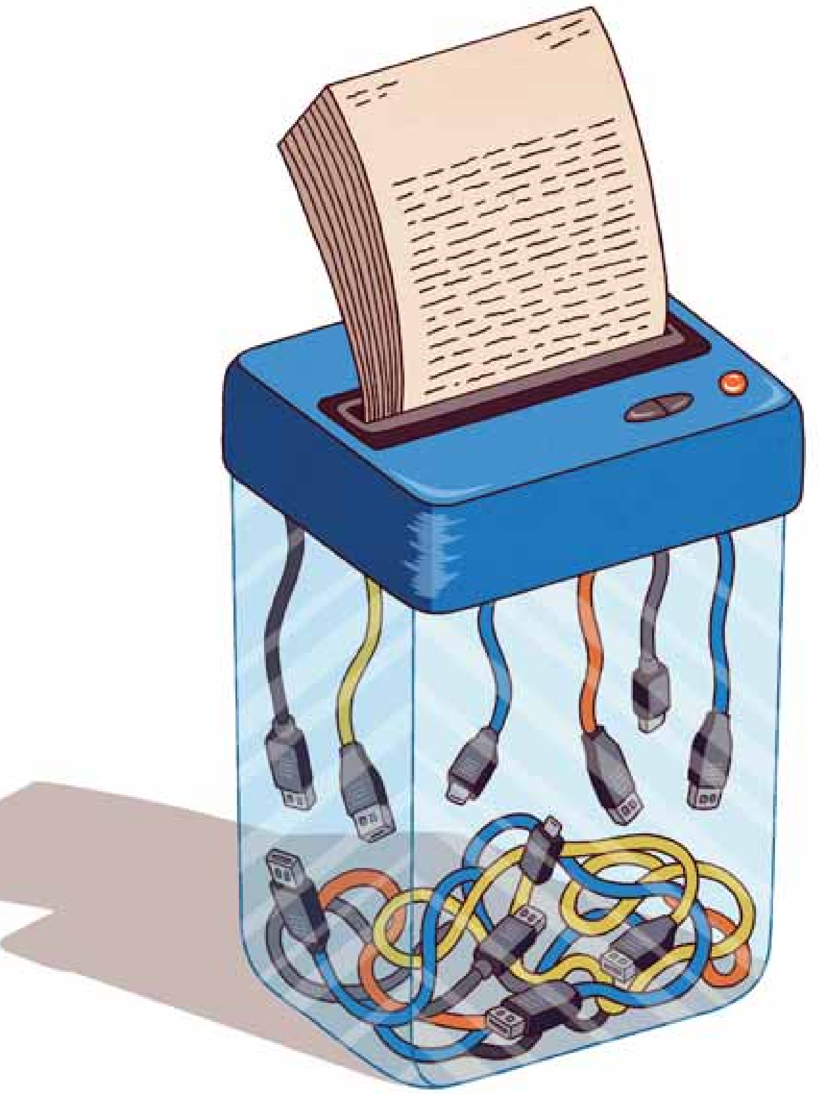
03 **Transactions with directors (UK GAAP):** Compared with the FRSSE, FRS 102 limits the types of related party transactions that need to be disclosed. Transactions with directors are disclosed if they are "not conducted under market conditions". Recently issued ICAEW FAQ provides guidance. **icaew.com/frf**

04 **Materiality Practice Statement (IFRS):** The IASB's practice statement provides guidance on the application of materiality in IFRS reporting and may also be of interest to accountants more broadly. For IFRS purposes, it took effect on publication in September.

05 **Enablers legislation:** HMRC guidance has been published on the new penalties for those who "enable" tax avoidance schemes that are subsequently defeated.

An information free-for-all

Will user demand result in open season on companies' data? Peter Bartram explores how regulation and use of technology will drive changes in corporate reporting



The BBC ran into controversy in the summer when it was accused of paying women presenters much less than men. Critics said the BBC should redress the balance and report on its progress.

The spat was a timely reminder that corporate reporting long ago burst out of the straightjacket of profit and loss accounting and balance sheets. Now employees, customers and communities as well as the investors want to know more. Transparency and accountability are the order of the day.

Broader corporate reporting has grown in many companies in a haphazard way without much strategic direction. In recent years, for example, there has been the EU Accounting Directive 2013, which develops country-by-country reporting among other issues. The EU Non-Financial Reporting Directive makes larger companies report on a whole range of issues from human rights to bribery. UK gender pay gap regulations force larger companies to publish details of the gap between men's and women's pay. The UK Modern Slavery Act 2015 means larger firms must show they have checked their supply chains are free from trafficking and slavery.

So the ICAEW Financial Reporting Faculty's new report, *What's Next for Corporate Reporting: Time to Decide?*, comes at a good time. It takes a bird's-eye view of where corporate reporting is now and looks at the issues CAs need to address. The report shows the work already done by the International Integrated Reporting Council, but sets out a new agenda of issues that companies both large and small will need to grapple with. The team behind the FRF's report spoke to CAs and stakeholders about their perceptions and need for reporting in the future.

Nigel Sleigh-Johnson and Alison Dundjerovic, respectively head of the Financial Reporting Faculty and technical manager for financial reporting thought leadership, at ICAEW, say the issue that dominated conversations was the rise in corporate information for a diverse range of stakeholders other than investors. In a world in which access to information is almost instantaneous, via websites and social media, the demand for more diverse reporting is only set to increase. But that raises questions about who the primary users of the corporate report are.

"Until those questions are addressed definitively, it will be difficult to resolve many of the other

To download ICAEW's report visit icaew.com/en/technical/financial-reporting/information-for-better-markets/what-next-for-corporate-reporting challenges faced in advancing corporate reporting – such as how much information to provide, where and how to provide it and, crucially, how best to take advantage of technological advancements," they say.

If more stakeholders need more information, what is the best way to provide it? Adding more and more pages to the annual report is unlikely to please anyone. But as the breadth of information grows, it's important not to lose the primary purpose of the report, argues Mark O'Sullivan, PwC's head of corporate reporting.

He says the annual report is produced for the benefit of members of the company and judgements about what should be in it need to be made through that lens. But he points out that the oft-mentioned section 172 of the 2006 Companies Act established the "enlightened shareholder value" model of governance, which most big company annual reports now reflect.

O'Sullivan adds: "Providing more information on stakeholder relationships or their strategic relevance to business success will build investor confidence in the quality and sustainability of corporate performance and will undoubtedly meet some of the information stakeholders need." But he acknowledges it won't provide everything they want.

A practical issue is how to provide a wide range of additional information without turning already hefty annual reports into behemoths. "Our current thinking is that information not aimed at investors could be provided online in supplementary reports, with links provided in the annual report and safeguards around accessibility, consistency and assurance," say Sleigh-Johnson and Dundjerovic. "The use of such online, separate reports is, in fact, an emerging trend in the UK."

FACTS TO TRUST

As firms seek to expand the range of reported information, they face another challenge – making sure the information is reliable and credible so it is trusted by users. Vincent Papa, director of financial reporting at the CFA Institute, believes a key problem in some current non-financial reporting is the failure to link the information to its financial impact.

He also points to problems such as difficulty in comparing across time periods, inconsistent information, a tendency to present information in an overly-positive light, and a lack of

"If we're to improve the credibility of non-financial information, companies must provide evidence of where the information came from"

assurance about its reliability. These problems could be resolved if there was more input from investors when companies develop their non-financial information reporting, Papa argues.

O'Sullivan agrees that comparability across non-financial information is essential as this helps both investors and managers make rational resource allocation decisions. But, he says: "If we're to improve the credibility of non-financial information, companies must provide evidence of where the information came from and how it was gathered. What systems were used and who reviewed it should be described, and also the robustness of the control environment."

INTANGIBLES CONUNDRUM

Then there is the vexed question of to what extent intangibles should be included on the balance sheet. Sleigh-Johnson and Dundjerovic point out that opinion on this is more divided than on other corporate reporting topics. Perhaps the answer to the intangibles conundrum lies in better "front half" reporting, they say.

Some argue the gap between net assets and market cap is evidence that more should be done to improve the depth, breadth and quality of reporting, says O'Sullivan. "What if the gap is based on the fact the net assets don't reflect an arbitrary valuation of the intangibles that generate value and are so critical to corporate success in the 21st century?" he asks. "Do we close the gap by bringing these intangibles onto the balance sheet or focus more on the quality of the narrative that supports the financials?"

Regulation and technology will drive changes in corporate reporting in the next few years, say Sleigh-Johnson and Dundjerovic. The focus has moved from paper-based reporting to online information. That shift will accelerate under the influence of emerging technologies such as blockchain. As reporting moves from paper to online, it will change the information reported and how it is used by stakeholders. It will also raise challenges about accessibility and reliability and, above all, about the security of data.

On the other hand, one of the big bugbears of current reporting is trying to stuff a mass of indigestible data into a long printed report. If more information is reported online, it could become more accessible and potentially provide deeper insights.

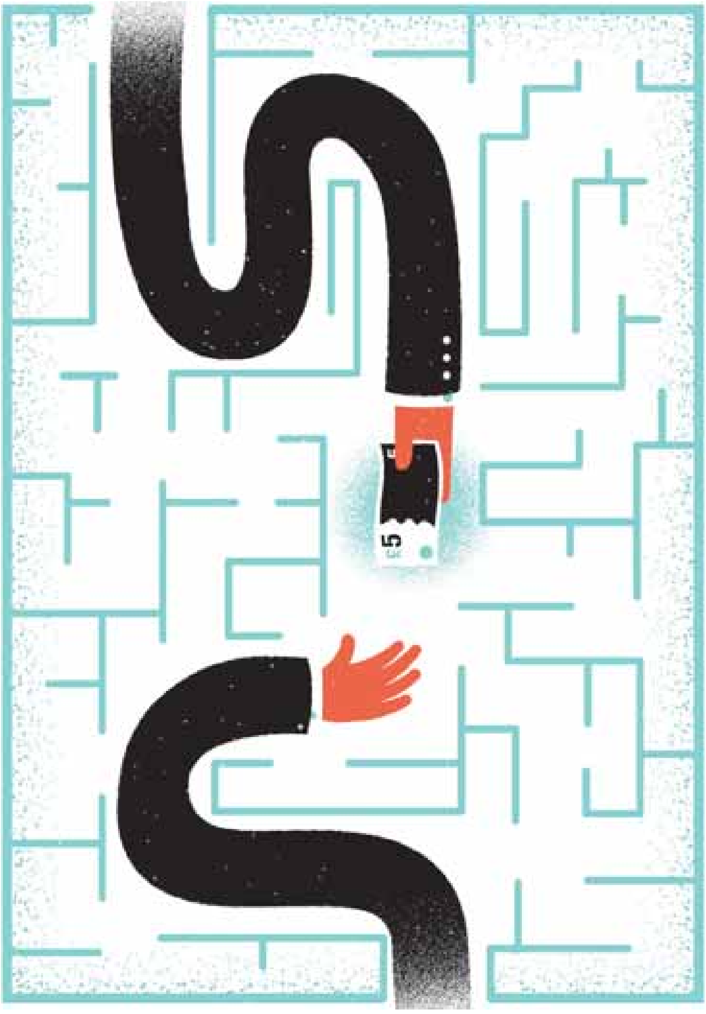
FRESH EMPHASIS

But O'Sullivan says this will put a fresh emphasis on the quality of the "search engine" used to retrieve corporate data. "The speed at which machines can analyse data is continuously increasing," he notes. "The more we feed data into an algorithm, the more the algorithm's analytical abilities increase, and so it will be able to spot patterns and make connections we currently can't as humans. In the future, questions over the frequency of reporting will be irrelevant as machines will simply go to the source and analyse transactional data on a real-time basis."

But will this unleash an information free-for-all in corporate reporting in which users determine which information they access and when? "In future, information used to assess corporate performance may include data from a number of external sources – not just company accounts – analysed together to give investors and other stakeholders a truly balanced view of a company and greater insight," O'Sullivan predicts.

"Organisations will no longer control the message," he says, "and their reporting will simply be part of a wider dialogue. We may end up with a crowdsourced perspective of performance, perhaps alongside a completely tailored view determined by each stakeholder. And the challenge for organisations will be how they can make themselves heard and ensure one version of the truth of their performance, impact and prospects in the public domain." ●

ILLUSTRATION BY PHIL HACKETT



Playing the financial instruments

IFRS 9 will revolutionise how loans are treated in banks' accounts, but what might it do to their customers' ability to borrow? Caroline Biebuyck investigates

IFRS 9 is finally here. After years of discussion, planning, then implementation, the new accounting standard on financial instruments comes into force for accounting periods starting from 1 January 2018.

The expectation is that under the new standard banks will report their loan losses sooner than they would have previously. This was certainly the intention of the standard setters, who were keen to stop the pro-cyclical impact of significant losses being recorded during a downturn as infamously happened during the financial crisis of a decade ago.

A key question at this stage is how much IFRS 9 will change banks' reported provisions. The answer seems to be falling over time. Initial projections suggested an estimated increase in provisions of 50%. Then a survey by the European Banking Authority (EBA) published in November 2016 gave an estimate of 18%. By July 2017, this had fallen to 13%.

This drop in expected increase is mainly due to low interest rates and calm economic conditions. The current position in the economic cycle means there is a low probability of default, says Andrew Spooner, audit partner at Deloitte. "The point of the standard is that you should take into account the potential that debts will go bad in the future, based on forward-looking economic projections."

IMPACT ON BUSINESS

What impact will the new standard have for businesses trying to borrow? SMEs in particular already have problems getting the finance they need from traditional lenders: a report published by Close Brothers in November 2016 concluded that SMEs' individual financing needs are not being met, with almost half of those surveyed experiencing barriers to accessing finance. As Brexit requires British businesses to step up their game, might the impact of IFRS 9 make it even harder for them to access the finance they need to grow?

Some products and business lines will be less profitable because of IFRS 9, thinks Zsuzsanna Schiff, audit and reporting manager at ICAEW's Financial Services Faculty. "Most banks are going to have to review their strategy and concentrate on lines that are less sensitive to the move from stage 1 to stage 2."

The main thrust of IFRS 9 is to ditch the incurred loss model of the past, in which banks could only recognise a provision against a loan once the loss had been incurred, for an expected loss model, which looks at the credit risk attached to the loan.

Under the new model, loans fall into three stages, with the staging depending on the change in credit risk. Stage 1 loans are those for which there has

"The business approach is that the accounting standard should not affect what we do as a bank"
Brendan van der Hoek,
IFRS specialist, Santander

been no significant increase in credit risk: here the bank makes a 12-month expected loss provision.

The loan moves up to stage 2 if there is a significant increase in credit risk. At this point, the provision against the loan increases to the expected loss over the whole life of the loan. Once the loan is actually impaired it moves into stage 3, when a full provision is needed. Mike Morgan, chief finance officer of Close Brothers' banking division, says: "IFRS 9 is about the timing of acknowledging impairment. The impairments will be the same – they won't be any more or less as a result of this. We continue to maintain our strict lending and underwriting criteria, and this allows us to continue to lend through the cycle. Once the initial provision has been put aside, we will see increased volatility. But this won't change the way we view our customers and the rigorous controls on how we write our business."

However, David McCarthy, CFO of challenger Atom Bank, sees a potential for the standard possibly holding the lending market back slightly. Capital is always tight at an early-stage start-up bank, he says. "If you take the standardised rather than the internal ratings-based capital approach, which most challengers do, then your provisions deplete capital. That may mean you favour less capital-consumptive types of lending, such as residential lending, which is low risk."

MANAGING RISK

The problem is that no one likes the idea that on day one the bank has to book at least a 12-month loss on the money it has just lent, says Brendan van der Hoek, IFRS specialist at Santander. "But the business approach is that the accounting standard should not affect what we do as a bank, as we should continue to lend according to our credit risk appetite and in accordance with our risk management practices."

The question that will emerge over time, says Richard Lawrence, head of accounting policy at RBS, is whether banks need to rethink how they approach secured and unsecured lending (the latter is treated less favourably under IFRS 9) and their view on long-dated assets and committed facilities. "None of this will change on day one but these are things that the banks will monitor in the near term to work out the extent of the change brought by the standard, and whether that change is enough to alter the way they consider these."

One of the greatest practical ongoing problems of IFRS 9 is in deciding when there is a significant increase in credit risk attached to a loan. Regulators across Europe are concerned about this because of the volatility that IFRS 9 will bring to regulatory capital, says van der Hoek. "They want to understand the different touchpoints, such as whether banks will have similar triggers for moving from stage 1 to stage 2, so that if credit deteriorates the banks will move in a similar direction."

One of the tough questions that Lawrence and his team had to field from RBS's executives was: how do you know when you've got the stage 2 balance correct? "You don't. There's no back test for deteriorated assets. You can prove that a loan should have been in stage 1 or stage 3 by looking at what happens at maturity. But nothing ends up as deteriorated: you can't prove that it should have been in stage 2."

All banks have confronted major data issues on introducing the standard. RBS, for example, has had to create about 120 new data fields and run them across 21 million line items to run the IFRS calculations on every asset it holds. But while established banks had a cache of prior data with which to work, challenger banks started with a blank slate.

Data was, and still is, an issue for Atom Bank, says McCarthy. "IFRS 9 is a very data-hungry standard, as you need data to assess your expectations of credit losses for different categories by loan-to-value band and type of loan. Since we had little data we had to make assumptions, which we based on publicly available data we bought to analyse. The analysis does not fully hold together until you've been through at least one cycle, and preferably a few, before you can start to pick out the patterns."

The other major challenge is economic modelling: IFRS 9 requires banks to predict the range of future events that might have an impact on their losses. All banks have to produce their own economic projections, says Spooner. "They then have to tie this into the loan book and probability weigh different scenarios to come up with their expected credit loss adjustments."

KEEPING IT CONSISTENT

At the moment banks are operating in a relatively benign environment, says Morgan. "If dark clouds start to come across the economic horizon then the numbers would increase. Applying that macro-economic view consistently across the industry is important. Any inconsistency would give quite different results, which would be something for the regulator to chew over."

Lawrence thinks that many banks are so caught up with the transition and day one impact that they have not had time to consider what happens next. "Because credit and economic conditions have been relatively stable for the last couple of years, the day one impact is showing credit risk levels lower than the normal long-term average. If the economy deteriorates, how quickly does that flow through your profit and loss and how volatile do the numbers become?"

Another test will be disclosures: how they will work, will they be comparable across the industry, and will they include too much information and be confusing. Schiff says that analysts appear to be expecting IFRS 9 to bed down within two years, by which time they think they will be able to understand and make a sensible comparison of disclosures. "I think that is quite optimistic, although it's difficult to tell until things start. There is an eerie silence now – we will have to wait and see what happens." ●

ILLUSTRATION BY JAMES OLSTEIN

Further information on IFRS 9 is available at icaew.com or ifrs.org

Where's your office at?

Traditional business premises may no longer be essential but a more flexible approach creates its own challenges. Xenia Taliotis looks at how accountants are coping

Location, location, location. In the world of real estate, we know it to be everything – but does the same rule also apply to running an accountancy practice?

It's a complex picture. In Yorkshire, Lydia Ebdon runs her practice, Approachable Accountants, from a remote farmhouse, but has clients throughout the UK and overseas. "The main benefit of being at home has been in productivity – I save loads of commuting time and work hours that best suit my body clock. My location has never been an issue because I'm happy to travel to my clients, and besides, so many of them like dealing with us by email or screen share. It makes no difference to them whether I'm sitting in posh premises, or in my spare bedroom."

Ebdon employs two staff, both of whom also work from home. "We communicate constantly, but rarely meet. Having a cloud-based practice means I can employ the best staff, regardless of where they are in the country. Had I been office-based, I'd have had to hire from the pool of people who were prepared to commute."

Jo Murray, from Free Range Business, Shepton Mallet, sees things differently. She left big practice in 2014 and, like Ebdon, started from home. She soon had enough clients to merit taking on her first employee and says the recruitment process was hilarious: "He was going to be in our home, with our children, so how he got on with my husband and the kids and the nanny was as important as his qualifications. In the end, we all interviewed him."

But Murray says with her business and her family growing fast, office premises became a necessity. She decided to take the plunge when space became available in the Old Mill, an historic property in the heart of Shepton Mallet that she'd always liked.

Running an office has changed the way she feels about being self-employed. "It's odd, but I feel more professional. Having a separate place to go to helps me draw a clearer line between business and family. Of course it's possible to work from a virtual space, but I wanted all my staff to be under the same roof. Plus we have a meeting room now, so clients can come to us, and we have space for growth. Premises are a massive overhead, but they're an investment in our future."

Simon Nuttall is a partner at McGills, which has offices in historic buildings in Cirencester and Malmesbury. "Where you base your practice, and what type of premises you choose should, to some degree, reflect the profile of your customer base. I know technology enables us to work from anywhere, but our clients like to visit us. They like to be met at reception, shown to my room and offered a cup of tea. We're quite a traditional firm and

Keys to success

Think about your objectives. If you are setting up your own firm, do you intend to employ staff? Having your employees working from your home can be difficult. If your plan is to grow quickly, an office may be better.

If you're going to employ people who will be home-workers, make sure they know your brand values. Regular communication is essential.

Don't work all hours. Or at weekends. One of the advantages of working from home is that you can more or less work when you choose – which is also one of the disadvantages. It is easy to get sucked into a pattern when you are working all the time.

Choose an office and location that reflects your client base. Slick, city premises, coffee shops and virtual offices may work for forward-looking techy types. Older, more traditional clients may well appreciate a more formal service, including being greeted by a receptionist.

Think about staff recruitment. You may struggle to attract talent if your office is on a grotty industrial estate miles away from good public transport links and local amenities.

What else would you like to see on these pages? Is there a practice issue you'd like advice on? Get in touch at economia@icaew.com we attract clients who are similarly minded."

McGills has been in its Cirencester premises, very near the marketplace, since 1979. The firm operates an open-door policy, and its prominent location gives it an advantage for gaining new business. "People know where we are," says Nuttall, "which is why I am loathe to move away. We're creaking at the seams, but I am sure it would affect our business if we relocated. Our office has parking and it's minutes from the centre, which makes us attractive to both clients and staff. The reason we acquired the firm in Malmesbury was to gain more space without moving: we've based our HR department there."

Consultant Deane Short, another home worker, also wanted to keep his family and business life separate and has, for the past year, been working from his local coffee shop. "I found it difficult to concentrate at home. There were so many distractions - my three-year-old daughter, Netflix and Sky Sports - but I couldn't justify the expense of an office or co-working hub. I knew several people who used coffee shops as their base, so thought I'd give it a go. It's the perfect solution - I go in after I drop my daughter off at nursery, work solidly for four to five hours and then go back to collect her in the afternoon."

His clients rarely ask about his arrangements, and like Ebdon, he always travels to see them, or hires a meeting room if necessary. "It works for me," he says. "I like the people and the environment, and I don't overstay my welcome. It makes me work extremely efficiently." ●

"Having a separate place to go to helps me draw a clearer line between business and family. Of course it's possible to work from a virtual space, but I wanted all my staff to be under the same roof"

Jo Murray, Free Range Business

Five live tips

01

Keep your home and your work separate. Even if you intend running your business from your house, set aside a room, or even a corner of a room, that is specifically for work. And keep the boundaries well delineated. You need to have a lot of self-discipline to make a success of this.

02

If you're moving to new premises because you've outgrown your current space, don't get carried away with planning for where you think you'll be in five years' time. A larger office will hit your margins while you wait for growth, unless you are able to let some of the space until you have the staff to fill it.

03

Office politics, pointless meetings and the commute to and from premises are a waste of time. Without them, you should, potentially, be far more efficient. Use the extra hours wisely. It's easy to fall victim to Parkinson's Law and to allow your work to expand to fill the time available.

04

If you do want to use your local coffee shop as your office, be polite. Certain laws of etiquette apply and nursing the same cup of coffee for hours is not one of them. As a very rough rule of thumb, one drink every 90 minutes should guarantee you're welcomed back the next day.

05

Do the maths. If you live centrally, it may be that a co-working hub – where free drinks are on tap – will prove a cheaper option than a coffee shop. You can rent a desk at one of these flexible, shared offices for as long as you need – anything from a few hours per month to full time.

ILLUSTRATION BY JORDON CHEUNG

Disciplinary Listings

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

DISCIPLINARY COMMITTEE TRIBUNAL ORDERS

John Belford, 18 Low Road Close, Cockermouth, Cumbria CA13 0GU
Complaint On 4 September 2015, he pleaded guilty in the Crown Court in Carlisle to the indictable offence of submitting false documents to HMRC. He was sentenced to a 12-week suspended custodial sentence, fined £10,000 and was made subject to a curfew for three months. He was disqualified from being a company director for a period of five years.
Order Exclusion, £2,000 costs.

Graham Hunt, Twin Oaks, 36 Moreland Drive, Gerrards Cross, Buckinghamshire SL9 8BD
Complaint While under investigation for providing accountancy services without a practising certificate and/or Professional Indemnity Insurance (PII), he was asked to provide specific information, explanation and documentation but failed to do so. Accordingly, the defendant was sent a notice on 24 August 2016 requiring him to provide that information pursuant to disciplinary byelaw (DBL) 13. He failed to respond.

The website of a firm that later went in liquidation indicated that he was a principal providing accountancy services and he admitted verbally that he had done so to an ICAEW case worker. He made a number of promises to respond but did not follow these up. It also turned out he was the sole director of a third incarnation of the firm that had gone into liquidation. This firm had bought the goodwill of the original liquidated firm.

The tribunal noted that the underlying matter under investigation was very serious. The matters included potential allegations with regard to providing accountancy services without a practising certificate and PII and also being a member or principal of a firm or body corporate engaged in public practice which enters into an insolvency procedure and being a sole director with a director's loan account that was significantly overdrawn. As such the protection of the public called for investigation in relation to the defendant's actions. The panel considered it an aggravating feature that the defendant owned a significant sum to HMRC when he went into liquidation. The failure to respond to the DBL 13 letter was further aggravated by his prior promises to respond, which he did not follow through on, and the length of time his non-co-operation had continued. This showed a lack of insight into the seriousness of the allegations and the importance of the ICAEW's role in maintaining standards and the protection of the public. He could not opt out of regulatory oversight and his conduct in this regard fell below the standard expected of chartered accountants.
Order Severe reprimand, £5,000 fine, £3,337 costs.

Gareth Short, 11 Badgers Brook, Leighton Buzzard, Bedfordshire LU7 3HB
Complaint A former affiliate member of ICAEW, he was a partner in a firm's private client services team. A client, which was a film production company, needed to raise financing for one of its films and wanted to participate in the Enterprise Investment Scheme. He wrote to the client saying he had secured the sum of £1.3m "which is over the threshold that enables us to close this investment round", even though he knew it to be incorrect: he hadn't secured any funding because he had failed to obtain any legally binding commitment from investors to invest. In doing so, he was in breach of the fundamental principle of integrity, as well as DBL 4.1a.
Order As he was no longer a member of ICAEW, the tribunal was not empowered to exclude him. It was clear, however, that had he still been a member at the time of the hearing, he would have been excluded.

Instead, he was ordered to pay a contribution towards costs of £8,800.

Geoff Long, 65a High Street, Stevenage, Hertfordshire SG1 3AQ
Complaint He failed to disclose commission he earned when he introduced a number of dentist clients to an independent financial advisor, YZ LLP, for advice about tax avoidance schemes. Each of the complainants in the five complaints was introduced to YZ LLP by the defendant and each invested in these schemes. The sums involved were considerable. The nature of the schemes was to take advantage of sideways loss relief by investing in the creative industries.

Unbeknown to the complainants at the time, the IFA paid an introducer fee to the defendant when one of his dentist clients signed up to a scheme and further payments thereafter. Those commissions were paid by the IFA, at his request, to a company called ATS Accountancy and Taxation Services Ltd (ATS). ATS's shareholders were his dependent children including his daughter, who was a minor at the time, elderly mother and father-in-law, and its sole director was his mother.

He had entered into a written agreement with ATS to act as its nominee in relation to introductions for tax planning. Examination of ATS's accounts showed that very sizeable amounts of commission had been received.

Four of the five complaints related to the Icebreaker tax avoidance scheme in which the clients had invested heavily. But in 2012 the First Tier tax Tribunal upheld a challenge by HMRC to the scheme as a result of which the clients faced additional tax payments. They argued that they had been mis-sold the investments because Long had not told them about the introducer fee.

His failure to disclose the commissions to his clients or seek their consent to his receiving them was a breach of s240.7b of the Code of Ethics.

Under the terms of the first complaint, Long also allowed the submission of dormant accounts to Companies House in relation to Long & Co Ltd for the eight years ended 31 October 2005-2012 and in relation to Long & Co (Dentax) Ltd for the year ended 30 September 2014 when he was not entitled to because the companies were trading. He held himself out as a director of Long & Co in correspondence when he wasn't one and following the change in trading entity from Long & Co to Long & Co (Dentax), he failed to inform the first complainant of the complaints procedure and the basis of charging fees.

In reaching its sentencing decision, the tribunal took into account that Long had

admitted the most serious complaints relating to undisclosed commission payments and had co-operated with the investigation. He had shown regret for his actions and had apologised to ICAEW. However, the matters that had been proved against him were very serious. The interlocking theme running through them was that he disregarded the rules when he did not consider it was to his advantage to follow them. The tribunal was unfortunately left with the impression that his motivation was to maximise his personal gain while minimising or avoiding his personal liabilities. In doing so, he had blatantly disregarded his duties to his clients and the obligations of his professional status.
Order Exclusion, £8,000 fine, £47,000 costs.

INVESTIGATION COMMITTEE CONSENT ORDERS

Nicholas Moulsdale, Ivy Cottage, Castley, Otley, West Yorkshire LS21 2PY
Complaint Between 29 April 2014 and 30 April 2015, he failed to comply with regulation 8 of The Money Laundering Regulations 2007 when he failed to carry out ongoing monitoring of his business relationships with his clients. Between 29 November 2014 and 6 May 2015, he engaged in public practice without professional indemnity insurance (PII) contrary to regulation 3.1 of the PII Regulations. And he was in breach of regulation 4 of the Practice Assurance Regulations when he failed to cooperate with the Practice Assurance Committee's request in June 2016 to arrange an external practice assurance compliance review by 31 August 2016.
Order Severe reprimand, £5,000 fine, £2,742 costs.

Richard Link, 4 Brunswick Gardens, London W8 4AJ
Complaint Contrary to disciplinary byelaw 11.1, between 9 December 2008 and 17 August 2015, he failed to ensure that all new clients were informed in writing of the name of the principal to be contacted if they wished to make a complaint and the client's right to complain to ICAEW. He also failed to notify all clients, in writing, of the basis on which fees would be rendered, as required by paragraph 240.2b of the Code of Ethics.

Over the same period, he failed to ensure that his firm, CRS Link, was registered as a data controller as required by Part III of the Data Protection Act 1998. Furthermore, he failed to comply with regulation 7 of The Money Laundering Regulations 2007 in that the firm did not carry out and document customer due diligence and risk assessments on all clients.
Order Severe reprimand, £5,750 fine, £2,430 costs.

RHK, Coburg House, 1 Coburg Street, Gateshead, Tyne and Wear NE8 1NS
Complaint Following a QAD desk top review on 12 September 2012, the firm confirmed in respect of its anti-money laundering procedures that it would introduce a checklist for existing clients, which would include an annual review in order to identify any changes to clients with regard to anti-money laundering. However, at a subsequent visit carried out on 18-19 February 2014 and 12 May 2014, QAD found that the assurance had not been complied with.
Order Reprimand, £1,725 fine, £2,717 costs.

Simon Davies, 102 Burnmill Road, Market Harborough, Leicestershire LE16 7JG
Complaint He was a director of a firm in public practice which entered into administration on 24 July 2015.
Order Reprimand, £1,705 costs.

Steven Mugglestone, 22 Dulverton Road, Leicester LE3 0SA
Complaint He was a director of a firm in public practice which entered into administration on 24 July 2015.
Order Severe reprimand, £1,705 costs.

AUDIT REGISTRATION COMMITTEE ORDER

C H London Ltd, Alexander House, 21 Station Approach, Virginia Water, Surrey GU25 4DW
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.
Order A £3,000 regulatory penalty

YPO, The Granary, Haggs Farm Business Park, Haggs Road, Follifoot, Harrogate, North Yorkshire HG3 1EQ
Breach The firm admitted breach of audit regulations 3.20 and 6.06 for failing to carry out annual audit compliance reviews and for an incorrect statement made on the firm's 2016 annual return.
Order A £1,500 regulatory penalty.

Derrick Newman Ltd, 29 Bath Road, Old Town, Swindon, Wiltshire SN1 4AS
Breach The firm admitted breach of audit regulations 2.11, 2.03a and 6.06 for failing to notify ICAEW of a new director's appointment within 10 business days, failing to ensure that the new director held audit affiliate status and for incorrectly completing its 2017 annual return.
Order A £1,003 regulatory penalty.

MG Audit Services Ltd, Audit House, 260 Field End Road, Eastcote, Ruislip, Middlesex HA4 9LT
Breach The firm admitted breach of audit regulations 3.20 and 6.06 when it failed to carry out cold file reviews as part of its annual audit compliance reviews and for incorrect statements made on the firm's 2012-2016 annual returns.
Order A £5,000 regulatory penalty.

Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
Breach The firm admitted it was in breach of rule 2.01 of the Crown Dependencies' Audit Rules and Guidance, in that the firm signed an audit opinion for a market-traded company incorporated in the Isle of Man when the firm was not, at the time, registered as a recognised auditor with the Isle of Man Financial Services Authority.
Order An £8,000 regulatory penalty.

INVESTMENT BUSINESS COMMITTEE ORDER

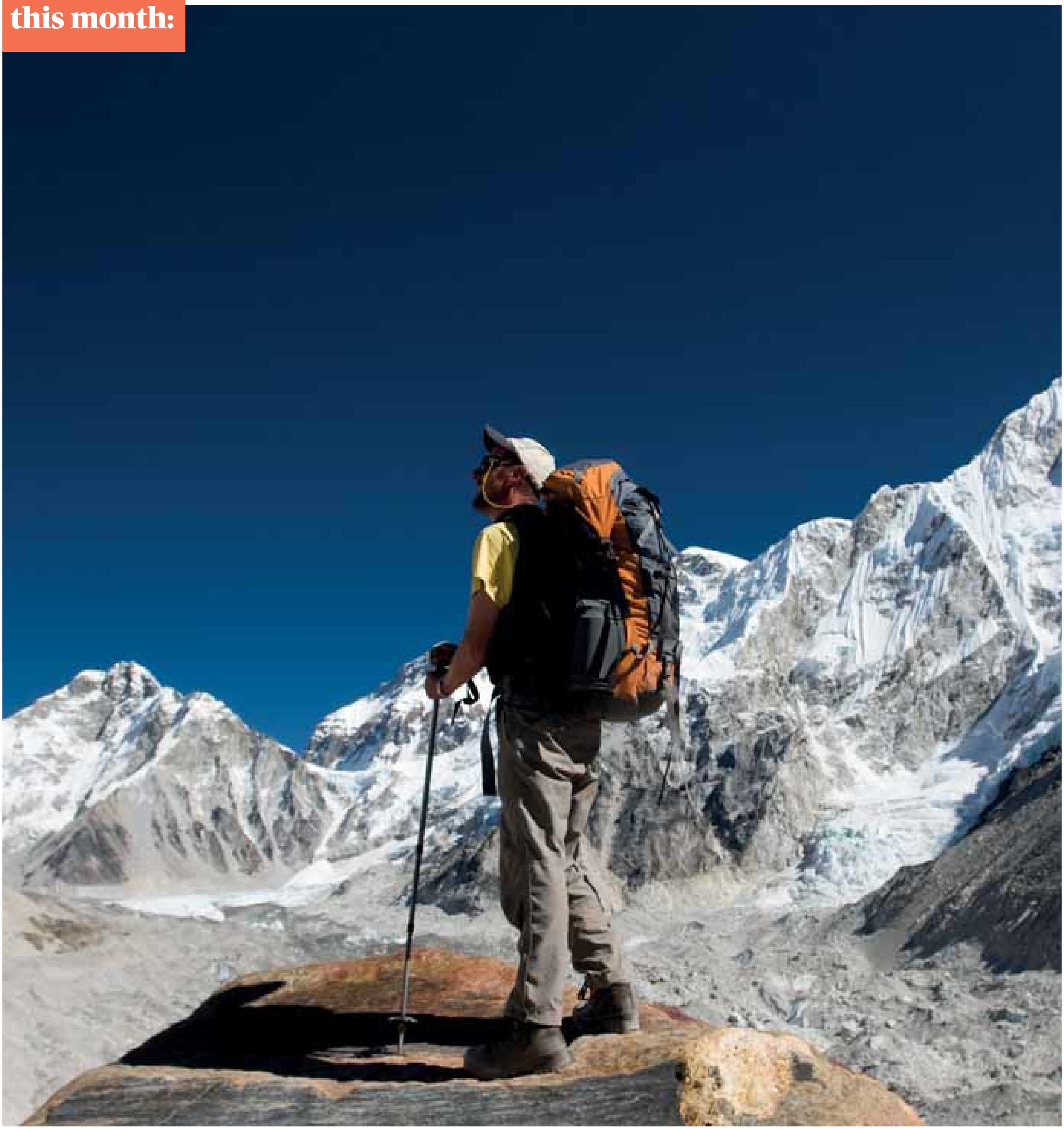
A2E Industries Ltd, 2nd Floor, 1 Marsden Street, Manchester M2 1HW
Breach The firm admitted it was in breach of DPB Regulation 2.07h for failing to disclose the appointment of a director on 15 July 2013 on any of its subsequent annual returns to ICAEW.
Order A £2,495 regulatory charge. ●

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

CABA provides free, impartial and strictly confidential support to all past and present ICAEW members. Call the 24-hour helpline on +44 (0) 1788 556 366 or email enquiries@caba.org.uk

Life

this month:



Festive

AltChristmas There are ways to avoid rows with relatives and eating soggy sprouts, and we have chosen 10 of them

Restaurants There's an Asian theme to the three places we recommend for an unusual meal on a special day

Life after work Gordon Horsfield has made a difference to hundreds of lives through his charity work

Bah, humbug!

Commercialisation, objectionable relatives and gluttony? It's beginning to look a lot like Christmas. For those who think Ebenezer Scrooge was too soft, William Ham Bevan cooks up 10 alternative ways to mark the season

TRAVEL AFAR

Last year, the National Trust estimated that 43 million Britons went on a Christmas Day stroll. But if you fancy a more serious walking experience than a quick turn in the park to work off the roast potatoes, consider a trekking holiday.

Many outfits offer guided itineraries over Christmas week. KE Adventure Travel, for example, has a seven-night trek in Jordan from £1,799, including return flights (keadventure.com). You'll make your way across desert and mountain terrain from Dana to the ancient city of Petra, with its buildings carved out of the red rock. At nights, you'll camp like the Bedouin under clear skies.

It makes for a great antidote to Christmas: you'll be expending calories rather than absorbing them, and even the most insistent relatives will find it impossible to track you down.

CAPE ESCAPE

A grey Christmas is far more likely than a white one in the UK, so why not fly south to a warmer climate? The Canary Islands are the classic winter-sun destination but another hour of flying can take you to Cape Verde, 350 miles off the coast of Senegal, a nation of 10 volcanic islands where the temperature seldom dips below the mid-20s.

Each island has its own character. Sal is a good bet for a poolside "fly and flop" break and is a magnet for surfers and sailboarders; Santa Maria, on the southern shore, has surf shops and a pretty square lined with cafés. Santo Antão is a walker's paradise, with paths that meander through steep valleys of cane and banana plantations; while São Vicente's music clubs and festivals mark it out as the party island. To find the ideal itinerary, contact a specialist tour operator or travel agency first.

CHANGE THE CHANNEL

Going through the double edition of the *Radio Times* with a highlighting pen is a modern Christmas tradition. But perhaps it's time for a more appropriate viewing schedule.

Raise the spirits with two black crime comedies on a festive theme. Ted Demme's *The Ref* is a cult classic, featuring Denis Leary as a burglar who takes a bickering couple hostage on Christmas Eve. If you're not offended by relentless vulgarity, you could follow it with the father of all anti-Christmas films, *Bad Santa*, in which Billy Bob Thornton plays a drunken thief who doubles as a shopping-mall Santa. Both are available to stream at amazon.co.uk.

Round off the day with the *Star Wars Holiday Special* – disowned by George Lucas and widely considered the worst Christmas programme ever made. Though broadcast only once, it's usually lurking on YouTube.

REX FEATURES

HIT THE SLOPES

A skiing holiday is a great way to avoid all the pomp and fuss of Christmas. The 25th is just a normal day on the slopes: lifts and mountain restaurants are open as usual. What's more, you're unlikely to encounter crowded pistes or lift-queue bottlenecks this early in the ski season.

There is one big proviso. December can also mean patchy snow conditions, so it pays to choose somewhere at high altitude. With its main villages at 2,100m, one of the most snow-sure resorts is Tignes – part of France's giant Espace Killy ski area, along with nearby Val d'Isere. Crystal is currently offering a week, half board, at Hotel Diva from £774pp, including London flights and transfers (crystalski.co.uk).

Tignes was built in the 1960s, so there's a refreshing lack of chocolate-box Alpine architecture to make you come over all Christmassy.

You may see one or two jokers – inevitably British – sashaying downhill in a Santa suit; fortunately, this makes them easy to avoid on chair lifts.

SPREAD SOME CHEER

For some people, getting away from Christmas is a blessed relief; for others, there's little prospect of festivity in the first place. The homelessness charity Shelter reports that rough sleeping has more than doubled since 2010. Every December, it mounts an operation to provide warmth, companionship, hot meals and vital services to homeless people across the UK – so why not pledge some time to help them out?

The charity relies on an army of more than 11,000 seasonal volunteers in London, Birmingham, Newcastle, Coventry and Edinburgh. Volunteers are asked to commit to a minimum of two shifts across Christmas week, and are expected to attend one or more training sessions a few weeks beforehand. See crisis.org.uk/volunteer – and for further volunteering opportunities at Christmas, visit **communitychristmas.org.uk**

ELF AND FITNESS

On returning to work after the holidays, you'll hear plenty of grumbling about expanding waistlines and seasonal lethargy. So why not rub it in by bounding into the office buffed, toned and glowing with health, after spending Christmas at a fitness resort?

A good option for the winter months is Shanti-Som, in Andalucia's Sierra de Las Nuevas Nature Park, around 45 minutes from Málaga Airport. Run on holistic principles, it offers a six-night "fitness high-intensity" retreat (shantisom.com; from £1,860, not including travel). The package includes yoga and pilates sessions, training classes, guided walks, spa treatments and use of the sauna, pool and gym. Nutrition is taken seriously, with healthy meals and dietary advice included; and there's the option of a special weight-loss menu for those intent on the full cold-turkey treatment. The variety of activities stops the programme from ever getting dull or too gruelling. Check out a specialist tour operator for ideas.

SILENT NIGHT (AND DAY)

It's something of a cliché that Christmas starts earlier every year. By the time the big day comes round, there is often a sense that Slade, Shakin' Stevens and *Fairytale of New York* have been stuck on repeat play since around Easter time.

A meditation retreat offers the chance to escape the noise and reconnect with nature. Sharpham Trust (sharphamtrust.org) offers five-night stays over Christmas at Sharpham House (left), a Grade I-listed mansion near Totnes in Devon, from £495. The programme includes three daily meditation sessions, plus ample time to discover beautiful parkland designed by Capability Brown. The whole of Christmas Day is spent in silence.

If you're keen to find a meditation retreat outside the UK or want to keep up your daily routine during the holidays you could try the Healthy Holiday Company for ideas.

CHRISTMAS CORAL

Somewhat ironically, few places are more remote than Christmas Island - or "Kiritimati" (pronounced "Kirismas"). Located around 1,300 miles south of Hawaii, it's the world's biggest coral atoll and forms part of the Pacific nation of Kiribati.

You'll need to go via Honolulu and then take the weekly three-hour flight to Cassidy Airport with Fiji Airways. You'll be rewarded by paradisiacal scenes. You can spend Christmas Day scuba diving or snorkelling around pristine reef, or go fly fishing: from big bonefish to three different species of trevally, there is something new for everyone to check off their list. Alternatively, break out the binoculars to spot the abundant bird life - no robins, but breeding populations of petrels and the endemic Christmas Island warbler. And you'll be among the first to see in the new year: in 1995, the Kiribati government shifted the International Date Line to make it the easternmost nation on earth.

COME ALL YE HATEFUL

If you're a fan of *Seinfeld*, you'll have heard of Festivus – the satirical alternative to Christmas. It's more than just a plot device: it was invented in real life by the father of scriptwriter Dan O'Keefe (as detailed in his book *The Real Festivus*) and is now marked all over the world on 23 December.

The most famous ingredient is the Festivus pole, a bare, unadorned aluminium rod that takes the place of a Christmas tree. Festivus dinner is a highlight, featuring "the Airing of Grievances" when those present relate how they have been disappointed with each other over the past year. Proceedings are concluded with the "Feats of Strength", when an attempt is made to wrestle the host to the ground.

Or you could simply binge on *Seinfeld*. We can all relate to Frank Costanza's pronouncement: "I got a lot of problems with you people, and now you're gonna hear about it!"

WONTON MERRILY

In many parts of the US, it's a Jewish tradition to go out for Chinese food on Christmas Day. The custom is thought to date back to the early 20th century in New York's Lower East Side, where the two communities lived side by side for many years.

If the words "turkey", "sprouts" and "pudding" have you instinctively reaching for the Gaviscon, it may be an idea that appeals. Many restaurants in London's Chinatown are open as usual on the 25th and likewise in Manchester, Birmingham and Liverpool Chinatowns - though some places will restrict you to a special menu.

If you want to go back to where the tradition started for your crispy wontons, lo mein and General Tso's chicken, bag a late bargain on a New York city break (try any of the travel discounter sites).

Time Out NY has a comprehensive guide to Manhattan Chinatown that includes restaurant reviews and contact details: it's a good idea to book ahead for Christmas Day.

Life How to invest in jewellery

The rare and very fancy Oppenheimer Blue

"Investing in diamonds is a reasonably safe option even compared with purchasing precious metals"

THREE TIPS

1. Buy at the right level: second-hand or pre-loved

2. Use the internet to cross-reference and verify information

3. Get one really good valuation from a reputable source

Further information:
hiscox.co.uk/icaew
tresorparis.co.uk
prestigepawnbrokers.co.uk
est1897.co.uk

People often buy beautiful jewellery simply for the pleasure of wearing it. However, bought carefully, it can also be a valuable investment.

Among high-net-worth individuals, diamonds are perennially popular. "Investing in diamonds is a reasonably safe option even compared with purchasing precious metals," says Salim Hasbani, director of Tresor Paris. "Since diamond discoveries are rare, and the individual stones are unique, the prices tend to go up more as fewer rare stones are unearthed.

He anticipates that the prices of the rarer stones, including the large pinks, blues, and greens, may continue to rise around 4% to 10% every year until 2020 if purchased well.

For those with a more modest budget, well-designed classical pieces of quality with a known and well respected maker's name should make good investments. The key is to buy at the right level, says James Constantinou, founder of Prestige Pawnbrokers and star of Channel 4's *Posh Pawn*. He says: "You're likely to take a hit on new items of jewellery purchased from a high street store, so I would recommend selective second-hand or pre-loved pieces with a renowned brand name, such as Cartier, Tiffany or Van Cleef. Pieces that are pleasing on the eye and of classical design will deliver a better return."

When it comes to buying vintage or second-hand pieces, then the auction house is the way to go, with some of the less well known provincial auction houses the source of real hidden gems.

"Discuss the piece with the auctioneer pre-sale to get his opinion on it," says Constantinou. "They are there to assist you as well as the seller. Use the internet to cross-reference any information on the piece to verify any claims made, and remember that original packaging and paperwork is likely to add value."

Watches can also make good investments and, for the unseasoned, the old cliché of "only collect what you like" is the best way to start. Research is key to finding pieces at the right prices, says Michael Ayres, valuations manager at vintage jewellery specialists Est.1897.

"Vintage watches only ever seem to appreciate, so brands such as Rolex and Omega will always be a safe bet," he says. "Patek Philippe, Vacheron Constantin and other Swiss heritage watches also have a strong market value. These brands plough huge sums into marketing and advertising, so they are doing the grunt work for you to keep your investment desirable. Brands such as TAG Heuer and Baume et Mercier make lovely watches, but the resale value is often low, so I would recommend collecting these pre-owned."

Budding collectors can get a good idea of the market value of a piece by checking specialist auction sale results and visiting various dealers. And they should always buy from someone they trust, or who has a good history in the trade.

And don't forget about security. It's important to tell your insurer about any items of value (try to get jewellery cover as part of your home insurance) and remember to keep receipts for valuable items as proof of the purchase price. Then enjoy. ●

FABRICE COFFRINI/AFP/GETTY IMAGES. WORDS BY ALISON COLEMAN

Egg hoppers with sambol
A day doesn't exist that this dish would not improve

LUNCH
Gaylord Churchgate, Mumbai, Maharashtra
gaylordrestaurantmumbai.com

Gaylord's London outpost is revered, but the original Mumbai location is impressive, mixing European and Indian dishes – making it a great place for an ex-pat sort of Christmas. The Indian side of the menu is where you want to head but we'll allow you to go traditional with the (delicious) plum cake with marzipan, from the adjacent Gaylord Bake Shop.

DINNER
Conrad Maldives Rangali Island Maldives

For a true antidote to Christmas the Maldives are blissfully far away from sales crowds, festering family rows and forced jollity. One dining option involves a nightly lobster and champagne beach barbecue. Crystal clear waters, that sand, Ruinart on tap and fresh seafood tick more boxes. Should all that pall, there's Ithaa, the only all-glass underwater restaurant in the world.

BREAKFAST
The Runcible Spoon, The Owl and The Pussycat, Thalp, Galle, Sri Lanka
slh.com

Well, what else do you call the restaurant at a hotel named The Owl and The Pussycat? While it's unclear if Sri Lanka is the land where the bong tree grows, and mince and quince are notable for their absence, this charming, tiny hotel - there are just 17 rooms and suites - is a beautifully relaxing, tropically-coloured delight.

You can pretend the bright shades are festive if you want, but you've probably come here to get away from all things red, green and tinselly. That inevitable annual search for the faulty fairy light should be the last thing on your mind as you take in the view of the Indian Ocean, savour the breeze on your face, and listen to the waves crashing below. And, probably, pick up the odd waft of deliciousness from this compact restaurant that packs a culinary punch well above its weight.

Lunches and dinners are both terrific but it's the Sri Lankan breakfasts that are, for this traveller's money, the thing of true cult gastronomic beauty. There is plenty for the non-spice lover to enjoy and, predictably, given how much produce you can see on trees in the region, fruit plays a major part.

Yoghurt, granola, muesli and regular eggs all make an appearance too - ditto sausage and bacon, should you wish to make a piggy-wig joke - but it's the local fare that's the real joy, because the day doesn't exist that hoppers and sambol can't improve.

Pol roti - flat, flaky, coconut bread with assorted sambols and spicy scrambled eggs - are a firm favourite, ditto the hoppers - served with or without egg, but quite why you'd go without is a mystery.

If you really want to eat like a local, it's the kola kenda you want. Texture wise, it sits somewhere between porridge and soup, with rice, onion, garlic and a "pesto of therapeutic tree leaves", then finished with fresh coconut. It's way better than it sounds and Sri Lankans swear by its health and nutritional benefits.

Follow the local custom, tear up the breads and pancakes and dive in with your hands. You'll never look back, and you certainly won't miss the mince pies. ●

WORDS BY NEIL DAVEY

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"Everyone should have opportunity," says Gordon Horsfield. "But sometimes that's not enough - we need to help them take that opportunity forward." The Holbeck Charitable Trust, which he founded in 2006, has given away £8.5m to numerous charitable enterprises; he's also helped mastermind York University's sizable expansion; chaired or had director roles at a dozen organisations including the city's Museums Trust and York Minster; and turned around the fortunes of western Europe's largest power station. All since retirement.

"If you have the skills to help things happen, you should use them," he says. "My accountancy training, the fundamental idea of understanding how to run a business efficiently, is the foundation of everything I've done."

Horsfield, 71, began to build those skills when he left university to join Price Waterhouse, where he stayed for the next 34 years - including a brief tenure in Melbourne, appointment as receiver of the iconic Swan Hunter shipyard and, following the Coopers & Lybrand merger, a seat on the PwC management board as director of operations. "I enjoyed my work," he says, "but I've gained the most satisfaction from the things I haven't been paid for."

Which probably explains why he's been so busy since stepping down in 2002. A year later he became executive chairman at Drax Power, which was on the ropes after its main customer went into administration. Eighteen months and a leadership restructure later, Drax was listed on the Stock Exchange. "I knew immediately it was a fundamentally sound business," says Horsfield. "It had just been smacked in the face."

But as a Yorkshireman - he lives just outside York - he is prouder of his service to the city's university, where he became chair of Council, helping develop an expansion strategy. "They want new buildings but were only on the threshold of using cash-flow intelligently to support growth. Working with the director of finance, I helped them see that new student accommodation wasn't just a capital outflow, it yielded cash income streams; a development profit that in turn could be returned to fund future growth."

Education is also a main driver of the Holbeck Charitable Trust, which Horsfield and his wife Francesca established with their share of proceeds from the Drax flotation. "We want everyone to not just get a good education but have the benefit of it. Many underprivileged kids now go to university but can struggle to make the best use of that degree and can slip back," he says.

The Trust's grants have supported young people in music, opera, ballet, theatre, art, travel and sport, as well as larger charitable organisations such as Breakthrough Breast Cancer. "It comes back to that opportunity," says Horsfield, awarded a CBE this year for services to young people and charitable giving. "You see someone on the ladder, but you don't just pull them up. In doing so you must give them the momentum and confidence to carry on the journey by themselves." ●

Through his charitable trust **Gordon Horsfield** has made a difference to hundreds of lives. He tells Peter Taylor-Whiffen why education means so much to him

Opportunities for all

PHOTOGRAPHY BY RICHARD ANSETT