ICAEW FINANCE & MANAGEMENT FACULTY

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FINANCE & MANAGEMENT

"ANNUAL TARGETS WOULD BE REPLACED BY AUDACIOUS GOALS THAT MOTIVATE STAFF" PAGE 24

The brave and the bold
A three-step plan for risk management

Aiming for the sky
Bringing a balanced scorecard to the RSPB

Keeping control
Working as an FD for a membership organisation

The perfect choice
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Official fuel consumption figures in mpg (l/100km) for the Ford Mondeo Zetec Business Edition range: urban 34.5-55.4 (8.2-5.1), extra urban 52.3-74.3 (5.4-3.8), combined 44.1-65.7 (6.4-4.3). Official CO_2 emissions 149-112g/km. The mpg figures quoted are sourced from official EU-regulated test results, are provided for comparability purposes and may not reflect your actual driving experience. Please see your Ford Dealer for details. Vehicle shown is Ford Mondeo Zetec Business Edition.

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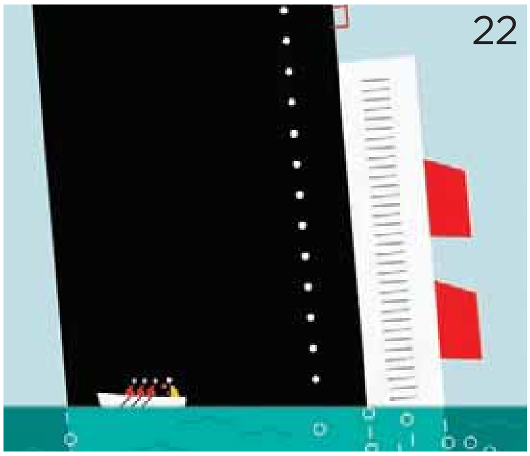

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Alan Sharpe of RSPB on the charity's new Save Nature Scorecard

COVER: DAN MURRELL

The age of timidity?

We hope that you enjoyed a break over the summer and are ready to take on the challenges facing us as we move into the final months of 2013.

Most of the economies of the G8 are looking up, which should make things a bit easier going forward. This fragile growth seems to have made decision-makers more timid. Many governments seem to be playing a waiting game of evaluating the state of their economy before finalising medium-term plans; this doesn't appear to have halted the capital spend initiatives around the world.

The assessment from the Institute of Economic Affairs that the cost of the High Speed 2 Rail link in the UK will reach £80bn comes on the back of news that the Russians are preparing to spend some £32bn on the 2014 winter Olympics - making them the most expensive Olympics in history. The issue with these amounts is that we already know most capital projects cost more than the estimates and take significantly longer. A common saying I have heard is to take an estimate of money and time and double the price and triple the time; this cynical approach may have prevented some building projects from taking place in the past, but perhaps governments might want to consider offering a range of costs and time scales so they can indicate the level of uncertainty that accompanies most large-scale capital projects.

We've got a solid magazine to start you off this autumn. Our cover story takes a look at pension deficits, and there is the second part of David Parmenter's assessment of KPIs. We have also spoken to Andrew Fagg, ICAEW FD, about the challenges he faces in the job.

We take a look inside the world of conservation charity RSPB, and examine the rationale behind its decision to start using balanced scorecards. There is also a piece by Jack Downton about influencing people, as well as news, events and other regulars.

The faculty now has its own Twitter account - @ICAEW_FinMan - please follow us and join in. We hope you like this issue - please drop us a line if you have any thoughts or suggestions - email robert.russell@icaew.com

Robert Russell
Technical Manager

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News

SECOND THAT EMOTION

The Centre for Research into Online Communities and E-Learning Systems (Crocels) has been conducting research into the way that the brain evaluates value – that could eventually prove useful in retail.

Researcher Jonathan Bishop has patented a neuroeconomic equation for calculating brain patterns in the prefrontal cortex.

Researchers at Duke University studying neuroeconomics confirmed Crocels' findings that the brain process determining economic value is closely linked to that for determining emotional value. The tendency to overbid at auction derives from a fear of loss that occasionally makes for irrational behaviour when determining economic value.

"It's not the case that you never want to reappraise a positive emotion," commented one researcher. "But when buying a house or a car, it's a good idea to dampen your infatuation."

IS USE OF BRIBES ON THE RISE?

Corruption in the UK is on the rise, according to the findings of Transparency International.

The organisation's 2013 Global Corruption Barometer (bit.ly/12k5UhQ), found that 65% of people in the UK believe corruption has increased over the past two years.

The media was the sector seen as most corrupt by 69% of people – up from 40% since 2010. Political parties were the next most vilified sector.

In addition, about 5% of respondents indicated they had paid a bribe to an official in the previous 12 months in the UK, placing it in the same category as Bulgaria, Estonia, Italy, Slovenia, Switzerland and the US. Globally the figure was 27%.

69%

thought media was the most corrupt sector

NOT LONG LEFT TO ORGANISE EURO SETTLEMENTS

With mandatory Single Euro Payment Area (SEPA) compliance due on 1 February 2014, companies have little time left to align their euro payment and remittance systems with the new regime.

So far, three SEPA Schemes have been developed for making payments in euros:

- the SEPA Credit Transfer Scheme;
- the SEPA Direct Debit (Core) Scheme; and
- the SEPA Direct Debit Business to Business (B2B) Scheme.

Intended to make payments between European countries as fast, cheap and simple as domestic payments, the European Payments Council and the European Commission, among others, pushed for the new settlement systems to be mandatory for all euro settlements within the eurozone.

Steve Everett, global head of cash management at RBS, said: "In terms of the total payments that go through the market, at some point there's going to be a large spike... my guess is that it is not until the end of 2013 and beginning of 2014 that we will see a lot more take up."

See **bit.ly/13CdfvG**

BBA LOSES MANAGEMENT OF LIBOR

UK Treasury announced last month that Libor (London Interbank Offered Rate), which plays a pivotal role in international finance, would be supervised by stock exchange operator NYSE Euronext. Supervision would still be based in London.

The decision came after the British Bankers' Association (BBA) was forced to give up its role following the rate-fixing scandal uncovered in 2012.

Libor is calculated daily, using estimates from banks of their own interbank rates. However, the system has been found to be open to abuse, with some traders falsifying borrowing costs to boost trading positions and make their own trade positions more profitable.

In the wake of the scandal, Britain's government launched the Wheatley Review, which called last September for the BBA to lose its key role.

"The appointment of a proposed new administrator is a major step forward in the reform of Libor," the treasury said.

NYSE Euronext, which operates the New York stock exchange and several bourses in Europe, is to be taken over by InterContinental Exchange, which successfully bid $9.7bn for the shares earlier this year.

Events

WORKING FOR YOURSELF – STARTING YOUR OWN BUSINESS

Monday 30 September, 18:00 - 20:00
Open event – free to all

Thinking of setting up your own business or advising new businesses? This event will provide you with useful and practical basics that you'll need to get your idea to market and to explore alternative business models. It is linked to September's special report.

This event is open to all without charge as part of ICAEW's broader agenda of engagement with the business community. Please pass the registration link to anyone whom you believe would benefit.

icaew.com/fmfseptevent

WEBINAR: MAXIMISING THE POTENTIAL OF BOARD AND EXECUTIVE MEETINGS

Thursday 3 October 2013, 10:00 - 10:45
Free for faculty members

Further to the well-received presentation in June, Jennifer Sundberg, managing director of Board Intelligence, will talk through the purpose of board meetings from first principles. With an average meeting time of three hours, the board and in particular, the non-executive directors, do not have time to properly address the volume of material typically produced at their meetings. Board experience and knowledge can be used more effectively; Jennifer will explain how you can steer these meetings to become more strategically-focused.

icaew.com/fmfoctwebinar

WEBINAR: BECOMING AN EFFECTIVE BUSINESS PARTNER

Wednesday 9 October, 09:00 - 10:00 and 16:00 - 17:00
Free to all

ICAEW's Stephen Ibbotson, head of the Finance and Management Faculty, and Rick Payne, who leads ICAEW's Finance Direction Programme, will explore how the lessons from the lecture can be put into practice today and help us think about the future.

The discussion will cover how to become an effective business partner, dealing with organisational resistance, international differences and how we can learn from history. It will provide a combination of practical tips, for example on soft skills, and some broader food for thought.

Register at bit.ly/1bZJncW

Communication expert Kay White will be giving her expertise on how women can be seen and heard in business

WOMEN IN FINANCE

Thursday 10 October, 18:00 - 20:00

Communicate with confidence, style and ease for your business success.

This event will assist those needing a confidence boost, especially at work, by teaching participants how to use key words and phrases to communicate more effectively.

Kay White, an influential communication expert, is the author of *The A to Z of Being Understood*. Working around the world with her clients, Kay shows ambitious and experienced professional women (and some men) how to be seen and heard in business.

Using a blend of subtle, savvy and influential words mixed with self-confidence-boosting mindsets, Kay hopes to assist those attending to achieve business success.

icaew.com/wifoctevent

WEBINAR: RAISING FINANCE

Tuesday 26 November 10:00 - 11:00
Free for faculty members

Hugh Parnell, a chartered accountant and a non-exec Director of NW Brown Group with over 20 years' experience advising companies about raising finance, talks through the practical and realistic scenarios facing those seeking to raise primarily equity funding. This webinar is linked to September's quarterly report, *Starting your own Business*, but will focus on raising finance at later stages of business development.

Register at icaew.com/fmfnovwebinar

Events are charged from £33 including VAT per person and held at Chartered Accountants' Hall, unless otherwise stated.

TALK *the* TALK

Finance directors working in an international setting need to be mindful of the way that they think and communicate with others whose primary language is not English. **Bob Dignen**, director at York Associates, shares eight top tips to help you become a better international communicator

1 DISCUSS CULTURE

The curious thing about cultural differences is that people know that they're out there, but no one discusses them. I mentioned this to a global insurer client at one of our monthly conference calls. Country teams were tasked with providing relevant input to their international colleagues about culture, customer mentality and business challenges at a local level. They're still doing this now.

2 MANAGE THE LOCAL-CENTRAL GAP

Working globally is not just about culture, it also generates issues around balancing local and central interests. Those locally-based feel overly driven by the centre and those centrally-based regularly report frustration with the local people for not following standard procedures and processes.

For things to work, both sides need to take time to clarify the rationale for internationalisation, recognising its challenges and feeding back to their own central and local organisations how best to manage co-operation.

BEN SERBUTT

3 ADAPT YOUR LEADERSHIP STYLE

Leadership means different things in different places. I don't have to tell that to the Swedish bankers, now heavily embroiled in the Baltic States, who quickly found their bottom-up, consensus-based decision-making style rendered them ineffective in cultures which valued fast, top-down exercise of authority.

Effective international communicators combine the ability to remain authentic, but deliver leadership in ways which make sense in different places.

4 FIND TIME TO BUILD A NETWORK

An Illinois-based businessman with teams based in many European countries once told me his principle of no 'fly-by' meetings. For him, network building was a critical part of his international leadership role, especially in modern financial institutions whose matrix-style organisations represent something akin to spaghetti. He would regularly take time during visits to connect and keep his ear to the ground.

5 SPOKEN ENGLISH

Your colleagues may not say, but the speed and complexity with which you use English can confuse and lead to perceptions of game-playing among non-native speakers. One client who regularly travelled to the City was adamant native speakers use their language as a weapon. Answer? Slow down. Cut out the humour. Simplify questions. Get feedback from international colleagues on your use of English.

6 COMMUNICATE IN AN INTERACTIVE STYLE

I once asked a Swedish CEO about how he communicated internationally. He answered that he used an "interactive style", always finishing what he had said with a short question: "What do you think?" "Why?" He thought it showed explicit respect and interest in the other person's opinion and made sure that the other person stayed on topic and didn't ignore what he'd said.

7 MANAGE YOUR EMOTIONS

Sometimes even the most seasoned professional allows irritation or anger to get in the way of listening.

Learning to recognise the rise of negative emotion and to redirect it towards engagement with others' ideas is one of your most important skills as an international professional.

8 DON'T FOLLOW TIPS

I once asked a participant at the end of a seminar on all this, "what do you think?" He looked at me with a wry grin and said: "The difference between you and me is that you think". And that was it exactly. The point is not to know, not to be certain, not to put all your trust in guidelines.

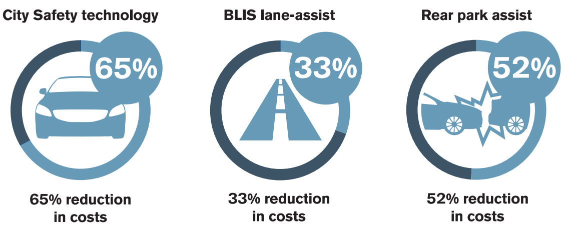
The real success factor is the flexibility to adapt to given circumstances. It's a fuzzy message, but then when you look at the state of markets today, would you expect anything else?

A version of this article originally appeared in *Square Mile* magazine. squaremile.com

Pay less in the long run

Introducing the New 2014 Volvo range

Choosing a cheaper car might save you money now. But it could end up costing you much more in the long run. With Volvo, you win twice over. You're not paying extra for the Volvo badge. And, thanks to Volvo quality, durability, and reliability, you're also saving money over the long-term.



Built for the cold, hard north

If your fleet clocks up a substantial number of miles each year, a car designed for a country three times the size of the UK might be just right for you. The first Volvo was developed because the American cars of the day couldn't survive in Scandinavia, where daylight is often minimal, temperatures drop to -40 and the roads are only sometimes recognisable as roads. In fact, to check their durability we've noticed German manufacturers are now testing their cars in our backyard, the wilds of Northern Sweden.

Live long and prosper

Volvo cars are famous for safety. And high NCAP* scores save you money by keeping insurance premiums down. Tristar Worldwide, the UK's largest chauffeur service, has recently demonstrated that Volvo's advanced accident prevention systems don't just save lives – they save money too†. City Safety technology led to a 27% reduction in accidents and a 65% reduction in associated costs. The introduction of the BLIS lane-assist info system created a further 5% reduction in accidents and 33% in costs. And rear park assist led to 31% fewer collisions, with costs down by 52%.

Save more than you thought

The new Volvo V40 D2 has the lowest emissions in its class (88g/km CO_2). Which means not only will you breathe easier, you'll also be helping to save your staff and company money – by keeping both BIK & NIC 1A highly competitive.

C Segment Diesel (V40) v Competitors

Make	Model	Gearbox	Engine	HP	Combined MPG	g/km CO_2	BIK from§
BMW 1 Series	116d ED	manual	1.6	116	74.3	99	£49.09
Audi A3	1.6 TDI	manual	1.6	105	74.3	99	£48.35
Mercedes A-Class	A 180 CDI	manual	1.5	109	74.3	98	£49.91
Volvo V40	D2	manual	1.6	115	83.1	88	£43.96

§based on 20% taxpayer 2013/2014 rates and entry model.

Putting everyone first

The New Volvo Business Edition range was launched specifically with company car drivers in mind. It's a compelling offer, available for the Volvo S60, V60 and V70 models. Your drivers get the equipment they need and want (such as Integrated Sat Nav, Bluetooth, Rear Park Assist and High Performance Audio), while your company achieves savings on its fleet.

VOLVOCARS.CO.UK/BUSINESS

Official fuel consumption for the New Volvo range in MPG (l/100km): Urban 18.6 (15.2) – 74.3 (3.8), Extra Urban 34.9 (8.1) – 91.1 (3.1), Combined 26.4 (10.7) – 83.1 (3.4). CO_2 Emissions 249 – 88g/km. MPG figures are obtained from laboratory testing and intended for comparisons between vehicles and may not reflect real driving results.

*The Volvo V40 recorded the highest ever NCAP rating and Volvo's pioneering work on pedestrian protection has won the 2013 Global NCAP Innovation Award.
†City Safety technology has helped Tristar Worldwide, the UK's largest chauffeur-driven car service reduce its collision-related costs by more than 50%. 2012 annual costs compared to 2007-2011 annual data. Data supplied by Tristar Worldwide Chauffeur Services. Including repair costs, third party costs, hire charges, relating to hit in rear collisions, collisions with property and reversing collisions.

CORBIS

Sphere of influence

When convincing the company board to step back from a project, CFOs can have a hard time swinging opinion in their favour. **Jack Downton** explains

You're the CFO. The board is meeting shortly and one of the items on the agenda is a project which has their general support. You are convinced the time is not right to proceed and that it should be put on the back burner until the financial climate improves. How are you going to influence them to your way of thinking, while at the same time not compromising matters for other items where you need their support?

Your competence and credibility are not in question. However, you are definitely sailing into a stiff breeze here and you need to muster all your persuasive acumen if you are going to achieve the outcome you want.

GET TO THE POINT

Perhaps one of the most common faults is to dance around the edge of the issue and not to hit it head on. While you, the speaker, may well find it uncomfortable to just come straight out with it - namely because you think it is a bad idea - the audience will spend their time wondering where it is all leading to and may well be thinking to themselves, 'get on with it!'

The boldest and most effective way to make your point is to say it up front and then justify what you've said, rather than working up to it in a slow and logical way. A military analogy might be this: when you've decided to use a grenade, it's better to throw it and deal with the aftermath rather than to toss it from one to the other in sight of your target and then throw. Structure your message so that the point is clear from the outset and then follow with the supporting arguments.

SHORT AND SWEET

Next, keep it short. The more uncomfortable you are with the situation, the more likely you are to ramble and therefore more likely to say something you wished you had not. Say what you have to say and then stop and do not be tempted to say more by their silence. Think how some interviewers work. They ask a question and the candidate gives an answer. On occasion, the interviewer will just hold silence and frequently the candidate feels obliged to say more. This is great for the interviewer as more information is forthcoming, but not always good for the candidate who is in danger of saying too much. So, tough out any silences.

While you mustn't be caught out by silence on the other side, you should make good use of it yourself. Assuming your argument is coherent and structured with the point up front, what the board wants to see now is a confident delivery. After all, if you, the CFO, do not come across in a confident manner, the board will be much less likely to buy into your argument.

IT AIN'T WHAT YOU SAY...

Therefore, what are the behaviours of a confident person? In this case it will be mainly about your body language and how you deliver the message. Imagine yourself as that confident person. What does it look and sound like? First, body language. The main message here is to forget about it because if you attempt to contrive your body language, you run the risk of looking ridiculous and there's a serious danger that your words will say one thing and your body language another.

It is generally accepted that the listener

Get out of your shoes and into theirs. Don't just strut your own stuff and expect to win them over

will go with the message from the body language rather than what the words say if the two are inconsistent. So, let your natural body language prevail and it will support your words, giving a coordinated message. Of course, there are exceptions to this general rule. Any aggressive or threatening body language will be counter-productive to an ongoing relationship, for example wagging your finger at someone or getting inside their personal space.

Next, think about your delivery. Here, two things can revolutionise how you come across. They are eye contact and pausing. Handled well, they can have a massive impact and really build personal trust with those you seek to influence. Getting the balance right is the key. Not looking at someone betrays a lack of confidence or level of discomfort with the message. On the other hand, staring them out is aggressive and uncomfortable for the recipient.

The key point then is not 'how much?' but 'when?' and the time when it has the most impact is if you combine it with a pause after you have made your point. What the pause and eye contact in effect say is 'got that?' or 'note that because it is important'. As a behaviour, it means you are comfortable to say what you have to say and look them in the eye. This demonstrates confidence and at the receiving end, they are much more likely to buy into your point. It is also an excellent example of your body language and your words working in tandem rather than sending diverging messages.

Q&A

If the situation is more of a debate than you making a short presentation to the board, consider how asking questions can help you achieve your aim. Think of it like this: if I tell you something you're uncomfortable with, it's quite likely you'll come up with objections or reasons why it won't work. You will be looking for the holes in my argument that show I'm wrong. On the other hand, If you tell me it won't work, you're right. So, how do I, the CFO, get to that point where you are telling me that the project won't work? You get there by asking intelligent questions designed to get them to give you the answers you want. This is generally not well done by professional service executives who often feel they have to go on 'transmit' to make their points.

I frequently think back to a seminar I attended several years ago given by the head of business development at one of the Big Four. She said: "When you're pitching to us for work, don't tell us how clever you are – that's assumed or you wouldn't be in the room in the first place. Ask insightful questions and they will demonstrate your expertise far more effectively." So asking good, mostly open questions is a massively powerful way of getting people round to your point of view without any of the 'hard sell' that can accompany a presentation.

Finally, slides are brilliant if used well, but they rarely are. Use them to help your audience understand points better made with a visual aid. Do not use them as your notes. And remember, less is more.

IF I WERE YOU...

Now go full circle and back to the start. When you're marshalling your arguments, don't think "what I am going to say to convince them". Rather, think of it in this way: "If I were on the other side of the table, what would I need to hear to be convinced?" Get out of your shoes and into theirs. Don't just strut your own stuff and expect to win them over.

Simple things can make all the difference – preparation; structure for the audience; intelligent use of slides; smart questions; and a relaxed and conversational delivery using good pauses and appropriate eye contact will ensure that your cards are stacked as effectively for you as they can be. Good luck.

Jack Downton is the managing director of the Influence Business

NEIL WEBB/IKON

UNLOCK THE POTENTIAL IN YOUR PEOPLE

No one speaks the international language of beauty quite like Revlon. To stay fluent and satisfy demand in over 100 countries, CIO David Giambruno chose proactive, easy-to-use Microsoft Dynamics business solutions. Now he's quickly transforming multiple, fragmented systems into a unified view. This gives Revlon's teams the real-time data and flexibility to get beauty products manufactured in the U.S. moving across the globe. And Revlon is realising its mission of making the world a much more glamorous place. **microsoft.com/uk/dynamics**

Microsoft Dynamics

Knowing the score

Balanced scorecards can significantly change how an organisation communicates and operates. Christian Doherty talks to **Alan Sharpe**, director of finance and information systems at the RSPB, about how scorecards came to the charity's rescue

Q What's the background to the organisation?

A The RSPB is a 130-year-old charity. Birds and their habitat are our focus, and we have over one million members. Growth over the past decade has been slower than we might have wished for - it's understandable given the economy and the rest of the pressures people are under.

Over the past two or three years we've seen a change at board level after a long period of stability. And those changes have caused us to reflect on what we have achieved and our vision for the future. We concluded that to remain an enduring force for nature, we need to continue to build support for us and for nature. This is important for funding our work but also to help ensure nature is on the agenda at all levels of government; and indeed for all decision-makers. It was clear from the outset that RSPB's strategy would have greater breadth than ever before.

Q What do you mean by breadth?

A Most people's interest in nature goes way beyond birds, which is a happy coincidence because the work we already do on our nature reserves (and elsewhere) benefits all wildlife that depend on the habitats we protect - we simply haven't always done a great job in telling people.

We quickly realised a triple win was within our grasp; first and foremost, we could do more for all nature - but in doing so we could also provide added interest for our supporters and growth for RSPB.

Partnerships with like-minded organisations have always been important but become even more so if between us we are to realise our vision for the natural world.

Q How does the balanced scorecard fit into your plans?

A We knew we would need a reporting tool that reflected the breadth of our new strategy, but we wanted something that went beyond simply reporting. We were struck by the idea of giving our staff 'line of sight'; a fancy way of saying we wanted everyone to be able to see how their job contributes to the overall vision of the organisation. The balanced scorecard seemed to fit the bill.

Q What made you decide a balanced scorecard was the right tool for the RSPB ?

A There is a perception that it's a backward-looking tool - and indeed it is; a very effective one. Equally important to us is that it forces deep thinking about all the things you need to be good and which ones are the most important. This should make it a valuable tool when it comes to prioritisation and allocating resources. It also helps towards giving that all important line of sight.

> "It was only when we worked through the scorecard we truly realised how important it is to have an efficient process for relaying topical stories to those whose job involves winning hearts and minds"

Q There are many other tools, so why did you choose the balanced scorecard?

A We are nothing if not opportunistic - a charity has to be. When Judge Business School in Cambridge asked if we could assist them in finding practical ways in which students could apply their experience and newly-acquired skills we were more than happy to oblige. A small group was duly assigned to the task and they did a thoroughly professional job; understanding the brief, identifying the options and weighing up the pros and cons. They presented their findings to a senior RSPB team and of the six or so options considered, concluded that the balanced scorecard was the best fit for the RSPB. We concurred.

Q Is this an organisation-wide effort or simply of concern to the board?

A It has to be widely-owned or it won't work to its full potential. Design and implementation at RSPB was a joint effort of directors and senior managers and involved broad consultation. One thing we learned was that the term 'Balanced Scorecard' was itself a barrier, so staff were invited to suggest alternatives and the 'Save Nature Scorecard' was adopted instead.

Q How does the scorecard work?

A If you haven't got a good strategy then you can't have a good scorecard. Those involved in design must have a clear understanding of what success looks like and all agree.

The next part is the fun bit. We needed to think long and hard about everything that needs to fall into place to achieve our

ANDREW HAY

strategic outcomes – and to be prepared for surprises.

Spend a day in any part of RSPB and you will hear fascinating stories about our work. It was only when we worked through the scorecard we truly realised how important it is to have an efficient process for relaying topical stories to those whose job involves winning hearts and minds.

We eventually settled on a scorecard comprising 16 priority areas grouped under three main strategic drivers – covering broadly 'Excelling at Nature Conservation', 'Growing Support for Nature' and the 'Way we Work Together'.

Some would say this is too many and they may be right. The one consistent piece of advice received from those who have trodden this path before us is not to allow perfection to become the enemy of the good. Designing the 'perfect' scorecard could take forever and it still wouldn't work. The strong recommendation is to get something up and running and be prepared to adapt in light of experience.

So far so good, but then came the tough stuff; finding ways of objectively measuring progress in each area. We could not have achieved this without consultation. In some cases adequate measures already existed but several have had to be developed from scratch, paying particular attention to outcomes and impact rather than simply to outputs: if you want to be effective, make sure you measure the effects. The close involvement of those who are to manage and to be managed by these measures is essential, working alongside analysts who understand how to present and communicate the data that underpins the measures. As RSPB has only recently completed this stage, we hesitate to offer tips – but ensuring measures are objective, can be efficiently produced and easily understood would seem to be a good place to start.

Q What are you hoping to achieve by implementing the scorecard?

A Many things. Obviously more balanced reporting and greater focus on the things that really matter. I would expect it to play a role in resource allocation – but it probably needs further refinement before serving this purpose well. To me, one of the most important roles in the short term is to help communicate the strategy throughout the organisation.

I hope also that our scorecard helps us understand and communicate our effectiveness, essential at a time of a growing public appetite for accountability and transparency.

Q Do you expect this to make you a more efficient charity?

A Yes. If it provides staff and volunteers with a clear and balanced picture of what we need to do to succeed – and of our progress, then it will help us to make better and faster decisions.

Q Do you expect this to make you a more efficient charity?

A Change almost always raises concerns: will it work and what will it mean to me? The involvement of a large number of people at the design stage should help us to overcome these – but yes, there will be some who worry that it will deflect us from important conservation work. This raises an important point – how to let go of some of our existing reporting processes to avoid wasteful duplication.

We will need to listen out for these and other concerns, be prepared to make changes and above all, remain focused on the prize of greater efficiency – and of course, more nature conservation. ■

Finance & Management **will feature a follow-up article on RSPB's progress later in the year**

"MY BANK INVESTED IN MY IMAGINATION."

Graeme Scott, CEO, Bertram Nursery Group

I had a strong, profitable business and some big ideas for the future – but financially my hands were tied, putting a huge strain on the company. Now I have a bank that really gets what I'm about, and I can finally bring my big ideas to life. Watch my story at **youtube.com/santanderukccb**. Or email **businessenquiry@santander.co.uk** to find out how they can support your business ambitions.

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Hedging your bets

Eddy James explains how the IASB's new hedge accounting requirements should make it easier to reflect risk management strategies in your financial statements

Hedging has been in the news for all the wrong reasons of late, with Britain's largest banks standing accused of mis-selling interest rates swaps to thousands of unsophisticated businesses that were apparently unaware of the risks involved. But for many, hedging remains a legitimate risk management strategy, as explained in Will Spinney's comprehensive article in the July/August edition of *Finance & Management*.

From an accounting perspective, hedging has long been a controversial topic. The requirements of IAS 39 *Financial Instruments: Recognition and Measurement* are very complex and the standard's detailed rules-based approach means that it is difficult to qualify for hedge accounting even where an entity is pursuing an economically-rational risk management strategy. This has been a source of frustration for preparers and users of financial statements alike, both of whom have struggled to understand why businesses are not allowed to faithfully reflect their risk management activity in their financial reporting. Some companies have simply turned their back on hedge accounting altogether and instead report supplementary non-GAAP numbers outlining their own version of events, but the resulting lack of comparability only serves to confuse investors further.

OTTO DETMAR/IKON

LIGHT AT THE END OF THE TUNNEL?

There is, however, a glimmer of hope. The IASB is due to add new hedge accounting requirements to IFRS 9 *Financial Instruments* later this year, replacing the old IAS 39 approach with something that is not only more principle-based but that also aligns hedge accounting more closely with the reporting entity's risk management activities. This represents a significant improvement on current requirements and should make hedge accounting more flexible and therefore more accessible. Moreover, it will make company accounts more meaningful and understandable.

Under the new regime it will be much easier to qualify for hedge accounting. The '80-125%' hedge effectiveness rule will be removed, as will the requirement to undertake retrospective effectiveness testing. Instead there will be a forward-looking qualitative assessment of effectiveness that will offer greater flexibility and require greater application of judgement. While there are still some quite onerous qualification criteria that must be met – including ensuring that you have contemporaneous documentation of the hedging relationship – the removal of IAS 39's arbitrary 'bright line' will be widely welcomed.

BRINGING DOWN BARRIERS

Just as significantly, the new standard will remove many of the restrictions that in the past have stopped some economically rational hedging strategies from qualifying for hedge accounting.

Entities often group similar items – such as sales and purchases in the same foreign currency – together and hedge the net exposure. Hedging such 'net positions' is not allowed under IAS 39, forcing treasurers to jump through a series of complicated hoops in order to make it appear that they were actually hedging a portion of their gross exposure. Thankfully, the new standard will allow hedging of such net positions without the need for histrionics.

Another good example can be found in the aviation sector, where airlines often hedge their exposure to jet fuel price movements by using crude oil futures. While IAS 39 does not allow hedge accounting in circumstances, the new standard will, as there is an economic relationship between movements in the jet fuel price and crude oil price, with the latter clearly being a significant risk component of the former.

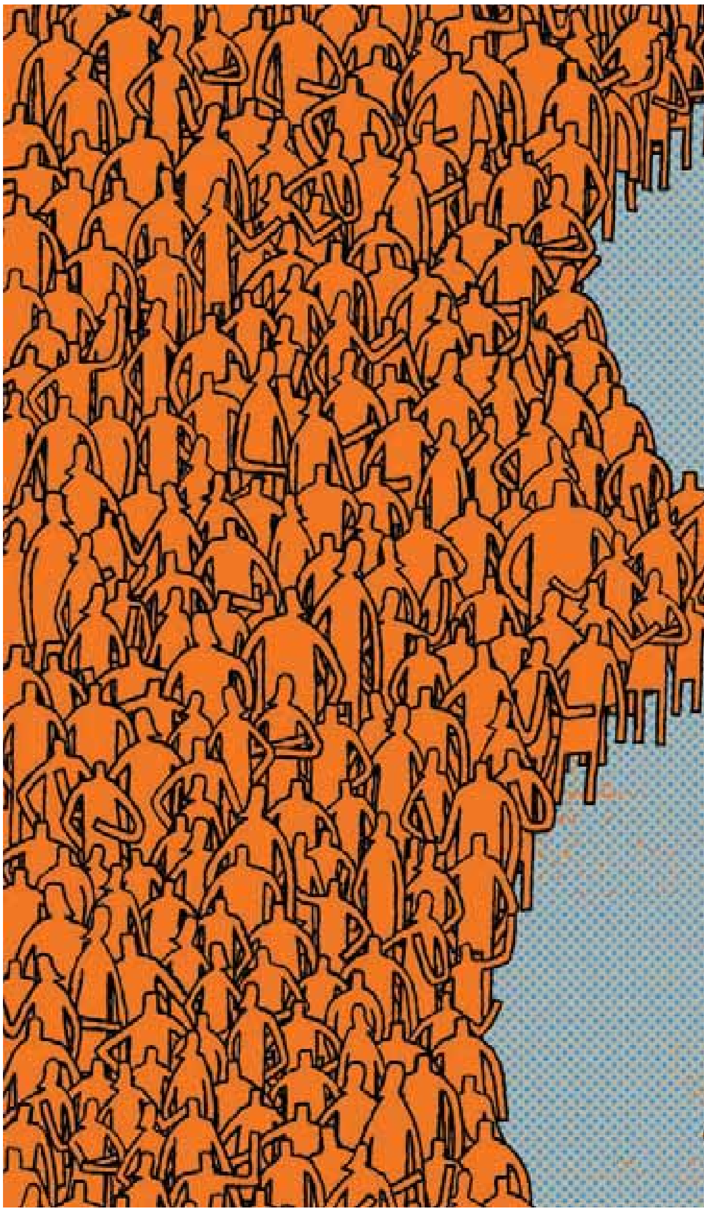
TIME TO THINK AGAIN

These are just two of many examples of where IFRS 9 will allow hedge accounting in circumstances where IAS 39 prohibits it. Many more risk management activities will also be within scope for the first time. If you work for one of the many organisations that have in the past decided hedge accounting was more trouble than it was worth, maybe now is the time to think again. You may be pleasantly surprised.

Eddy James FCA is a technical manager in the Financial Reporting Faculty. The faculty will be providing additional resources on the new hedge accounting requirements

All about members

How do FDs in membership organisations stay in control of the company finances as well as look after its reputation and members? **Andrew Fagg** and **Violetta Parylo** share their experiences



ANDREW FAGG, FD OF ICAEW

Andrew Fagg was deputy group financial controller and group business analysis manager at De La Rue, before joining ICAEW in 2011. He was also previously finance manager at Vodafone

Some people might see my job as easy in some ways, but having over 140,000 other chartered accountants in membership means I am under a great deal of scrutiny. Our members have high standards and rightly expect the same of all of us in ICAEW. The level of regulatory complexity and the high level of stakeholder engagement present different challenges from FD roles in commercial-focused organisations.

Most aspects of this job are not dissimilar to other FD roles. We all have income, spending and resources to manage and have to operate within the regulatory regime for our organisation. We have obligations as a regulator and a training body to deliver as well as ensure that we maintain the good reputation of the organisation and that we keep the badge shiny for our members.

It is true that we have good visibility of income year after year, as member fees comprise a large part of our total income. We aren't resting on our laurels here, though – we're developing our commercial operations and making better use of our buildings and brand to generate non-member income. These commercial operations are intended to provide us with income to invest in strategy development and reduce our overall reliance on the membership fee.

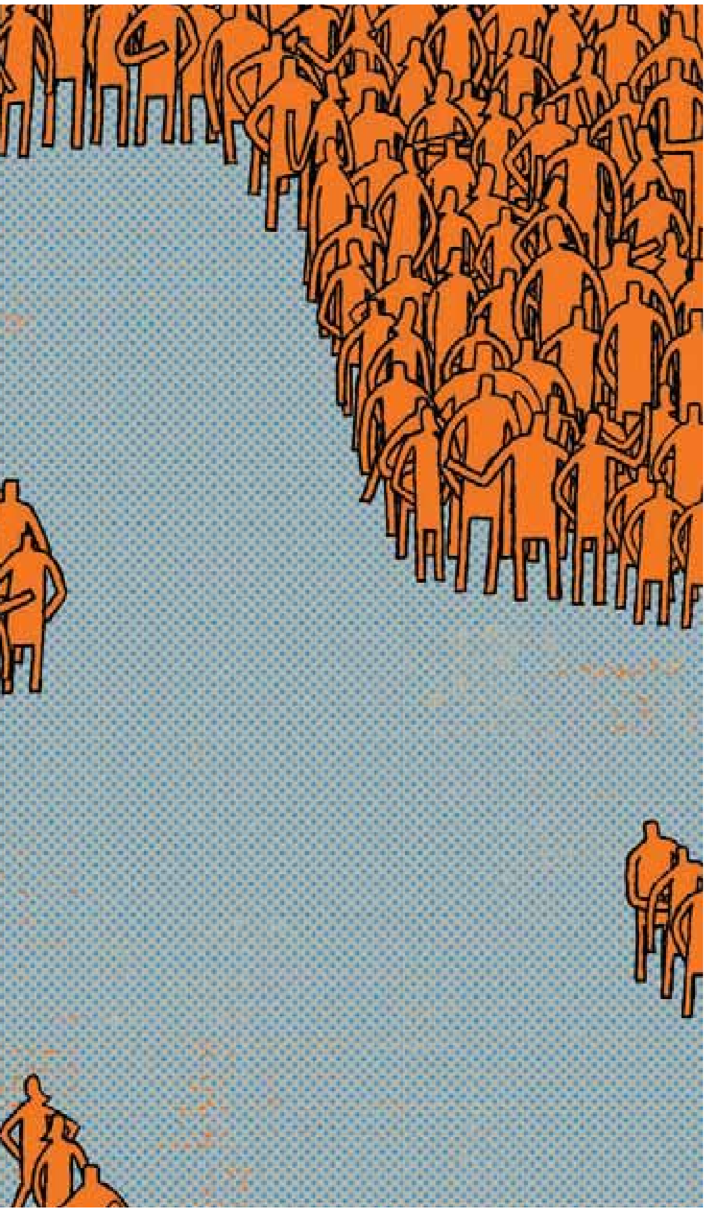
One major difference between ICAEW and commercial organisations is that here, activities and costs are primary drivers; we need to fund our regulatory activities, our responsibilities and the ambitions of our members and the ICAEW itself. We constantly review processes, staffing and suppliers to see if we can make savings. Our payment process is a good example – we provide efficient ways to pay, including a quicker web process and paperless direct debits.

The challenges? We're heavily engaged in the public debate about taxation and changes to the audit regime of companies and we're facing strong international competition for qualifications, so we need to ensure that we're sufficiently resourced and on the ball. Ensuring we are managing our resources for the long term is a major part of this role.

We've got a wonderful asset in Chartered Accountants' Hall in London's Moorgate. We keep this Grade II listed building open for members from 7am to 8pm, five days a week to meet and make use of our library resources and business centre. This building was constructed in 1890 and last refurbished in the 1960s; we need to look after this asset so it can benefit us for many more. We also have, as many other companies do, a legacy pension deficit; even though we closed this scheme to new members in 2002, and closed the scheme completely in 2010, we still have our obligations to meet.

> We need to invest, while recognising that our members hold us to account for what we do

We need to show value in being a member and that the fees reflect this; believe me, the ICAEW Executive and Council don't take decisions about fee increases easily. We do have to keep relevant in a changing world and need to develop our activities accordingly – for the benefit of members and the profession. We need to keep investing and improving to make sure we meet our members' needs.



TIM ELLIS/IKON

VIOLETTA PARYLO, FD OF RICS

Violetta Parylo qualified as a chartered accountant in 1992, and has since worked as a finance manager at 3i and finance director at Keane, NextiraOne and eg Solutions

As the FD of a membership organisation, I think the biggest difference is that you have your shareholders working alongside you or, telling you what you should do, whereas being the FD of a listed company involves more of an arm's-length relationship. But here, you're acting in members' interests and they have more of a say on a day-to-day basis.

That's both good and bad; they feel they're experts in a lot of things, like tax, and therefore sometimes, because of the way the governance structures work, there's a lot of management of stakeholders required.

That means that you have to be able to explain why you're doing things to people who sometimes do not fully understand the situation. I would say, politically, you've got to be sensitive and astute to navigate the waters. As a result, decisions may take a little bit longer; but it's never stopped me doing what we've needed to do in the organisation.

Without doubt, you need to be more of a politician and have a fairly thick skin because when members don't like what you're doing they'll turn around and say, "well, we pay your salary". You tend not to get that from plc shareholders.

And the role here is much broader. I'd say this is the broadest role I've ever had and the complexity is far greater. So, for example, financial benefits; in a large organisation it's an easy decision, it either makes money or it doesn't, it's binary.

> All FDs have to focus on risk management, and that centres on reputation. If our reputation goes, that's it

Here, though, it isn't as simple because people will throw in comments like, "It's for the benefit of the membership, it'll grow the brand, or it's for the public interest," so there are other esoteric factors brought up to convince you to do things.

Obviously, all FDs have to focus on risk management, and for us that centres on our reputation. If our reputation goes, that's it, there is no RICS - it underpins everything we do. The financial risk for us is probably less of an issue because we have a reliable income stream and carefully managed our commitments to ensure our solvency.

The banks see us as solid, so in terms of being able to raise our collateral, it's easy for us to go outside for money.

First of all, I have to ask "is it going to damage our reputation in any way, be it going into a new market or being associated with people who could do damage to the brand?"

As a result of my work at RICS, I have learnt a huge amount about globalisation, because we have members in all the major global companies. I'm engaged in tax planning, execution, start-ups in new countries, while at the same time developing broader skills around stakeholder management.

We have turnover of some £50m and have 28 employees in the UK finance department, plus offshoots all around the world. And our finance resource, in terms of its nature, has changed significantly inasmuch as we now focus much more on management information and business intelligence. We also have a Financial Accounting Team who are responsible for all the consolidation.

Over the last four years we've changed all our systems throughout the organisation. So in terms of being able to access data and use it we're in a much stronger position and we're now able to investigate the reasons behind member lapses. We try to interrogate everything.


DAN MURRELL

Pensions: the selection box

With staff in your company planning for retirement, **Laith Khalaf** explains how you can maximise your company pension fund

There are six levers for FDs to pull in order to increase the income derived from a defined contribution pension scheme. Three of these levers are sticky and difficult to move: contributing more, starting to save earlier and retiring later. Any of these could have a significant effect on pension savings, but implementing them could be painful for both employers and employees, because there would be less cash available for immediate needs or retaining staff beyond their planned retirement date.

Adjusting the levers has a positive effect on your pension savings, but you have to stop spending elsewhere.

The other three levers are easier to pull, but can still deliver a significant increase to your retirement income. For example, shopping around for an annuity at retirement can boost your income by up to 40%. Pension charges clearly have an impact on retirement outcomes, though perhaps less than you would expect.

And finally, investment returns play a hugely important role in determining retirement incomes. An average earner saving £200 a month from 25 to 65 can expect an income of £11,700 if their investment returns 4% a year, but £24,700 if their investment returns 7% a year.

THE CURRENT MARKET

The main investment selection faced within group pension schemes is that of the default fund. The current market in these funds largely ranges from poor to mediocre. One UK fund run by a well-known insurance company has returned less than half of the growth of the FTSE All-Share over 25 years. Remarkably, over £1bn is still invested in this fund. Such underperformance is usually not sudden; it is incremental, silent, and corrosive. There are a number of reasons why the default fund market is as it is. An example I often cite is the AXA Framlington Managed Balanced fund. It is run by a highly-experienced manager, Richard Peirson, who has been in charge of it for almost 20 years. Over that period he has almost doubled the return of the average fund in his sector. To put that in numbers if you had invested £10,000 in the fund 20 years ago, Richard Peirson would have made you £42,300, compared to £23,100 from the average fund in the sector. The strange thing is this fund is never used as a default fund in group pension schemes. There are two main reasons for that, both endemic in default fund selection: excessive risk aversion and a focus on the annual pension charges (which admittedly are higher than other funds) to the exclusion of all else.

RISK AVERSION

This comes in many guises, but there are two particular manifestations, which impact heavily on default fund selection. The first is asset allocation. There is a widespread notion in the investment industry that pension investments should be low risk. This is totally misguided. Indeed, remove the word 'pension' from the equation and remember that you are saving for a 20-year-plus period. No investment adviser would seriously suggest you should be invested in low-risk assets. After all, both the company and its staff are making quite sizable monthly payments into an investment that won't pay out for most until after 2030.

Risk is, for better or worse, linked to return. The best-performing asset class over the long term has been equities, which have also - no surprise - been the most volatile. Now you can move down the risk scale if you wish. At the extreme, you could simply invest in cash, currently yielding about 2% below inflation. But if you were to do that, consider how much harder you would need to pull on those other sticky levers to get a decent retirement income. How much more would you need to contribute, or how much earlier would you need to start saving?

Here's an idea: to retire at 65 with £10,000 income you would need to have saved £200 a month if you had invested in the FTSE over the last 25 years, but £500 a month if you invested in cash. The reality is even if members wanted to significantly increase their contributions they would be limited by affordability.

The result therefore of a lower-risk, lower-return approach is to expose them to another, less visible danger: shortfall risk, or reaching retirement without a big enough pot to buy a decent enough annuity to sustain them. Shortfall risk has been exacerbated by widespread under-saving and annuity rates, which have plummeted from 15% in 1990 to 6% now. The upshot of this is pension savers can ill afford to be overly cautious with their investment strategy.

The second aspect of risk aversion in default fund selection is probably more pertinent to funds like AXA Framlington Managed Balanced. The fund is actively managed by a manager who is willing to diverge from his benchmark. If he doesn't want to hold Royal Bank of Scotland or BP or Vodafone, he won't. He invests in companies he likes, to make money for his investors, not because they make up a certain portion of the benchmark index. Many active managers do not do this. Indeed, many pension schemes do not wish them to do this, because with the potential for outperformance comes the risk of underperformance. One of legendary investor Warren Buffett's more ironic comments is descriptive here: "Failing conventionally is the route to go; as a group, lemmings may have a rotten image, but no individual lemming has ever received bad press."

THE CHARGES

There is a further factor that prohibits Richard Peirson's fund from being on the shopping list for pension schemes – charges. The fund has an annual management charge of 1.25%. This compares to the average default fund, which costs around 0.9%, with many available from as little as 0.6% or less. The market has seen a fairly blinkered pursuit of lower costs almost to the exclusion of all else, and this shows no signs of abating. Charges do make a difference, it's true. But any further reduction in charges from current levels has a diminishing impact. To put this in context, if you halved pension charges, reducing them from 2% a year to 1%, you would boost the retirement income for a 40-year-old saving £200 a month from £8,900 to £10,237. By contrast, if you halved the charges from 0.8% to 0.4% you would only increase the pay out from £10,497 to £11,093, other things being equal.

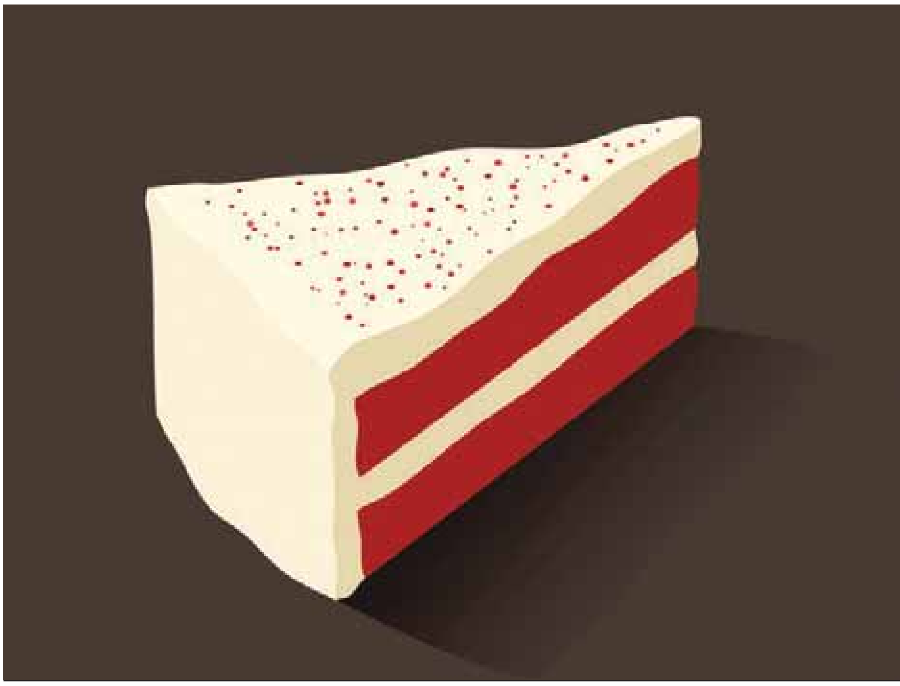
That qualification is quite important here. If this reduction in charges had no further impact, it would of course still be worth having. However, lowering charges often has knock-on effects elsewhere, the most obvious being the quality of affordable fund management. Talented active managers who perform a rigorous stock analysis process to uncover investment opportunities are almost certainly going to cost more than benchmark huggers.

WHAT CAN EMPLOYERS DO?

Given these issues, how can employers improve on the investments within their group pension? First, consider the legal requirements. Trustees of trust-based schemes have a fiduciary duty to act in the best interest of members. How they do this is open to interpretation, though the Pensions Regulator does issue guidelines. The combination of a heavy legal obligation together with little in the way of hard and fast rules means that employers today tend to favour contract-based schemes over trust-based.

Within a contract-based scheme the arrangement is between provider and member, so responsibility is passed to the pension provider instead of a board of trustees. These firms will need to be authorised by the Financial Conduct Authority (FCA) and will need to ensure that the product is appropriate to its membership. This gives employers the advantage of being able to get involved in governing the default fund selection, perhaps in conjunction with an adviser, but ultimately carrying no legal obligations.

Whether firms are using a trust or contract-based pension, considerations concerning the default fund are similar and



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can be broken down into a four-step decision process (see box, right).

THINKING OUTSIDE THE DEFAULT BOX

Pension investment selection does not have to end with the default fund. A default fund should be appropriate for the workforce as a whole, but that does not mean it is the most appropriate fund for every individual. That is simply the nature of a one-size-fits-all solution. We have seen an increase in schemes supplementing default fund choice with further information to help members make better investment decisions themselves. This comes in the form of both generic information, such as easy-to understand guides to investing, and simple fund suggestions. Again, a scheme adviser can add significant value here by selecting the funds and ensuring that any communications to members do not slip across the line from information to advice.

This approach allows employers to incorporate a low-cost, passive default, but complement this with information on quality, actively-managed funds that staff may wish to invest in themselves. Staff often face the choice of being invested in the default or picking from hundreds of funds themselves. No wonder so many of them end up doing nothing. By providing intermediate steps to bridge that gulf, employees can be helped to make better investment decisions themselves.

Why is this a good thing? Because unlike default fund selectors, individuals are able to take account of their own circumstances and attitude to risk. They may also feel greater freedom to invest in actively-managed funds than default fund selectors, who often feel constrained by cost. What is more, those who are actively engaged will recognise the contribution their employer is making to their retirement. After all, if employees don't acknowledge that, employers are getting nothing back from the vast sums they pay into pensions.

Laith Khalaf is head of corporate research at Hargreaves Lansdown

A default fund should be appropriate for the workforce as a whole, but that does not mean it is the most appropriate fund for every individual

PICKING A PENSION – THE FOUR STEPS

1. Asset allocation First, determine what the overall asset allocation should look like and how much risk to take. Pension investors are long-term regular savers so equities should form the bedrock of any fund. Our view is that in many cases a balanced managed fund fits the bill. It invests predominantly in equities (around 75%) with the remainder invested in bonds and cash to temper the volatility.

2. Charges Decide what level of charges you are willing to pay. Clearly lower charges are better for members, all other things being equal. However, do consider what effect lower charges may have on the services and investment management enjoyed by your staff, and how these factors might impact on their retirement savings, too.

3. Active or passive? Employers also need to decide whether to invest default monies in an active fund that seeks to beat the market or a passive fund, which simply aims to track it. This decision is not independent of the charges dilemma as passive funds tend to be cheaper. Whether active is better than passive is a matter of some debate, with employers taking differing views.

Here are some pertinent facts to help make a decision. The average active fund manager in the UK has underperformed the FTSE All-Share over the last 20 years, after charges are taken into account. However, the average passive UK fund has underperformed the FTSE All-Share by even more. This is because while passive funds tend to be cheaper, they still have fees. If a passive fund does its job perfectly and tracks the market exactly, after fees it will slightly underperform each year, which can be expected to compound over time. These passive funds are still doing their job properly, but expectations need to be set accordingly.

4. Fund quality If you do decide to go down the active route, then the question of fund quality also comes into play. If the average active fund underperforms the index, then clearly the trick is to invest in an above-average fund. There are some fund managers who consistently add value over the long term. Identifying these funds is part of the value your scheme adviser can add, though do bear in mind the charges for these funds may be higher. There is generally little value in investing in benchmark huggers over a pure passive fund.

Abandon ship?

In his second article on performance management, **David Parmenter** asks whether it's time to leave key performance indicators behind and adopt more radical measurements

Key Performance Indicators (KPIs) in many organisations are a broken tool. Measures are often a random collection prepared with little expertise, signifying nothing. KPIs should be measures that link daily activities to the organisation's critical success factors (CSFs), thus supporting an alignment of effort within the organisation, in the intended direction. I call this alignment the El Dorado of management.

However, poorly-defined KPIs cost the organisation dearly. Some examples are:

- measures gamed to the benefit of executive pay which leads to the detriment of the organisation;
- teams encouraged to perform tasks that are contrary to the organisation's strategic direction;
- costly "measurement and reporting" regimes that lock up valuable staff and management time; and
- a six-figure consultancy assignment resulting in a "door stop" report or balanced scorecard that doesn't function well.

In the July/August issue of *Finance & Management* I highlighted the myths that influence our thinking on KPIs. In this article I will talk about a radical treatment to fix KPIs that has a good chance of success.

> Unlike in accounting and information systems, performance management has been left an orphan of theory and practice

A RADICAL TREATMENT FOR AN ACUTE PROBLEM

Why would an author who has made a living from preaching about implementing winning KPIs now have a change of heart? It is because I have witnessed the failure of too many performance measurement initiatives. I am now convinced that in many cases, a more radical approach is necessary.

For centuries the medical profession has realised that in acute cases radical action is required. Some treatments for critically ill patients involve the eradication of the immune system, and then, step-by-step, slowly reintroducing it. An abandonment of performance measures, albeit on a short-term basis, of all performance measures may well be the radical treatment required before we can cure the patient (the organisation).

Maybe we need to cut the rot out, otherwise it will eventually destroy all new performance measurement initiatives. Starting anew will, after abandoning all measures, enable organisations to rebuild the way performance measures are used from the ground up.

PERFORMANCE MEASUREMENT SYSTEMS ARE BROKEN

Performance measurement systems are broken and the reason for this is very simple. Organisations, in both the private and public sectors, are being run by management who have not yet received any formal education on performance measurement. Unlike accounting and information systems where rigorous processes have been formulated, discussed and taught, performance measurement has been left as an orphan of business theory and practice.

While writers such as Edwards Deming, Margaret J Wheatley and Myron Kellner-Rogers, Gary Hamel, Michael Hammer and Dean Spitzer have for sometime illustrated the dysfunctional nature of performance measurement, their valued arguments have not yet been reflected in business practice.

There is a long journey ahead in order to get performance measurement functioning properly. We will be well on our way to this goal when students are attending lectures on measurement and professionals are being examined on their understanding of performance measurement in order to obtain their desired professional qualifications.

YOU CAN OPERATE WITHOUT PERFORMANCE MEASURES

If one has recruited the right staff, there is a clear understanding of what the organisation's critical success factors are. If staff work in a supportive environment with great managers and leaders, the organisation will succeed. Performance measures will support and enforce the positive environment that already exists.

I am now convinced that an organisation with dysfunctional performance measures would function much better without them, for the following reasons.

Staff management
Managers would spend time discussing goals with staff. Having one-to-one meetings on a regular basis would ensure progress against goals were monitored, feedback given and celebrations held.

Performance-related pay
Bonuses would no longer be based on very dubious formulae matrices. Performance would be rewarded based on a retrospective look at performance including a comparison against peers' performance and that achieved by third parties. It would dispel one of the greatest myths of performance measurement which is that by linking pay to performance measures, you will increase performance.

Balanced scorecard initiatives
All those balance scorecards that are not delivering would be frozen, giving the organisation a chance to evaluate how it is using this important methodology.

Measurement of team progress
Organisations would monitor progress against milestones achieved and output from the team. Comparisons could be drawn from prior periods of outstanding performance and agreements reached relatively painlessly between the manager and staff concerned.

Ascertaining the organisation's critical success factors
With no measures, the CEO could take a step sideways and realise that the organisation does not in fact know what its critical success factors (CSFs) are.

> The manipulation of performance reporting for the sole benefit of one's pay packet would not be worthwhile

This is a vital realisation. While most organisations know their success factors, few of them have:
- worded their success factors appropriately;
- segregated out success factors from their strategic objectives;
- sifted through the success factors to find their CSFs; and
- communicated these CSFs to staff.

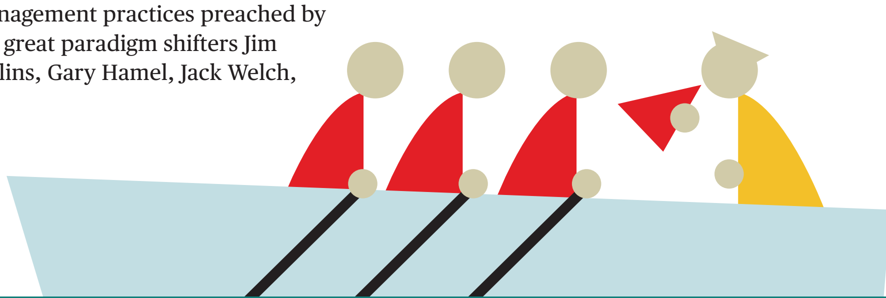
Monitoring the organisation's performance
The CEO would be analysing actual performance and would be notified of exceptions which warranted their attention. There would be daily and weekly reporting as well as some instantaneous exception reports beamed on their smart phone where a phone call was needed to chase something up. CEOs would be encouraged to "go out and see" (a Toyota principle) rather than hide behind a bank of data.

The CEO would now need to promote leadership and innovation within the organisation and adopt more of the management practices preached by the great paradigm shifters Jim Collins, Gary Hamel, Jack Welch, Peter Drucker and Tom Peters and Robert Waterman.

Consultancies rethinking their product range
The abandonment of performance measures would have a profound impact on the bottom line of consultancy firms. Large assignments performed on balanced scorecard implementations would cease for the time being, and clients' staff would no doubt breathe a sigh of relief.

Gaming of the performance management system
The manipulation of performance reporting for the sole benefit of one's pay packet would no longer be a worthwhile activity. Senior management would now spend more time improving the bottom line. The annual target-setting travesty would be replaced by the setting of big, hairy audacious goals that motivate and energise staff.

ACTION POINTS
Based on the issues discussed above, some proposed action steps are:
- Do some background reading on the topic – the references in this article would be a good place to start. Everybody, no matter how busy they might be, could find the time to read a chapter or two, three times a week.



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- If you are working with dysfunctional measures, negotiate a three-month moratorium on using performance measures within your organisation. In this window of opportunity, perform the tasks set out below.
- Complete a thorough exercise to ascertain your organisations' CSFs and then ensure that all measures used by the organisation relate back to the CSFs. It is the CSFs, and the performance measures within them, that link daily activities to the organisation's strategies. This, I believe, is the El Dorado of management.
- Commence the grooming of an in-house expert in performance measurement. Dean Spitzer suggests using the title "Chief Measurement Officer" (CMO). I have outlined some pointers for this below.

A three-month moratorium on using performance measures

With a period of, say, three months with no performance measures being monitored or reported, management would have a good idea of the measures that they have missed and the ones that should be permanently abandoned. The CEO would be invigorated from the closer contact with the operation and be in a better position to lead an initiative to revitalise performance, to link staff better to the critical success factors of the enterprise. As part of the gradual reintroduction of measures I would recommend:

- Establishing a measurement project team with four to five representatives from the finance, human resources, IT and operations teams. Their role would be to explore more about how to embed winning KPIs in their organisation, approve all measures and start a process of education among staff. This project team would be disbanded once the organisation established the CMO position and appointed someone to fill it.
- Consult staff so that you have some idea of the possible unintended consequences of a measure: "If we measure [something], what action will you take?"; and
- Pilot each performance measure you intend to use. This simple step will enhance its chance of success. Implementing measures without this testing is at best naïve and, at worst, incompetent.

JAMES TURNER

APPOINTMENT OF A CHIEF MEASUREMENT OFFICER

Performance measurement is worthy of more intellectual rigour in every organisation on the journey from average to good, and finally to great. The chief measurement officer would be a part-psychologist, part-teacher, part-salesperson and part-project manager.

> The CMO would be part-psychologist, part-teacher, part-salesperson and part-project manager

They would be responsible for:

- testing of measures to ensure the dark side is minimal;
- vetting and approval of all measures in the organisation;
- leading of all balanced scorecard initiatives;
- promoting the abandonment of measures that do not work;
- developing and improving the use of performance measures in the organisation;
- learning about the latest thinking in performance measurement;
- being the resident expert on the behavioural implications of performance measures; and
- replacing annual planning by introducing quarterly rolling planning.

I envisage this position having a status equivalent of the senior IT, accounting and HR official. The position would report directly to the CEO, befitting the knowledge and diverse blend of skills required for this position. Only when we have this level of expertise within the organisation, can we hope to move away from measurement confusion to measurement clarity.

IN CONCLUSION

I hope this article will have triggered some actions in your organisation. Possibly some abandonment of broken measures, a look at the way measures are introduced, a commencement of a KPI project to put some intellectual rigor into the process and lastly, a commitment to ensure that performance measures exist, are the ways to better align staff to the organisation's critical success factors.

David Parmenter is an expert in delivering winning KPIs. He is an international presenter of workshops and the author of many books

FAVOURING THE BOLD

Accountants have a crucial role to play in risk management, but what does success look like? **Matthew Leitch** takes us through his three-step plan for achievement

Over the past two decades, much of risk management has been a muddy battlefield of alternative ideas and techniques. However, there is good news. During my work for the risk management committee of the British Standards Institute, I've seen risk specialists start to realise that risk management needs to be more than a three-box process diagram with a risk register template that's supposed to provide a way to manage risk in any situation.

Survey evidence has confirmed that most people would like to manage risk by better completing core management activities, not by having a separate process with separate meetings and documents. Risk registers are not a favoured technique.

This means that risk management is not the property of a risk specialist and engaging with risk doesn't require running a dreary bureaucracy.

Managing risk better is about thinking better - usually more broadly - and accountants are often well placed to encourage that in simple, tangible ways. We don't have to argue for culture change or new attitudes; most of what is needed is respected already, but often forgotten.

Accountants can nudge people to focus differently by providing information, analyses, models and summaries. We can influence what people focus on by the information we ask for, and influence decisions for better use of limits, targets, and value models that help people discern and communicate what is valuable.

While techniques such as conjoint analysis and Monte Carlo simulation have a lot to offer in the right circumstances (eg, where we know what they are), the most important techniques are those that are so simple that most accountants know them already. We just need to use them more and in a focused, consistent way.

There are steps an accountant can take, each based on tackling a typical weakness in management thinking, and which can be taken without needing permission.

STEP 1 PUT RISK-RELATED OBJECTIVES IN MIND

Decision expert Ralph Keeney showed some years ago that we often forget about important objectives. Using a simple test task, Keeney found that, without careful prompting, we tend to think of only about half the objectives that we will eventually agree are relevant to a decision, and the ones we think of without help are likely to be no more important than those we only think of with prompting.

Objectives related to risk, such as reducing bad debts, accidents and losses due to clerical errors are just some of the objectives that we can easily forget unless we are reminded. However, once we are reminded, we are willing to take them into consideration.

Consider if there are any objectives that managers or the board tend to forget, and when this occurs. (If you have a risk register it could be a source of ideas for risk-related objectives to have in mind.

Then, take action to put the missing objectives in mind at the right times. These steps could include providing:

- clear, organised statements of the objectives;
- information about actual performance on the often-forgotten objectives;
- data or forecasts about the implications of decisions or plans for those objectives; and
- evaluations of the importance of those implications.

Implications can be expressed in non-financial terms, in terms of their eventual financial impact, or both.

For example, if managers have a tendency to forget about the implications of their decisions on the way salespeople behave, then an accountant can do a lot to bring the objective of encouraging good behaviour - or discouraging bad behaviour, if you prefer - into consideration.

> Objectives related to risk, such as reducing bad debts, are some of the things we can easily forget

In a small organisation, the accountant can choose to provide more information on problems like selling at low margins, returns, and complaints related to over-promising. The accountant can also research the problem, perhaps not in depth initially, and provide crude estimates for the impact of alternative business plans on selling behaviours and their consequences.

In a large organisation with specialists focusing on sales behaviour and perhaps compliance with legal requirements, finance directors can ask those specialists for information and estimates, then integrate them into financial analyses. Risk specialists are usually desperate to get their message across to senior management so should be happy to help. The finance director can bring the specialists' information into the context of core business planning and decision-making, along with other considerations.

If the risk specialists have no good information or analyses to provide, then the finance director can do simple what-if calculations to explore how important a factor might be, and use them to justify asking for more research.

A more obvious example would be safety. Consider the difference between being in charge of a struggling oil exploration project where the budget ignores safety and one where the budget includes explicit amounts referring to safety and safety failures.

NEIL WEBB/IKON

STEP 2 CONSIDER OTHER POSSIBILITIES

A second, typically human weakness is to be too narrow-minded. We tend to be too confident that we know what is going on, why things have happened, and what will happen in future. The remedy, in principle, is to consider more possibilities, but in an efficient and useful way.

Accountants can help people do this in many ways but the simplest and most obvious is to provide analyses of other possibilities, or an analysis tool. Electronic spreadsheets have led to a revolution. In decades gone by, just producing one forecast to support a decision or planning meeting took hours. Now you can change a number and recalculate instantly.

What's more, you can replace any or all of the estimates in a projection with different scenario results to explore the possible effect of various inputs - this scenario planning is fairly widely used by most finance managers and directors.

These needn't be hugely detailed or involved and often are no more than three outcome possibilities with an optimistic, pessimistic and a best-guess case, or to explore specific scenarios generated in other ways. You can provide some instant recalculations during a meeting, or even repeat the calculations thousands of times, automatically varying estimates of inputs at random to learn more about how extreme outcomes might arise.

All this is easy, even without special software, as long as you keep your model simple enough.

Two other simple habit changes by accountants can boost awareness of uncertainty and prompt more efforts to reduce and manage it. First, when providing information for management accounts, forecasts and decision support, identify the source of each input estimate, even if it is someone's guess - especially when it is someone's guess. Nothing should be without a stated source.

Second, if no information is available about something potentially important then say so, instead of just saying nothing.

In summary, the second step is to consider when in your organisation people tend to be blinkered or over-confident, and decide how to remind them, gently and routinely, of alternatives and the limitations of their knowledge.

STEP 3 CONSIDER OBVIOUS RISK MANAGEMENT STRATEGIES

The opening day of Heathrow's Terminal 5 was chaotic and the ensuing disruption and adverse publicity rumbled on for weeks. One of the main reasons for this chaos was the attempt to operate at 70% of maximum capacity on day one, despite the history of problems with other new terminals around the world. A gradual transition of services to the new terminal would have been easier to manage.

Afterwards it was claimed that a gradual transfer was considered but rejected. Clearly, it was not considered carefully enough. In general, there is a tendency to underestimate the advantage of gradual change. As soon as people know they are dealing with a 'project', they start thinking of high-risk, big-bang delivery plans.

An accountant can prompt people to consider incremental change and other obvious methods for controlling risk by suggesting them. Alternatively, if financial analysis of different plans is asked for, the accountant can provide evaluations of substitutes that incorporate obvious risk control methods that have been forgotten. If those improved plans promise better results then who will complain?

Where people overlook obvious ways to manage risk, put routines in place that help to nudge their memories.

PROSPECTS FOR IMPROVEMENT

All these together mean accountants can improve management and board performance by the information they provide, the questions they ask, and the suggestions they make. Of course, there will be some people who continue with blinkered macho management whatever materials are placed in front of them, whatever questions are asked and whatever the agenda of a meeting. But most people fail to manage risk well because they just forget to do things they are quite willing to do and perhaps even intended to do. You can't control everyone, but you can influence most people.

IS EMBEDDED RISK MANAGEMENT AUDITABLE?

All these techniques mentioned can be checked independently by an auditor. They just need to ask, is performance on risk management objectives measured and monitored?

In business planning and other major decision processes, they should ask:

- **Are risk management objectives considered?**
- **Are the implications of decisions on risk management objectives estimated?**
- **Are the implications of alternative future scenarios considered?**
- **Is the source of every estimate stated?**
- **Is uncertain and missing information identified, documented and considered?**
- **Have obvious ways to manage risk been considered properly, with implications estimated and explored?**

These pointers do not provide complete risk management, but they are major considerations.

Matthew Leitch is the director of Matthew Leitch Associates Limited

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From the faculties

Keep in touch with our selection from ICAEW's other faculty magazines

FS FOCUS
A CRITICAL FRIEND

The balance of risk and reward for non-executive directors has changed. Despite the NED role carrying significantly higher personal risk and liability due to greater scrutiny of corporate behaviour by regulators and engaged stakeholders, the role continues to appeal to many people.

Although the role may be becoming more demanding, it is also more rewarding and with increased responsibilities many NEDs feel they are playing a more significant role in shaping a business on the board.

Colin Carnall, director of executive education at Cass Business School, says an efficient NED is one who encourages and challenges in equal measures. With regulators demanding evidence NEDs offer genuine challenges, the appointment process needs to be a lot more stringent.

Though few legal cases have been brought against board directors in the UK and breach of duty has been difficult to prove, the potential for reputational and career damage remains a genuine threat.

The best way for NEDs to protect themselves from any claim of wrongdoing is to ensure they are well-informed about the company and committed to the role.

Top tips for those considering a NED role include only accepting a role when they have sufficient time to devote to it; insisting on a comprehensive induction; and keeping detailed records.

For more from the Financial Services Faculty, visit icaew.com/fsf

AUDIT & BEYOND
BEYOND BOILERPLATE

Auditor reporting for listed companies is going through one of the biggest changes for decades. The changes, announced by the Financial Reporting Council in June, have been introduced with the aim of improving communications with investors over clarity and transparency of the auditor's report.

ISA 700 (UK and Ireland) *The Independent Auditor's Report on Financial Statements* has been revised and will take effect for audits of financial statements for periods commencing on or after 1 October 2012.

Here Ian Connon from BDO and Hugh Morgan from Baker Tilly consider the details of the revised ISA 700 and what it will mean.

There are new requirements. First, auditors have to describe the risks that had the greatest effect on the overall audit strategy, the allocation of the resources in the audit and the focus of the engagement team. Second, they are required to provide an overview of the scope of the audit, showing how it addressed the risk and materiality considerations.

The revised ISA builds on changes made previously to the UK Corporate Governance Code in September/October 2012 – these are also effective for periods commencing on or after 1 October 2012. These introduce several requirements affecting boards, audit committees and auditors.

The authors point out this is a starting point in the process, not the end in itself.

For more from the Audit and Assurance Faculty, visit icaew.com/aaf

BY ALL ACCOUNTS
UK GAAP IS DEAD LONG LIVE UK GAAP

This month the Financial Reporting Faculty publishes a special edition of *By All Accounts*, reporting on the new UK GAAP, which is effective from 2015.

Following a lengthy consultation process a raft of standards usher in a new era in financial reporting.

Nigel Sleigh-Johnson and Eddy James from the faculty met Roger Marshall, the Financial Reporting Council board member and chairman of its Accounting Council, to discuss the motivation for introducing new UK GAAP.

Marshall explained the change was to simplify and to ensure consistency. The result of extensive consultations is a core standard that is based on the IFRS for SMEs - this, said Marshall, was the obvious route: "It offered a coherent international solution, it was based on the underlying concepts as existing GAAP and at 300 pages it was substantially shorter than the UK GAAP book."

Many businesses will not have to come to grips with the changes just yet. Listed groups will continue to use the EU-adapted IFRS while small entities can use the FRSSE. For now mainly large and medium-sized companies will see change.

Other articles in this special edition look at the major differences between the old and the new financial reporting regimes; the tax implications and how the change will impact on specialist sectors.

For more from the Financial Reporting Faculty, visit icaew.com/frf

Technical updates

Our round-up of legal and regulatory changes

TAX

News and updates from the Tax Faculty weekly newswire. Subscribe free: visit ion.icaew.com/TaxFaculty and click the sign-up link on the right.

HMRC PUBLISHES LATEST LIST OF DELIBERATE TAX DEFAULTERS

HMRC has published its third list of those who have deliberately defaulted on their tax responsibilities.

The power to 'name and shame' deliberate tax defaulters is given by s94, Finance Act 2009. It applies to any person who has under-declared tax and whose behaviour falls in the deliberate categories as defined in the penalty rules. HMRC can publish details where it has carried out an investigation and the person has been charged penalties for deliberate defaults, and those penalties involve tax of more than £25,000.

However, there are various protections for taxpayers in s94, and an important one is that a person's information will not be published if they earn the maximum reduction of the penalties by fully disclosing details of the defaults.

DISINCORPORATION RELIEF

HMRC has published technical and general guidance on Disincorporation Relief.

It is introduced by ss58-61, Finance Act 2013 and started on 1 April 2013. It allows the tax charge on land and goodwill to be deferred where a business operated through a company is transferred to the shareholders who then continue it in an unincorporated form.

The relief is subject to an upper limit of £100,000 on the value of assets transferred and is available for five years from 1 April 2013. The relief is subject to various other conditions, and to get it you have to make a claim.

The HMRC guidance covers eligibility, how to claim the relief, and the tax treatment of the company and the shareholders.

Disincorporation Relief was first proposed by the Office of Tax Simplification and is a welcome addition to the tax legislation. ICAEW Tax Faculty says that two aspects of the legislation are too restrictive: the £100,000 asset limit is too low, and the relief should be reviewed after five years but not stopped by legislation.

PENSION POT OVER £1.25M? TAKE ACTION NOW

From 6 April 2014 the lifetime allowance will be reduced to £1.25m. Guidance and forms for Fixed Protection 2014 are now available.

The pension rules changed dramatically in 2006. It was meant to have been a simplification, but keeping up with the changes since has been challenging. Some people already had pension pots worth more than £1.5m in April 2006 when the lifetime allowance was introduced.

If your pension savings are worth more than the lifetime allowance, when you take your benefits, you have to pay the lifetime allowance tax charge on the excess unless you have some form of lifetime allowance protection. Lifetime allowance protection was introduced so that those with pots already worth more than the limit didn't have to pay the lifetime allowance tax charge on pension pots built up before the rules changed.

From 6 April 2014, the lifetime allowance will be reduced to £1.25m. A new form of protection called Fixed Protection 2014 (FP2014) is being introduced to protect those who have built up pension pots of more than £1.25m but no more than £1.5m. People can apply for FP2014 from August 2013.

An online tool to help individuals decide whether they should apply for FP2014 and/or Individual Protection 2014 is available on the HMRC website.

Should an individual decide they want to apply for FP2014 they should notify HMRC by completing an online form on or before 5 April 2014. See more at bit.ly/1bZv6ge

PROPOSAL FOR TAX-FREE CHILDCARE SUPPORT

HMRC has launched a consultation into the government's proposal for a new Tax-Free Childcare scheme for working families. Tax-Free Childcare will provide 20% of working families' childcare costs, up to £1,200 for each child.

This consultation sets out the eligibility criteria, the approach to managing voucher accounts for each child, the role of the market and the key information and validation processes. It discusses the design of different aspects of these policies, and poses questions in those areas where stakeholders are likely to have knowledge or insight. The answers that the government receives to these questions will feed into the final design of Tax-Free Childcare.

TACKLING CORPORATE TAX AVOIDANCE IN A GLOBAL ECONOMY

The House of Lords Economic Affairs Committee has published its report, *Tackling corporate tax avoidance in a global economy: is a new approach needed?*, which is accompanied by a further document containing nearly 500 pages of oral and written evidence received by the Committee.

The Committee's report followed the publication of the OECD Action Plan on Base Erosion and Profit Shifting, but the Committee does not appear to have great confidence that OECD will be able to tackle what the Committee perceives is the ability of international businesses to so organise their affairs that whether or not they pay corporation tax in any one country is a matter of discretion rather than a consequence of the legal system.

Recommendations by the Committee include:

- Parliament should establish a joint committee - made up of MPs and Peers - to exercise greater parliamentary oversight of HMRC and the settlements it reaches with multinationals. Like the Intelligence and Security Committee, the new Committee would examine confidential evidence in private.
- The Treasury should urgently review the UK's corporate taxation regime and report back within a year with proposed changes to be made at home and pursued internationally, especially through the OECD.
- In addition to considering the OECD's Action Plan to tackle Base Erosion and Profit Shifting, the review should also consider other approaches to the taxation of multinational companies' profits, such as a destination-based cashflow tax.
- In the UK, the review should re-examine some fundamentals of the UK's corporation tax regime, including differential tax treatment of debt and equity and the scope for introduction of an allowance for corporate equity.
- The review should also consider a series of anti-avoidance measures for the shorter term, such as:
(i) regulation of tax advisers;
(ii) measures to penalise users of failed tax avoidance schemes; or
(iii) requirement on companies with large operations in the UK to publish a proforma summary of their corporation tax returns, to bring about greater transparency.

The Committee recognises the Treasury will already be working on policy initiatives against avoidance already announced by the government, such as naming and shaming promoters of tax avoidance schemes, and self-certification of compliance with tax obligations by companies bidding for public contracts.

EMPLOYMENT LAW

This section is summarised from the bulletins of various law firms and associations. None of the information in this update should be treated as legal advice.

ZERO-HOURS CONTRACTS DEBATE

The practice of employing people on zero-hours contracts with no guarantees of working hours proved controversial as a quarter of employers were found to be using them. The Chartered Institute of Personnel and Development estimated that a total of one million people in the UK work with no certainty of working hours. A quarter of employers were found to use such contracts.

While this arrangement may suit some employees - the flexibility can be welcome - it became clear that most employees working on zero-hours contracts didn't choose to do so.

They are commonly used by pubs, restaurants, cinemas and hotels as a way to trim wage bills. But several large businesses also use them; Sports Direct employs almost its entire workforce on zero-hours arrangements. One former employee has now launched a law suit against the organisation.

Speaking on behalf of employers, John Cridland, the director general of the CBI, said these contracts were vital to keep people in employment and that critics needed a reality check. Those against the contracts called for a total ban on their use, but Business Secretary Vince Cable was quick to dismiss any ban.

NEW RULES FOR EMPLOYMENT TRIBUNALS

New procedural rules for Employment Tribunals were introduced on 29 July 2013. They aim to simplify the existing rules, which have previously been criticised for being inadequately drafted in places and not user friendly.

These changes were introduced at the same time as the requirement to pay a fee to lodge a tribunal claim came into force. Until that time, unlike in the civil courts, no fee had been required.

For full details visit bit.ly/154pmTq

FINANCIAL REPORTING

You can find out more on the latest from the Financial Reporting Faculty, including UK GAAP and IFRS standards and consultations at icaew.com/frf

NEW UK GAAP – FAQs

FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* was published earlier this year and will apply to the majority of large and medium-sized UK entities (see April's *Financial Reporting Update*). To help you understand the implications of the new standard the Financial Reporting Faculty has prepared some FAQs which are free to download at icaew.com/newukgaap

AN UPDATED FRSSE

FRS 100 *Application of Financial Reporting Requirements*, issued in November 2012, contained a small number of amendments to the Financial Reporting Standard for Smaller Entities (FRSSE). As a convenience to those preparing small company accounts, the FRC has issued an updated version of the FRSSE containing those amendments, to maintain it as a one-stop shop. The updated FRSSE contains no new amendments to those previously issued.

The FRSSE (effective January 2015) will supersede the old FRSSE (effective April 2008) and will be effective for reporting periods beginning on or after 1 January 2015, although early adoption is permitted. However, the FRSSE will need to be further reconsidered following the recent approval of the new EU Accounting Directive and its simplified reporting requirements for small companies. You can download the FRSSE (effective January 2015) from frc.org.uk

INSURANCE CONTRACTS – IFRS

The IASB has published for public comment a revised exposure draft of proposals for the accounting for insurance contracts, ED/2013/7. The ED builds upon previous proposals published in 2010, ED/2010/8. The revised proposals aim to provide a consistent basis for accounting for insurance contracts and to make it easier for users of financial statements to understand how insurance contracts affect an entity's financial position, financial performance and cashflows.

Comments are due by 25 October 2013.

INSURANCE CONTRACTS – UK

The FRC has issued its own proposals on *Insurance Contracts*, draft FRS 103.

The proposals rationalise existing UK accounting provisions for insurance rather than establishing new requirements. They build on the current global standard while enabling UK insurance accounting practices to be retained.

Draft FRS 103 follows on from the 2012 discussion paper *Insurance Accounting - Mind the UK GAAP* and applies to those entities applying FRS 102 that have insurance contracts; life and general insurers including mutuals and non-listed subsidiaries of listed entities. The draft implementation guidance accompanying draft FRS 103 is drawn from the existing FRS 27 *Life Assurance* and insurance SORP. The FRC expects little change in accounting by entities within their scope.

Other entities which are not regulated insurance businesses but which have contracts meeting the definition of insurance will need to apply certain aspects of draft FRS 103.

Comments are due by 31 October 2013.

LEASING PROPOSALS - FAQS

The Financial Reporting Faculty answers your questions on the IASB's latest leasing proposals, ED/2013/6, in an FAQ document which is free to download from the faculty's website at icaew.com/frf

NOVATION OF DERIVATIVES

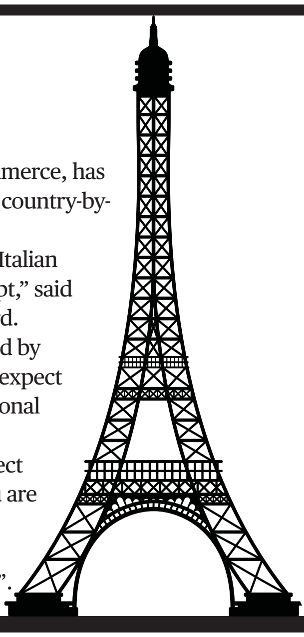
The IASB has published narrow-scope amendments to IAS 39 *Financial Instruments: Recognition and Measurement* entitled *Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39*. Similar relief will be included in IFRS 9 *Financial Instruments*.

The amendments introduce a narrow-scope exception to the requirement for the discontinuation of hedge accounting in IAS 39 by allowing hedge accounting to continue in a situation where a derivative that has been designated as a hedging instrument is novated from one counterparty to a central counterparty, as a consequence of new laws or regulations if specific conditions are met.

The amendments are effective for annual periods beginning on or after 1 January 2014.

On a lighter note...

GUIDE TO TOURISTS



The Paris tourist board, along with the Paris Chamber of Commerce, has launched a guide and website doyouspeaktouriste.fr, offering country-by-country advice on to how to deal with foreign nationals.

"You don't welcome a Japanese tourist the same way as an Italian one. There are codes to take into account, so you have to adapt," said Jean-Pierre Blat, general director of the Paris area tourist board.

The guide informs Parisians that the British "like to be called by their first name", are big spenders (£124 per person per day), expect smiling and friendly staff and appreciate "architecture, traditional gastronomy and a sense of fun". Parisians are told that cash-strapped Spaniards are on the "lookout for freebies" and expect you to speak their language, while Italians are delighted if you are nice to their children, but are "impatient tourists".

The French themselves are described as "particularly demanding" guests who "don't want to be considered tourists".

BACK TO BASICS

The Russian state procurement agency (zakupki.gov.ru) published a notice in July that the Federal Protective Service (FSO), in charge of safeguarding Kremlin communications and protecting the president, is looking to spend 486,540 roubles (about £10,000) on electric typewriters. *Izvestiya* newspaper was told by a source: "After scandals with the distribution of secret documents by WikiLeaks, the exposes by Edward Snowden, reports about Dmitry Medvedev being listened in on at the G20 summit in London, it has been decided to expand the practice of creating paper documents... from the point of view of preserving secrets primitive methods are preferable."

UNIVERSITY WEALTH

Reuters issued their annual table of University wealth. The largest endowment funds in the UK are listed opposite.

It's quite impressive until you compare this against the top university endowment funds in the USA. Harvard tops the list with more than $30bn in assets, followed by Yale with just under $20bn.

University	Total endowment (£m) 2012
Cambridge	£1,651
Oxford	£855
Edinburgh	£238
Manchester	£154
Liverpool	£138
King's College	£131
Glasgow	£130
Birmingham	£84
LSE	£83
Imperial	£79
Reading	£79

DOWN THE PAN

German consumer group Henkel has been forced to withdraw a lavatory freshener from Eastern Europe after it was thought to look too much like the Ukrainian flag (see picture). The advert was lambasted after being shown on YouTube.

"We are very sorry if people were offended by the design," said a spokesman for Henkel.

There is no news about the costs of withdrawing the product.

ANOTHER DIMENSION

Maplin claimed earlier this summer to have the first home use 3D printer available on the UK high street.

The Velleman K8200 printer will allow customers to print three-dimensional plastic objects of up to 20cm³. 3D printers take a virtual model designed on a computer and then layer slices of Polytactic Acid (PLA) plastic to build an object. This printer comes in kit form and takes up to 10 hours to assemble.
Plastic "ink" is available in black, white, blue, red, orange, green, yellow and pink, and cartridges retail at £30 for one kilo. The printer can be pre-ordered for £700.

Maplin hopes sales of this product will reverse its recent fall in pre-tax profits.

GETTY

ICAEW BUSINESS EVENTS

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