

Business & Management

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May 2017 Issue 254

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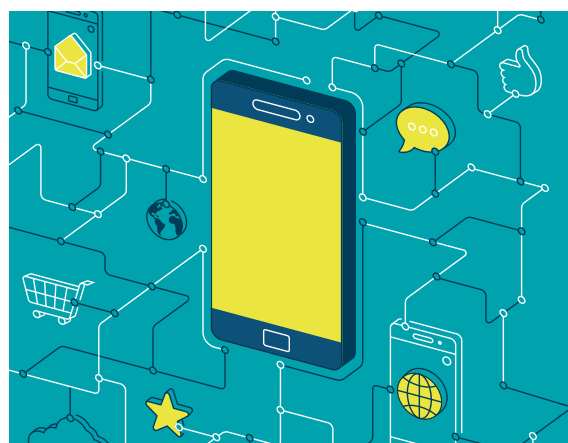
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A step-by-step guide to giving a great presentation by Tom Bird and Jeremy Cassell

**26****THE POWER OF NETWORKING**

Christopher Brinton and Mung Chiang explore the foundations upon which the most important networks are built



In good health



Wellness programmes are often viewed as non-essential overhead, but businesses might do well to reconsider this position. A study by Towers Watson and the National Business Group on Health (2012) revealed 55% of employees believed health benefits were a "good reason" to continue working for an employer. Thompsons' 2016/17 employer survey showed "improving employee wellness"

has moved into the top three positive impacts that they would like to see from their benefits package.

There are other compelling case studies, including those collected by UK charity Business in the Community over a two-year period published in 2009. They reported improvements in absenteeism and staff turnover at British Gas, with an ROI of £31 for every £1 invested in "back care" workshops; and the British Library managing to reduce absence by 25% and achieve an absenteeism cost reduction of 11% after introducing gym access health events.

Harvard Business Review interviewed 300 business leaders whose healthcare offering had resulted in dramatic improvements, and concluded that there are six essential pillars for a successful health programme.

1. Enthusiastic leadership – C-suite participation in exercise is seen as critical to success.
2. Permanence – any wellness programme should become embedded into the company with incentivisation being more successful than punishment.
3. Scope, relevance and quality – it's important to include all staff in a good quality programme with individually tailored options.
4. Accessibility – any health programme should be offered at low or no cost and be convenient for staff to use.
5. Partnerships – finance should work in conjunction with wellness providers to ensure that costs are contained.
6. Communications – these are vital in overcoming apathy. Some businesses introduce an element of competition to encourage participation.

The results of investment in employee wellbeing are threefold – higher net profitability, better employee productivity and higher staff morale.

We hope that you enjoy this month's copy of *Business & Management*; please email Stephen.ibbotson@icaew.com or Robert.russell@icaew.com if you have any comments about the magazine or suggestions for the faculty.

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Annual membership of the faculty costs from £96 a year.

FACULTY EVENTS AND WEBINARS

Events and webinars are listed in this publication; details can be found on page 7

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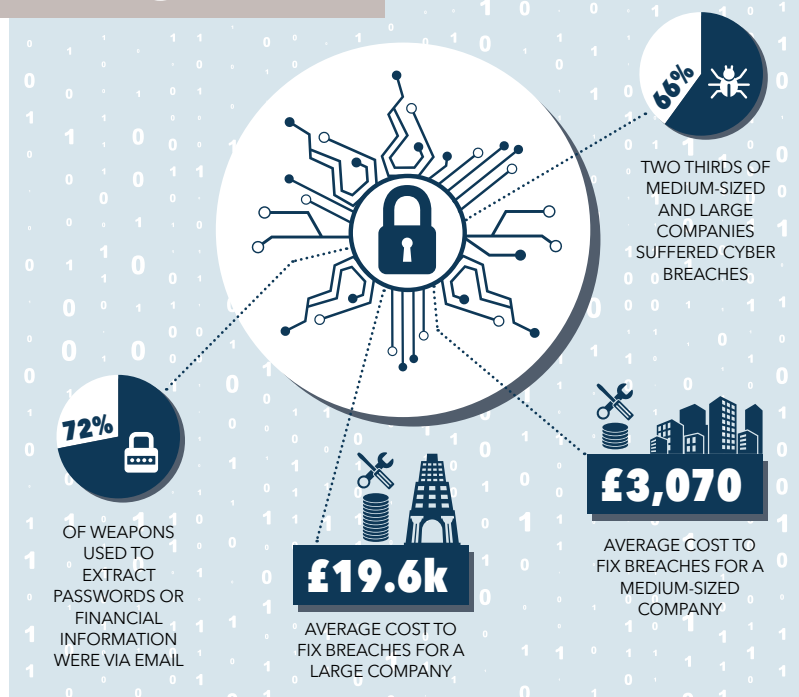


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NEWS

IN NUMBERS: CYBER SECURITY BREACHES SURVEY 2017



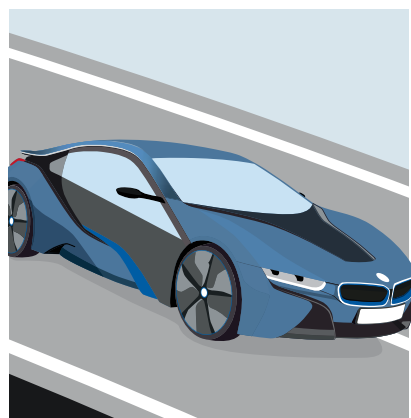
SOURCE: DCMS, IPSOS MORI, UNIVERSITY OF PORTSMOUTH

THE WORLD'S SKILLS LAGGARD

The Chartered Institute for Personnel and Development (CIPD) published its survey of UK skill levels last month. Most employers will not be surprised to discover that the UK is behind every other Organisation for Economic Co-operation and Development (OECD) country for complex problem solving – and in the bottom four for literacy and numeracy skills among 16-24-year-olds. The UK is ninth in the league table of

spending on each state pupil (UK spend \$10,500, OECD average \$9,500; OECD 2014). Spending for employee training is about half of the EU average at €266. “While more efforts are being made to reform education, it’s clear that there needs to be a much greater emphasis on learning and development,” said CIPD’s skills adviser Lizzie Crowley.

For the full report, see tinyurl.com/BM-CIPDskills



PUSH FOR POLE POSITION

BMW is so concerned that it is losing its edge as an innovator that it has organised one-day workshops for all its engineers and managers to generate more blue-sky thinking. BMW is facing pressure from Tesla, which already offers an autopilot option on vehicles, while Mercedes is bringing out a self-navigating 120mph S-Class saloon. “BMW has lost its leadership in innovation,” says Jürgen Pieper, an analyst at Bankhaus Metzler.



14+

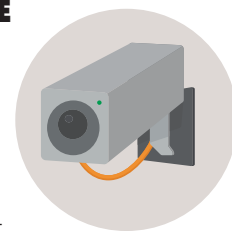
CHAINS HAVE FILED FOR BANKRUPTCY IN THE US IN Q1 2017

US RETAIL HIGHLIGHTS BANKRUPTCY ALERT

S&P Global Market Intelligence analysis issued last month showed the retail sector continuing to face pressure. More than 14 chains have filed for bankruptcy in the US in the first three months of 2017, compared with 18 total for 2016. Although these bankruptcies were seen in clothing, shoes and electronics, S&P believes large general retailers, electronics retail, and clothes shops present the highest risk with food and home improvement segments presenting the lowest risk.

COPYING IN THE BOSS ERODES TRUST

A new study from Cambridge Judge Business School verifies that which most of us thought – copying your boss into emails erodes faith between co-workers and fosters a “culture of fear and low psychological safety”. The study, published in the *Harvard Business Review*, concluded that the more often superiors are included in emails, the less trusted co-workers feel. David De Cremer, who conducted the study, commented: “The implication of these findings is that companies and other organisations need to be aware that electronic transparency, no matter how well-intentioned, is not a holy grail of efficiency or harmony.”



€266

UK SPENDING FOR EMPLOYEE TRAINING

NOTICE OF AGM

We extend a warm welcome to you to network at the faculty’s AGM on 22 May 2017 from 6pm in the council chamber at Chartered Accountants’ Hall, Moorgate. The AGM will be followed by an economic update from Dr Stephen Davies from the Institute of Economic Affairs on the state of the economy amidst the ongoing challenges of Brexit. The talk will be followed by drinks with the speaker, faculty staff and your fellow members. Please book a place at icaew.com/fmfmayevent

42% of millennials limit their mobile transactions because of security concerns.

42%

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EVENTS & WEBINARS

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EVENTS

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ECONOMIC SNAPSHOT AND THE BREXIT EFFECT

22 May 18:00 – 20:00
(registration starts 17:30)
Chartered Accountants' Hall,
Moorgate Place, EC2R 6EA

Dr Stephen Davies, head of education at the Institute of Economic Affairs, joins us for an update on UK and global economies in a post-Brexit environment. We will be exploring the possibility of growth through exports as well as hearing an update on the macroeconomic state of UK finances, and also taking 10 minutes for the faculty AGM from 18:00.

To book a place, please visit
icaew.com/fmfmayevent

WEBINARS

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FREE 20-MINUTE LUNCH WEBINARS

STATS FOR BUSINESS – SHOULD YOU BE DRUNK OR SOBER WHEN ANALYSING TRENDS?

28 June 12:30

Nigel Marriot, chartered statistician at the Royal Statistical Society, discusses the importance of statistics and how they can assist in financial business decision-making. Autocorrelation is a key tool in trend analysis and Nigel will demonstrate a simple mechanism.

To book a place, please visit
icaew.com/lunchjun

GOVERNMENT ACCOUNTING – COOKING THE BOOKS?

13 July 12:30

Ross Campbell and Martin Wheatcroft will cover how government accounting works, why cuts to budgets do not necessarily lead to spending reductions and how the Treasury manages to issue different numbers of the same budget lines without apparently contradicting itself.

To book a place, please visit
icaew.com/lunchjul

GRAPHS – CLARITY AND IMPACT IN YOUR DOCUMENTS AND SLIDES

18 October 12:30

Visual presentation of information can enhance the main points you are trying to make. Jon Moon has years of experience teaching how to present with clarity and impact. He says: "Imagine creating documents that people praise and envy, ones that have clarity and impact and that win new business or impress and influence the board." This webinar offers a taster of Jon's full-day course.

To book a place, please visit icaew.com/lunchoct

STATS FOR BUSINESS – USE OF STATS TO DETECT FRAUD

15 November 12:30

This is the third of our webinars on statistics for business. Nigel Marriott of the Royal Statistical Society will explain how statistics can be used to identify anomalies in data sets and will assist in deterring and preventing fraud. Statistics provide an effective technology for fraud detection and has been applied to detect money laundering, business expenses and computer intrusion, among others. This webinar will cover the easiest methods available for statistical fraud detection but does assume a good working knowledge of statistics.

FREE 60-MINUTE MORNING WEBINARS

HIDDEN VALUE – CUSTOMER ENGAGEMENT

6 June 10:00

This webinar will demonstrate how to effectively engage with your customers, build solid partnerships and improve your profitability.

Book at icaew.com/fmfjun2webinar

CYBER SECURITY – REDUCING THE RISK OF SECURITY BREACHES

13 June 10:00

Cyber security is of increasing importance. Mark Taylor of the IT Faculty presents tips to reduce the risk of a computer attack and runs through some simple steps to ramp up your online security.

To secure a place, visit
icaew.com/fmfjunwebinar

BUSINESS TAX UPDATE

27 September 10:00

Sarah Ghaffari of the Tax Faculty runs through the most important tax changes for you and your business that have been introduced in the past year.

To book your place, please visit
icaew.com/fmfsepwebinar

TIME MANAGEMENT

9 October 10:00

Conflicting demands of work, leisure and CPD study make time a precious commodity, but additional work commitments and a reluctance to say no results in many FDs feeling that they are rushing from one task to another without being able to properly complete them. This one-hour webinar, presented by David Parmenter, will go through practical steps to assist you to better manage your time.

To book this session, please see
icaew.com/fmfoctwebinar



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A PROBLEM SHARED

Len Jones explores whether sharing or paying as you go could be the key to happiness for both car manufacturers and consumers

The future of personal transport needs a paradigm shift from the car being a symbol of affluence and prestige into one of mobility as a service, so that car ownership aligns with companies that do not specifically make anything. These companies deliver other products by subscription, such as Netflix, Spotify, Uber and Deliveroo.

This is what some sociologists call millennial thinking - subcontracting the responsibility of ownership to a third party that then deals with issues such as insurance and maintenance. With the changing mood towards pollution and the additional cost burden of car ownership, this could be a welcome solution to the norm.

NOT JUSTIFIED BY ROI

Taking a purely rational return-on-investment approach would very likely result in cars not being purchased in the first place. Who needs a rusting hulk of metal sitting outside the house most of the time, being used no more than a few hours a day (or much less for many)? We buy cars as they are convenient and we like the idea of the freedom they offer, but the real tangible benefit over its

useful life cannot really justify the cost of an upfront purchase. New cars, just by being driven off the forecourt, lose a large portion of their value.

The future will involve more eco-friendly vehicles and also is likely to include shared ownership. This is a real opportunity for the automotive industry to embrace new concepts, although it is likely to reduce the number of vehicles in production.

Some manufacturers have already started to adopt this model - Cadillac, for example, has introduced a pay-as-you-go model in New York. The \$1,500-a-month luxury car subscription service launched earlier this year and allows members to swap out different models of high-end saloons and SUVs.

THE EVOLUTION OF OWNERSHIP

As we head into the future, new models of ownership will evolve. Not only will mobility be a service, but it will be a monetised service not exclusively limited to the manufacturer or traditional lender. In short, the notion of “access rights” will come into play.

If we accept that cars should no longer be given superstar status, and as access to short-term finance becomes easier, more consumers will welcome the idea of a temporary vehicle that is theirs for a short time - rather like hot-desking at work. By selling access to the asset rather than the asset itself, manufacturers will remain responsible for the life cycle of vehicles. Accumulation of statistics on use of a vehicle over its life will enable manufacturers to adapt their approach to the market and improve the profitability of the enterprise.

Some manufacturers may even create multiple ownership whose identities and shares in the vehicle can change in real time. Car dealers may become a thing of the past as manufacturers rent services directly to consumers. This would also entail vehicles having detailed cost benefit analyses and real-time information, which would in turn lead to better utilisation and minimisation of running costs.

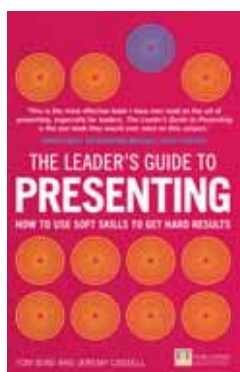
Creating value by adding services to products, or replacing a product with a service, has the potential to unlock new revenue streams and cost savings for manufacturers and distribution partners. We may not see ownerless cars just yet, but we will definitely see reduced levels of ownership. ●

Len Jones, FCA, MBA



SPHERE OF INFLUENCE

If your job entails talking to and influencing people **Tom Bird** and **Jeremy Cassell** have prepared a six-step guide to presentation fundamentals that will almost certainly help you make your point



Tom Bird and Jeremy Cassell are co-authors of *The Leader's Guide to Presenting*, published by FT Publishing, priced £16.99. For more information see tinyurl.com/BM-TB-JC

On average, every adult spends 23 minutes of each working hour trying to influence people. Whether we are trying to get people to commit to action, change their mind about something or urge them to prioritise something, influencing is a critical aspect of our working life. As a manager or leader it is even more important. Your influencing situations are likely to have high stakes and might also involve the need to present (either formally or informally) to groups of people. We examine what it is the best presenters do that enables them to maximise the positive impact and influence of their presentations.

From our work with highly effective presenters in a variety of businesses and professional firms we have identified six presentation fundamentals that help ensure your business presentations have a successful outcome. Paying attention to these when you are planning and preparing your presentations will make you more influential and will engage your audiences more effectively.

1 PREPARE AND PRESENT WITH THE AUDIENCE IN MIND

While this might sound obvious, we constantly see managers and leaders plan their presentation for themselves rather than for the audience. They take a collection of slides that they used in a vaguely similar presentation, change some bullets, add a diagram or two and then feel it is fit for purpose. The best presenters consider a few fundamental questions that guide their planning.

First ask: "What do I want to achieve through this presentation?" This defines a clear outcome, and there are generally three types of desirable outcome: you either want your audience to 'do' something, 'understand' something or 'commit to action'. Whatever the objective, you need to specify it first as it will inform everything else. Then consider who is

the audience and how will they feel about this topic at the start of the presentation. Ask: why should they care about this and what do they already know about the topic? Think carefully about what the audience will need from the presentation in order to ensure you achieve your desired objective. You must be clear about your key points and, putting yourself in the audience's shoes, think about what questions they might have.

2 PACE YOUR AUDIENCE BEFORE LEADING THEM TO YOUR OUTCOME

Another fundamental mistake we see from presenters is less obvious but just as impactful: they try to lead their audience to the desired outcome too quickly and without recognising or acknowledging their current reality. Leaving them behind communicates a lack of empathy that will have a negative impact on your desired objective.

Pacing the audience is the process of letting them know you understand how they might feel about the topic on which you are presenting before you launch into your content. You can do this effectively by



taking a moment to look at things from their point of view:

- How might you feel about this topic right now?
- What other priorities, pressures or challenges might you have that could be taking more of your focus at this moment?
- What else might be happening for you that might negatively or positively impact your view of this presentation?
- What concerns might you want addressed?

Based on your answers you can construct a few pacing statements, which you can make at the very start of the presentation, that demonstrate empathy and understanding of the reality for your audience. You are looking to make three or four statements that elicit nods from them. Once you have this agreement you can move on to your presentation, as you will have established empathy.

3 MANAGE YOUR ATTITUDE PROACTIVELY

Your attitude will affect how you plan and prepare and, even more importantly, will be picked up on by



your audience while you present. We have all seen nervous presenters and were aware they were nervous before they spoke. It is likely you felt one of two emotions in response to their nervousness: switched off from what they were saying or sorry for them. Neither of these are desirable outcomes.

If you are nervous, change your physiognomy: look up rather than down, focus on breathing from your diaphragm (rather than your chest) and manage your thoughts so that you mentally see a positive outcome. To change your attitude, you need to take a minute to become aware of what you are thinking, which can only be managed if you are aware of it.

4 LESS IS MORE - REDUCE YOUR CONTENT

When creating content to support your presentation, remember that you are the presentation, not PowerPoint. Make sure the audience focuses on you rather than on too many slides. If you are using slides remember that a visual aid needs to be two things: visual and an aid! Resist having lots of slides with bullet points. Make sure your content serves the purpose of achieving your objective. It is also a good idea to minimise the number of slides and replace them with anecdotes, discussions and exercises to engage the audience.

5 MAKE AN IMPACT AT THE START AND FINISH

Your audience will remember the first and last things you say, so focus on creating a compelling start and finish. Ideally have no more than three key points to make and summarise these points, along with your 'call to action' both at the start and the end of the presentation.

If you plan to take questions, do this before your final summary. If you get a tough question at the end you don't want that being what the audience remembers. Save your summary and key points for after the questions.

6 REHEARSE, REHEARSE, REHEARSE

Some leaders we know pride themselves on being able to 'wing it'. If you want to achieve a specific outcome you must rehearse. Effective rehearsing would ideally take place in the location of your presentation. Rehearse it all the way through and consider some tough questions you might be asked and your answer. Ideally, get someone you trust to give you feedback to improve your delivery.

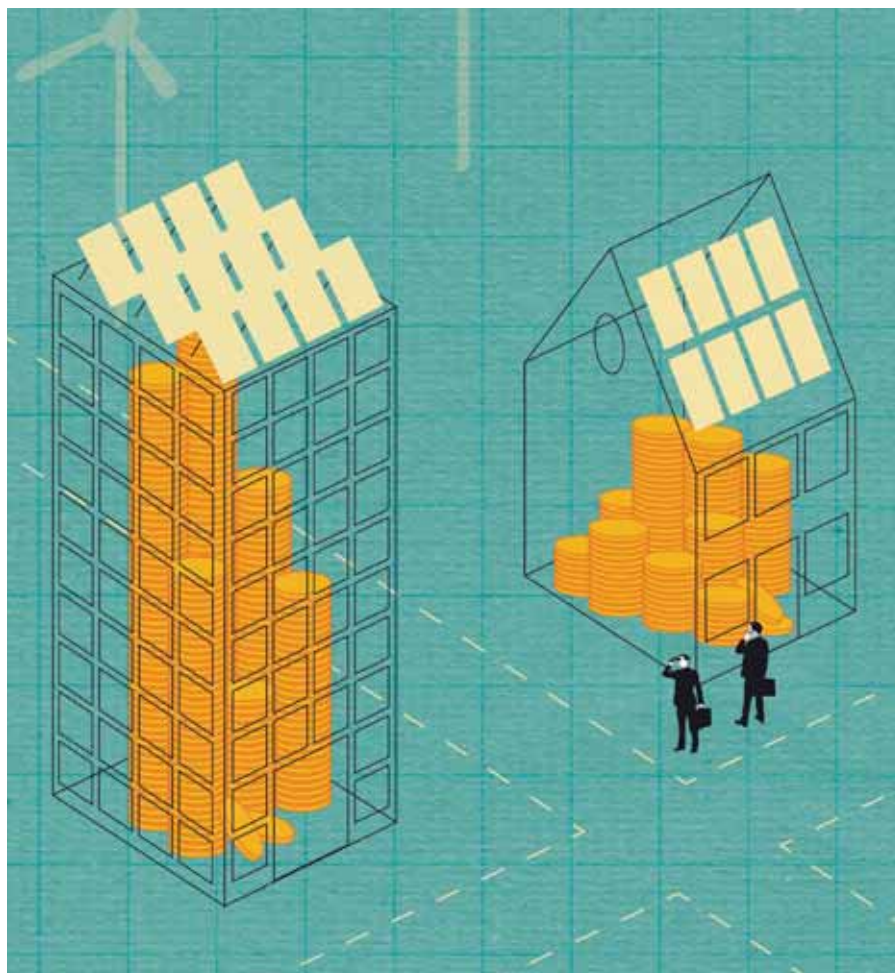
These presentation fundamentals work on the basis that people buy an idea emotionally first and then justify it logically (think about any personal purchase you have made recently). Your presentation needs to recognise and leverage this if the audience is to be open to your logical case. By following the steps outlined here, you maximise the chance of achieving your outcome more of the time - something that as managers and leaders we are judged upon. ●



Tom Bird, author, facilitator, trainer and keynote speaker who specialises in presentation skills, influencing and communication



Jeremy Cassell, freelance trainer with experience as national training manager for L'Oreal and national sales training manager for Walkers



TO BUY OR NOT TO BUY

With new lease accounting rules looming, David Craik assesses how different businesses are dealing with the thorny problem of real estate

Despite the sight of cranes and construction workers across towns and cities, there is a shift under way that is squeezing the need for new commercial real estate.

Driven by changing business and consumer practices, this shift is typified by much of the decision-making in real estate now being made by chief financial officers (CFOs). Will Matthews, senior manager at Deloitte Real Estate, says: "It has always been on a CFO's agenda, but anecdotally real estate decisions were outsourced to a property director.

"However, CFOs have now identified that this is a strategic space and it is now more regularly discussed in the C-suite. Property strategy used to be made in silos with finance, IT, HR, tech and property, but now it is much more integrated."

GOLDEN RULE

In its study, *The Financial Impact of Real Estate: Five Golden Rules*, commercial property group JLL noted that the "executive focus on real estate has intensified since the global financial crisis, bringing intense scrutiny over the cost and

structure of the portfolio and its impact on financial statements... Understanding the true cost of real estate and aligning this to financial strategies is vital to maximising value for companies and shareholders". JLL suggests that real estate costs typically account for between 5% and 10% of annual revenue, which may explain the interest from some atypical investment sources (see *For the public good*, page 15).

The advice to CFOs from JLL is to concentrate on particular issues, such as the depreciation of property assets. It also suggests solutions such as selling assets on a short-term sale and leaseback to match net book value and accelerate depreciation over a shorter period prior to exit (see *It takes money to make money*, *Finance & Management*, July/August 2016).

Land and buildings should be reviewed to ensure value for money and a good return on investment. It could be that owning land and buildings is not the best use of your business resources; leasing is an effective alternative which should be given consideration.

The pressure on commercial real estate is affecting sectors in many different ways. Manufacturing, for instance, is facing

crucial challenges. According to Simon O'Reilly, international partner at Cushman & Wakefield, these include rising prices, the global economic slowdown and the need for better efficiencies. There is also demand from customers for more innovation across products, processes and services. One solution for small and start-up manufacturers has been to move into science cluster parks, such as Sheffield Technology Parks, which leases space to innovative digital companies ranging from co-working office space through to 2,000 square foot facilities.

LESS SPACE FOR DESKS

The rising use of automation and the increase in home working have been two forces at play for offices and factories.

"Automation means you need fewer people sat at desks, which gives companies flexibility in that they can expand and grow revenues and productivity without increasing their office footprint," explains Matthews. "We aren't seeing those types of decisions being made just yet, but the importance of utilising existing buildings rather than going for new space is being seen, and may lead to slight declines in

ON A ROLL

As part of its growth strategy, the Hollywood Bowl Group (HBG) is aiming to open two new tenpin bowling centres a year, co-locating with cinema operators or as additions to existing shopping centres and leisure parks.

Examples so far include the Hammerson's West Quay development in Southampton, the intu retail and leisure development in Derby and a new site alongside a cinema on a redeveloped leisure and retail park in Liverpool. Of the six new centres in the pipeline until 2020, landlord contributions are expected to bring down the average net capital investment requirement to approximately £1.7m.

Laurence Keen, CFO of Hollywood Bowl, says: "People are buying fewer things and more experiences. Shopping centres want to make themselves more appealing to improve dwell time. It is also great for us as we benefit from the footfall as well."

"The landlord contributions are part of the negotiations to ensure we get the right property costs. If we are going to spend £2m-£4m on a build, we don't want our rent going up by 5% to 10% every year. Landlords are keen to have us because we are leasing 18,000 to

24,000 sq ft and we are making 15-25 year commitments with no break. They will have guaranteed income.

"There is certainly more onus on CFOs to think about space and real estate differently. How can you utilise it better and how much space do you really need to drive revenue? In our refurbishments, we looked at every inch, such as our use of amusement machines - we get 24% of our income from them. You need to look at every square foot and see how much income you are getting from it."

£1.7m

AVERAGE INVESTMENT
IN NEW CENTRES

£2m-£4m

RANGE OF EXPENDITURE
ON BOWLING VENUE

24,000 sq ft

UPPER END OF VENUE'S
SIZE LEASED BY HBG

new office space. There is now a bigger emphasis on getting the highest value out of the building and increasing productivity. That's about using space better - so perhaps more collaboration and areas to work together, rather than rows and rows of desks."

Mat Oakley, commercial research director at Savills, picks up this point. "In the past 10 or 15 years, there were 14 square metres per person in an office - that in some cases has been squeezed down to six. Companies have wanted to reduce their property costs by packing more staff in," he says. "Home working was also encouraged, but it is increasingly being rejected as companies look to bring

their staff back in to create ideas and generate IP.

"There is also a kick-back in the densification of the office with people worried about noise and food smells. Companies on the employee wellness agenda are thinking 'why cut back on property costs at expense of employee happiness?' The more forward-looking companies are now giving their staff more space, but others say 'we can measure property costs more easily than productivity' and take the easier option."

FROM BRICKS TO CLICKS

The drive towards e-commerce has been another important concern, particularly for the retail sector where consumers have been turning to clicks and away from bricks and mortar shopping. Matthews says that as a result of an "oversupply of traditional retail property" and a lack of high-street investment, businesses are not investing in new large stores as much. Retailers are increasingly responding by building fulfilment centres where they and logistics firms can get goods to customers in one- or two-hour delivery slots. "E-commerce undeniably means we need fewer stores.

That's been a strong trend for a decade now because the UK was over retailled," agrees Oakley. "Most retailers saw the argument as stores vs online, but now they see it as homogenous. It is an omnichannel world where you need both stores and online. The need to get customers into the store is important because retailers are carrying the cost of online sales and returns. They know that if they can get you into a store, they can upsell."

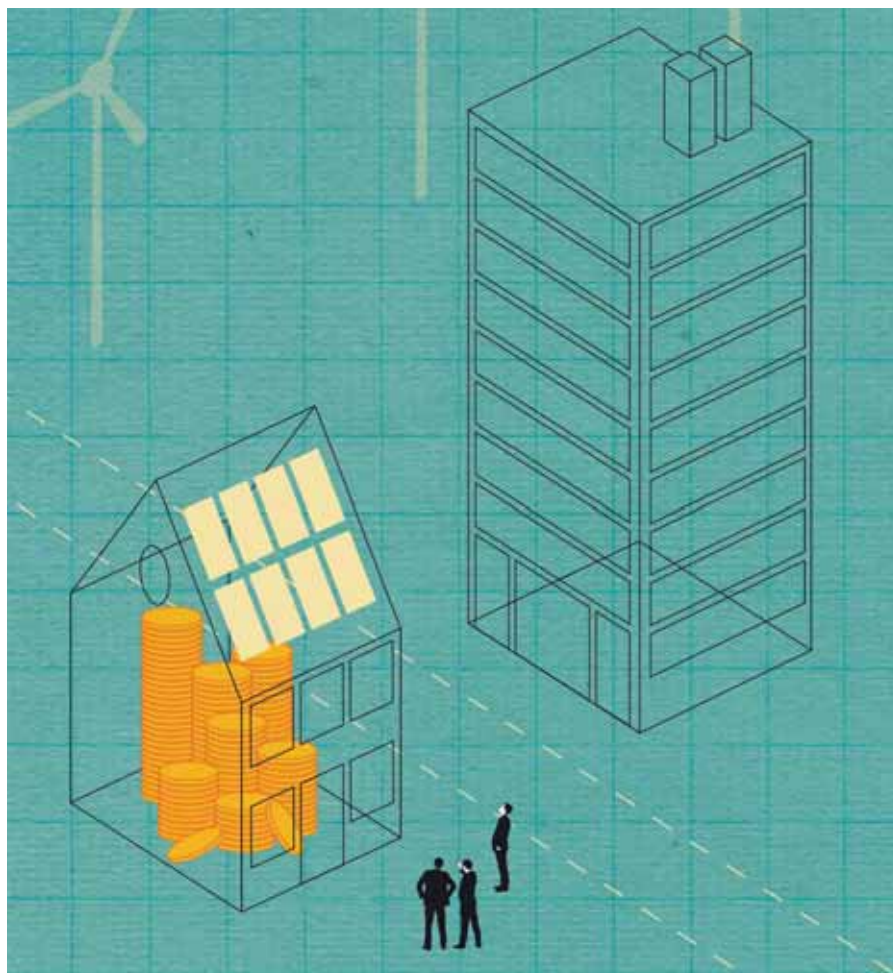
Holding land without developing it to gain a return is also on the wane, which has been posing quite a property dilemma for one of the chief proponents of this type of acquisition - the supermarkets.

According to *The Daily Telegraph* last year, Tesco had taken 84 years to build its property portfolio up to 20 million square feet by 2003, but it only took another five years to reach 30 million square feet. Tesco was not the only one riding this wave. The major chains were all acquiring land to build bigger and bigger stores as they believed this was the way customer behaviour was moving.

The growth of online shopping and customers' preference for smaller, regular shops has meant an increased focus on

"E-commerce undeniably means we need fewer stores. That's been a strong trend for a decade now because the UK was over retailled"

Investors are keen to invest in shared/serviced offices, acknowledging the preference of many emerging creative businesses to work in a co-occupied environment



smaller convenience stores. The rise of supermarket home delivery too has meant that space in very large supermarkets is no longer deemed as important as it was even five years ago. According to Matthews, the signals from government is that businesses should be developing buildings on land, not just keeping it for a return. He adds: "10 years ago, it was a great idea for supermarkets to snap up land, but now they are working out what to do with that space and the stores."

For Sainsbury's this shift can be seen in its interim results from last November in which it announced plans to open 41 convenience stores but only five new large units (typically in the 100,000 sq ft range, compared with Sainsbury's Local outlets of 3,000 sq ft of retail space). It also noted that it would have some under-utilised space in 25% of its supermarkets over the next five years. To address this, it has extended its clothing and general merchandise products, and added Argos and concession partners to its stores. It has also tried to maximise its property assets, valued at £10.3bn, with supermarket developments that incorporate residential property, shops

and offices, such as its £500m development at Nine Elms, London.

THE LATEST TRENDS

It is not just traditional bricks-and-mortar retailers with property decisions to make. Online fashion retailer ASOS, with no physical store presence, is actually investing in space. Its distribution centre in Barnsley, South Yorkshire, which is managed by logistics partner XPO, is being expanded to include additional office space. It is also moving into a new 80,000 sq ft customer centre in Leavesden, Hertfordshire.

"We'll see more convenience stores, including in the clothing sector," predicts Oakley. "Also, there is a need for more storage space in stores. They are filling up with click and collect goods and returned products. Consumers are disappointed when they walk into a store and don't find the range they saw on the website. That could lead to more need for space. Perhaps you will need fewer and larger stores."

DELIVERING THE DREAM

The e-commerce revolution is having knock-on benefits for other sectors,

with partnerships bringing rewards to logistics firms. Wincanton Logistics last year sealed a five-year contract with Majestic Wine to establish and operate an e-commerce national fulfilment centre from Greenford, London. The solution means Wincanton will store, pick, pack and dispatch over four million packages for Majestic Wine's online click and collect and home delivery services - amounting to 40% of Majestic's online orders. And the auguries for the future look impressive. Wincanton values the UK's online logistics market as being worth £8.6bn, making it the largest in Europe, with an estimated CAGR of 10.8% between 2016 and 2019.

Oakley's assessment is that there will continue to be a need for warehouses from retailers such as Amazon and the supermarkets that use the best e-commerce technology. "There is more automation, but it does not affect the volume of space. There are fewer people, but they are in the same sized warehouse. That's the same for manufacturing. Robots do not dramatically take up less space than a human," he adds.

One notable exception where expansion

FOR THE PUBLIC GOOD

For Fareham Borough Council, investing in property has not only helped combat austerity, but is proving to be a beacon to others. The council started its commercial property investment acquisition strategy five years ago due to the historically low interest rates and falling government support.

"It was important that we sought new, innovative ways of sustaining our income streams to protect public services from cuts," says councillor Sean Woodward. "We wanted a reliable income stream at the lowest possible risk.

"We acquire established commercial properties with high-quality tenants already in place. We are not speculators buying derelict buildings. Our tenants include Tesco and Specsavers, which are long term and very solid and will look after their buildings. The revenues we have raised and our return on investment of 6% to 7% mean that we have a very low council tax rate and we don't want to raise it.

"We may look to sell our properties, but we are still in acquisition mode. If the tenants are good we will do it.

"People don't realise that council tax brings in only 11% of our spending needs so 89% has to come from other activities."



Fareham Borough Council building; aerial view of Fareham town centre; Fareham high street

rather than rationalisation is the order of the day is in the leisure industry. Tenpin bowling operator Hollywood Bowl is rebranding its estate - and even adding to it - after some striking success following a number of changes (see *On a roll*, page 13).

The group has begun refurbishing its 55 centres across England, Wales and Scotland. Improvements include new dining and bar concepts, and flooring that allows customers to wear their own footwear while bowling. So far this has led to a first-half sales lift of 7.8% this year. Hollywood Bowl CFO Laurence Keen says: "We're looking at spending £3m-£4m on refurbishing between seven and 10 centres a year. We're also looking at expanding and opening up some new centres."

"Lease rules and the low cost of debt are making some finance directors think about the benefits of owning property again"

OFFICE TRENDS

PwC's latest *Emerging Trends in Real Estate: Beyond the capital* report found that the needs of building users and the effects of technology, social change and urbanisation had "permeated through the entire real estate value chain". It charted a 13 percentage point increase since 2015 in the number of investors favouring operational assets such as healthcare, hotels, student accommodation and data centres over traditional assets, such as offices. Their survey placed London real estate at 15th out of 28 as an investment prospect. Respondents reported steep and aggressive prices, as well as requests from tenants for shorter, more flexible leases, that took the property owners "below a level of comfort". Some 23% said investors were keen to invest in shared/serviced offices, acknowledging a preference of many emerging creative businesses to work in a co-occupied environment.

ALL CHANGE?

For most UK businesses, leasing properties is the norm. "Only a few of the big manufacturers or food retailers remain owners," explains Oakley. But this is

something that could be about to change, he says, following the introduction of new lease accounting rules in 2019.

At present lessees account for lease transactions either as off-balance sheet operating or as on balance sheet finance leases. The new rules mean all leases must be recognised on the balance sheet.

"This, plus the low cost of debt at present, are making some finance directors think about the benefits of owning property again," says Oakley. "Particularly the properties that they are never going to leave such as flagship stores or factories. It is just a debate at the moment, but I am not convinced as it reduces a company's flexibility. They feel they can never sell what they think of as the family silver. But we will see a slight uptick in it."

Keen is more relaxed about the lease accounting changes: "We think about owning our own sites occasionally and not paying rent. The new rules are important in how we view debt going forward and it opens up questions about what is your rent cover and whether revenues meet liabilities. But I think as long as we explain clearly then it should not be a problem." ●

RELIEF FOR RESEARCH

Lindsey Wicks examines the tax reliefs available for companies undertaking research and development

Enhanced tax relief for research and development (R&D) is only available for companies within the charge to corporation tax. There is no equivalent income tax relief. The enhanced tax relief for R&D was introduced in 2000 for small and medium-sized enterprises (SMEs) and expanded to large companies in 2002. The reliefs have been the subject of consultation and legislative change a number of times with the aim of stimulating R&D expenditure and innovation.

The reliefs available for qualifying SMEs are more generous than those for large companies. As a result, they are also a state aid under the EU rules. In the fiscal year 2014/15 (the latest year for which data is available), provisional government figures show that a record breaking 20,935 companies made claims for some form of R&D tax relief, with 20,000 claims being made by SMEs.

With so many of the claims coming from SMEs, it seems sensible to concentrate on the rules for that group of companies.

WHAT RELIEFS ARE AVAILABLE?

Since 1 April 2015, the rate of enhanced R&D tax relief for SMEs has been 230% and 130% for larger businesses. This means that for every £1,000 of qualifying R&D expenditure, a corporation tax deduction of up to £2,300 can be claimed for companies with fewer than 500 employees and turnover below £85m. With a corporation tax rate of 19% from 1 April 2017, this equates to an additional tax subsidy of 24.7p for every £1 of qualifying R&D expenditure.



As a result of the enhanced corporation tax deduction, there is the possibility that even profitable companies could have tax losses owing to the relief. To enable companies with tax losses to reap the benefit of the relief sooner rather than later, they can surrender their unrelieved losses attributable to R&D tax relief for a payable tax credit at a rate of 14.5%. This is less generous than gaining corporation tax relief by carrying forward the losses against future profits, but would be of benefit to those with severe cash constraints. Claiming the payable credit comes down to a question of whether cash flow is more valuable than the quantum.

Not all R&D undertaken by SMEs can qualify for this form of enhanced relief. Examples where relief might not be due include R&D subcontracted to the SME; subsidised R&D expenditure; and capped R&D expenditure.

Where SME relief is not available, it might be possible for the SME to claim the R&D expenditure credit (RDEC) that is available to large companies instead. From 1 April 2015, RDEC is equal to 11% of qualifying expenditure. RDEC will generally be set against the company's corporation tax liabilities, although in some circumstances a direct payment will be made. The above reliefs are focused on revenue expenditure. Where capital expenditure relates to the R&D activity, 100% R&D capital allowances may be available.

WHAT IS AN SME?

It may seem an obvious question, but the definition of an SME for the purposes of R&D tax relief is based on Commission Recommendation (EC) No 2003/361, subject to a couple of additional qualifications. To be an SME, the company must have fewer than 500 employees; and an annual turnover not exceeding €100m (£84.7m) or a balance sheet not exceeding €86m (£72.9m).

If the company has partner or linked enterprises (defined in the commission recommendation), the headcount, turnover and balance sheet totals of those enterprises must also be considered.

WHAT IS R&D?

For an activity to qualify as R&D for tax purposes, it must pass two tests. First, it must be treated as R&D in accordance with generally accepted accounting practice. Second, it must be among the activities that are described as R&D in guidelines that were issued in March 2004 by the now defunct Department for Business, Innovation and Skills. Oil and gas exploration is specifically excluded (apart from for capital allowances).

The guidelines state: "R&D for tax purposes takes place when a project seeks to achieve an advance in science or technology. The activities that directly contribute to achieving this advance in science or technology through the resolution of scientific or technological uncertainty are R&D."

"Certain qualifying indirect activities related to the project are also R&D. Activities other than qualifying indirect activities that do not directly contribute to

the resolution of the project's scientific or technological uncertainty are not R&D."

This top-level definition is expanded upon in the body of the guidelines. As the definition has its basis in advances in science and technology, it is not surprising that the manufacturing, professional, scientific and technical, and information and communications sectors have the greatest volume of claims, making up a total of 75% of claims and 77% of the total amount claimed for 2014/15.

QUALIFYING EXPENDITURE

The following expenditure categories qualify for relief:

- qualifying employment costs proportionate to the amount of time spent on direct R&D activities or qualifying indirect activities;
- externally provided workers;
- consumable or transformable materials used directly in carrying out R&D;
- payments to clinical trial volunteers;
- power, water, fuel used directly in carrying out R&D (not telecommunications and data costs); and
- computer software used directly in the R&D.

Where an SME subcontracts R&D to another person, the amount of relief available under the SME regime will depend on whether the parties are connected.

MAKING A CLAIM

While there are no specific record-keeping requirements for R&D tax relief, HMRC would expect project documentation and expense records to be available to substantiate a claim. Details of what HMRC anticipates can be found in its manuals at CIRD80550, CIRD80560 and CIRD80570.

Companies can gain advance assurance from HMRC that their claim will qualify where the company:

- has not claimed R&D tax relief before;
- has turnover not exceeding £2m;
- has fewer than 50 employees;
- has not entered a disclosable tax avoidance scheme; and
- is not a corporate serious defaulter.

FUTURE CHANGES?

The rules for Northern Ireland Companies will diverge following the introduction of the new corporation tax regime for Northern Ireland in April 2018.

Given that many of the parameters of the SME regime relate to EU laws, it will be interesting to see whether there will be changes post-Brexit.

Further government guidance is available at tinyurl.com/GOV-RandD ●



Lindsey Wicks
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tax for ICAEW's Tax
Faculty, and spent
12 years on the tax
technical team of a
national accounting firm

READING THE SIGNS

David Adams reviews the opinions and facts underlying the latest assessments of the UK economy

Our immediate perception of the UK economy right now is guided less by fact and more by sentiment than we might care to admit. Forecasts and economic data appear – and are then revised several months later. That is when the clear picture forms of what happened in the near past, rather than what is happening here and now.

Bearing this in mind, there is still much we can discover today in the data gleaned from different sectors.

JOBS AND GDP ON THE UP

GDP grew by 0.7% in the final quarter of 2016, according to the Office for National Statistics (ONS). Consumer spending remained strong, while business investment slowed by 0.9%. Employment increased by 92,000 during the three months to January 2017, with the number of people in work 315,000 higher than a year earlier: 31.85 million people in total, including 23.34 million in full-time jobs, an increase of 305,000 over the year.

Productivity (economic output per hour) rose 0.4% in the last quarter of 2016 and was 1.2% higher than a year earlier, although it remains some way behind the level recorded before the financial crisis and well behind productivity in other G7 countries. The UK's goods trade deficit has narrowed slightly, to £10.8bn. The independent, government-backed Office for Budget Responsibility (OBR) predicted in its *March 2017 Economic and Fiscal Outlook* report that GDP will grow by 2% during

GDP grew by 0.7% in the final quarter of 2016 and consumer spending remained strong, as did output from consumer-facing and service industries

2017. It acknowledged that economic performance in the final quarter of 2016 was better than expected, but noted that "consumer spending growth cannot continue to outpace income growth by such a margin indefinitely". It predicts that consumer spending will be squeezed by inflation during 2017. The OBR also noted the fall in business investment during late 2016, in line with its expectations, because "heightened uncertainty is likely to lead some businesses to put investment plans on hold". In the longer term it predicts slower growth in 2018 of 1.6%, but an improving outlook afterwards.

Since then, various surveys have found improvements in confidence, output, domestic and export orders, employment and investment (see page 22).

WHAT'S FUELING GROWTH?

In early May a Purchasing Managers' Index (PMI) survey compiled by Markit and the Chartered Institute of Procurement Supply showed subdued activity in the customer-facing services sector, but accelerated growth for IT and transport, as well as a strengthening of output growth in the goods-producing sector, with an uptick in export orders. The survey did not cover the retail sector, which is likely to suffer as prices rise. This survey followed equivalent PMI surveys for manufacturing and construction.

While growth continued in manufacturing, it was most sluggish for consumer goods producers and strongest for plant and machinery, where there was a "gain linked to foreign orders". The weak pound was said to be helping manufacturers "benefit from stronger global economic expansion" – in the eurozone the growth spell is the best for six years. Slower growth in construction was blamed on a weakening expansion around commercial activity, with investment in assets such as office, retail and industrial units stalling.

In February the Bank of England (BoE) revised growth expectations for a second time in three months, predicting GDP growth of 2% in 2017, up from previous forecasts of 1.4% made in November 2016; and

SME OPINION:

CHRIS PARKIN, FINANCE DIRECTOR, MILLER UK

Miller UK makes earth-moving hardware, including buckets and coupler attachments used by machinery in construction, mining and other industries. A family business founded in 1978, its headquarters are in Cramlington, Northumberland. Financial director Chris Parkin says he feels broadly positive about the economy. "We are seeing more confidence and investment in our sector and historically that tends to indicate the economy is improving – a process though that was in place pre-Brexit," he says. "I may just be clutching at straws though, given how long it is since we have seen any sustained improvement!" He complains about "eight years of start/stop recoveries". "It will be interesting to see what the impact of the exchange rate is when the increased cost of imports starts to filter through, although that gives an opportunity for UK-based companies to become more competitive," he continues. "My view probably mirrors the entire Brexit debate: nobody knows. I suspect it is only with hindsight that we will be able to identify the really important factors that determined what happened within the economy."

SME OPINION:

ROB HALLIDAY-STEIN, FOUNDER AND MANAGING DIRECTOR, BULLIONBYPOST

Rob Halliday-Stein founded his gold bullion dealing company in 2008. Turnover at BullionByPost, which is based in Birmingham, is now £100m a year.

He feels "broadly negative" about the outlook for the UK economy, with his chief concern being the country's balance of payments deficit. "The balance of payments deficit has been growing at a phenomenal rate," he says. "It's not being given the level of focus that it needs. It means more successful UK companies are falling into foreign hands, so more dividends are paid overseas and less tax taken in the UK."

However, he does feel positive about the prospects of his own business. "There is a lot of uncertainty at the moment and gold is a good thing to hold during those times. As a business, somewhat sadly, we tend to do well out of uncertainty. I tend to view gold on a five- or 10-year horizon and when you look at the outlook for the world I think there is still a very strong case for holding gold as part of your portfolio."

"Leaving the EU could open lots of opportunities in the future for the business. We are an online business and will be expanding into Europe this year and I feel that this will open up other markets to us, bringing other international opportunities."



one for 0.8% made in August. The BoE said the revision was due in part to the impact of spending and investment plans outlined by the chancellor in the 2016 Autumn Statement. Stronger growth in Europe and the US, buoyant stock markets and free availability of credit were also contributory factors. In the longer term however, the BoE predicts slower growth in 2018 of 1.6% as consumer spending is hit by increased inflation, driven in part by the weaker pound increasing the price of imported goods and materials. It also noted the slow rate of wages growth. If the latter were to increase more quickly this could help to persuade the BoE's Monetary Policy Committee to raise interest rates.

FROM CAUTION TO OPTIMISM

The International Monetary Fund (IMF) expressed cautious enthusiasm about the UK economy in January, when it raised its forecast for UK growth to 1.5% up from a 1.1% forecast made in autumn 2016. But it has also downgraded a previous growth forecast for 2018 from 1.7% to 1.4%. The World Bank also published an outlook report for the UK in January, predicting growth of just 1.2% in 2017 and 1.3% in 2018 and 2019 – a noticeable change to previous predictions of 2.1% growth for both years made before the EU referendum.

Yet a survey of 100 UK CFOs conducted by American Express in March suggested that such pessimism among economists is not making businesses more cautious. Practically all the CFOs surveyed (99%) said their companies' spending and investment would increase during the next year, with planned spending to cover customer service improvements (cited by 67%), technology infrastructure (51%) and people (48%). The latest quarterly CFO survey from Deloitte for Q1 2017 also shows optimism among CFOs. Almost one in three were more optimistic about the prospects of their companies than they had been three months earlier, a figure that had increased from just over one in four during the last quarter of 2016 and only 3% in the immediate aftermath of the EU Referendum.

23.34m

NUMBER OF PEOPLE
IN FULL-TIME JOBS IN
Q4 2016

1.2%

Q4 PRODUCTIVITY
INCREASE
YEAR ON YEAR

99%

OF CFOs SURVEYED SAID
THEIR COMPANIES'
SPENDING AND
INVESTMENT WOULD
INCREASE DURING 2017

Optimism is higher than at any point since the second quarter of 2015, although 17% of CFOs were still less optimistic than in the previous quarter. One third of CFOs said the level of uncertainty facing their business was high or very high, but this figure had fallen since the last quarter when such uncertainty was affecting half of businesses. The percentage of CFOs prepared to take more risk onto the balance sheet had also increased to a quarter, up from a fifth in the last quarter and less than a 10th last summer. But this is still a much lower risk appetite than CFOs were showing in Q3 2015, when nearly half said they would take on more risk.

DRAMATIC REVISIONS

The most recent report published by the EY ITEM Club in April 2017 also indicates growing optimism. Whereas the club's last report, published in January, was particularly cautious, suggesting GDP growth would slow to 1.3% in 2017, then to 1% in 2018, as consumer spending was reduced by rising inflation; its latest forecast has been revised upwards. It now suggests that GDP growth will reach 1.8% in 2017, 1.2% in 2018 and 1.5% in 2019. While it still expects inflation to suppress consumer spending in 2017, it also expects exports to grow by 6.7% in 2017 –



A recent survey of 100 UK CFOs conducted by American Express suggested that pessimism among economists is not making businesses more cautious

SME OPINION: DANIEL REES, MANAGING DIRECTOR, RUROC

Ruroc manufactures helmets, masks and goggles for winter sports and sells them online direct to the consumer. "I wouldn't say I was overly pessimistic or optimistic about the UK economy," says founder and managing director Daniel Rees. "I think there are a huge number of unknown factors at the minute. As a nation I don't doubt that we'll be fine, but there are going to be winners and losers in any major economic/political change. From what we've seen the action sports industry in the UK is yet to be negatively impacted by the current uncertainty."

"As Ruroc exports over 80% of its goods, to over 70 different countries, and sells in over 12 different currencies, we've felt an enormous benefit from the devaluation of the pound. The exchange benefit has allowed us to keep our UK retail pricing fixed at pre-Brexit levels, despite the increased cost of importing goods from China."



a dramatic improvement on predicted exports growth of 3.3% made in January – and 5.3% in 2018.

This improved outlook is due in part to the weak pound, but also to improved conditions for international trade, said Peter Spencer, chief economic adviser to the EY ITEM Club. "This will be a big help in offsetting the headwinds from weaker consumer spending," he suggested. But reduced consumer spending may also discourage business investment, which it expects to fall by 2.2% in 2017 and a further 1.5% in 2018.

The Club also emphasises the importance of the UK/EU negotiations. Its current long-term view assumes future UK/EU trade will be conducted under World Trade Organisation rules, but Spencer notes: "There is the potential for an upside surprise if transitional arrangement can be put in place, perhaps followed by a Free Trade Agreement later."

DRIVEN BY TALENT

A report from the Centre for Economic and Business Research (CEBR) published in April emphasises the importance of the "flat white economy", a term coined by CEBR president Douglas McWilliams to describe a mixture of the technology and creative sectors. This part of the economy now accounts for 9.7% of GDP. Without growth in this sector, McWilliams noted in April, GDP in 2016 would have been cut in half, to just 0.9%. But the flat white economy relies heavily on the supply of talent, including EU migrants, who McWilliams estimates have accounted for 40% of the growth in employment in the sector since 2008. He stresses the need to guarantee the future status of these people, for the good of the UK economy as a whole – a sentiment shared by other industries keen to safeguard the supply of labour from overseas, including construction and agriculture; employers in the NHS and the broader health and social care sectors; and parts of the financial services and technology sectors.

SME OPINION:

**RICHARD STOPPARD,
EUROPEAN COO,
IWSC GROUP**

IWSC Group was established in 2008 and works across the arts, media and food and drinks industries providing events and experiences. It employs around 50 people worldwide. "We're very positive about the economic outlook," says Richard Stoppard, chief operating officer for Europe, who works very closely with the company's financials. "We've seen a very good start to the year – although that's not to say we're Brexit-proof. There is massive uncertainty and the economy could be put under strain if hasty political decisions are taken, rather than sound commercial decisions." He says the overall picture across all the sectors with which the group deals is positive. The company has been acquiring smaller businesses during the past three years and Stoppard sees no reason why that trend should not continue, in Europe, the US and Asia. "We have a growing core business that is profitable and we will continue to look for investment opportunities – obviously while watching what happens with Brexit and other European elections and other international political and economic developments," he says. "Those things will continue to inform the direction we take, but at the moment there's no reason to alter the momentum we have."



"There is massive uncertainty and the economy could be put under strain if hasty political decisions are taken, rather than sound commercial decisions"

FACTORY, FIELD AND RETAIL THERAPY

Business confidence and growth are both rising in engineering, according to a survey of SMEs in this sector commissioned by the Engineering Industries Association in March. Confidence, growth and demand had all improved since the previous survey in September 2016, although the number of people employed and wages growth were both flat and respondents continued to complain of skills shortages.

In agriculture, the most recent Andersons Outlook Survey 2017,

published at the end of 2016, acknowledges that a weak pound is good for UK agriculture, but also predicts that cost inflation will be followed by wage inflation during 2017.

The most recent review of economic performance and confidence published by the manufacturers' association EEF (with BDO) in March, *Manufacturing Outlook 2017 Q1*, shows exports leading strong growth at the start of the year.

Confidence, output, domestic and export orders, employment and investment have all increased. EEF declared that an increase in exports had been instrumental in delivering a stronger than expected performance.

Research commissioned by the consultancy Retail Economics highlights retailers' strong performance during the Christmas period, but also warns of inflation reducing consumer spending during 2017. As ever more retailing moves online, it concludes, the retailers that prosper during 2017 will be those that offer the business models and customer service infrastructures required for successful omnichannel retail.

"For others," it notes – and here it could really be speaking about any business in any sector that is unprepared for the future – "2017 is set to be a very challenging year." ●

**6.7%**PREDICTED UK
EXPORT GROWTH
FOR 2017**2%**PREDICTED GDP
GROWTH IN 2017**9.7%**PERCENTAGE
THE 'FLAT WHITE
ECONOMY'
ACCOUNTS
FOR OF UK GDP**A VIEW FROM ICAEW IN THE
WEST MIDLANDS**

At a regional strategy board meeting in March, members of ICAEW in the West Midlands discussed the state of the economy from their point of view. Board members "provided a mixed picture of the economy", writes ICAEW director of enterprise Nigel Hastilow. "The arts and other organisations reliant on public money were still struggling and running out of alternative sources of income. Farmers were worried by Brexit and hit by falling milk prices and demands for higher wages from eastern European workers affected by the fall in the pound's value."

Those present spoke of skills shortages being a drag on economic growth; engineers are in short supply, many are coming to the end of their careers while there is a lack of newly-qualified replacements. "A worrying mismatch" was emerging between college courses available to trainees and the demands of industry. Members were said to be concerned about rising prices, especially raw material costs. A 'wall of inflation' was expected in the autumn. Attendees thought money was now more widely available to business. Although a £250m Midlands Investment Fund is soon expected, members observed that the need for extra finance for SMEs had diminished as banks and crowd-funders were desperate to lend.

**"From April 2017
corporation tax will
fall to 19% and from
2020 it will fall
again to 17%"**

**KEY ANNOUNCEMENTS FOR
BUSINESS IN THE SPRING BUDGET****Corporation tax**

From April 2017 corporation tax will fall to 19% and from 2020 it will fall again to 17% - "sending the clearest possible signal that Britain is open for business", said the chancellor, Philip Hammond.

Business rates

Although average bills based on recent business rate revaluations had fallen across every region outside London, these averages hid many big rises for individual businesses. Hammond has announced a cap of £50 a month on increases in rates for companies that were no longer eligible for reliefs; a £300m fund to be distributed at the discretion of local authorities to businesses in particular difficulty; and a £1,000 discount for pubs with rateable values under £100,000.

Infrastructure

Some detail as to where some of £23bn spending pledged in the Autumn Statement will go - £270m for biotech, robotics and driverless vehicles; £220m to tackle road congestion on the national road network including £90m in northern England; £200m on faster broadband; and £16m to help roll out 5G mobile technology.

Education and skills

Government will spend £500m on improvements to technical education for 16 to 19-year-olds, introducing new qualifications: T-levels. From 2019 it will fund maintenance loans for students working towards higher qualifications in technical subjects. Support for 1,000 new PhD places focused on STEM subjects was also announced.

THE TRANSFORMATIVE TOUCH

Rick Payne explains how getting the sponsorship you need can transfigure the success of any finance transformation programme

A programme manager we spoke to, who wished to remain anonymous, said: “sponsorship is an overused term and an underused activity”.

It's almost a truism to say that successful finance transformations depend on top-level sponsorship. A research report by the Project Management Institute, *Executive Sponsor Engagement* (2014), argues that engaged executive sponsors are the top driver of programme success. Indeed Adrian Ryan, an experienced finance transformation lead (FTL) who is helping ICAEW with its thinking on finance transformation, says: “If you do not have good top-level sponsorship, panic! You will not be successful.” And yet we still hear of many cases where sponsorship is ineffective. In some instances this may be because of sponsors heading for cover when a finance transformation programme looks to be doomed to failure or FTLs seem to be passing the buck. But we believe more often the problems relate to a lack of clarity of what is required, the capability and attitude of the sponsor and the need for more effective ‘managing upwards’.

FTLs generally don't get to choose their sponsor, usually the CFO, but establishing a good relationship is a must. In this article we offer advice on how an FTL can make the best of the hand they have been dealt.

AGREEING ON THE SPONSORS ROLE

Early conversations between the programme sponsor and the FTL help build the relationship and clarify role expectations, which is essential to avoiding misunderstandings. Some organisations will have documented project roles that can provide a start point - although these can be open to interpretation. The exact responsibilities will vary depending on circumstances and the relative capabilities of sponsor and FTL. However, as an FTL you should be looking to gain

understanding and agreement on:

- programme sponsorship as a visible leadership role and with a requirement to get hands-on if things go off track;
- the programme's objectives, approach and success criteria and how these fit with the organisation's strategy and the other priorities;
- the need for the sponsor to champion the programme across the organisation, overcome roadblocks (both those within finance and elsewhere) and to motivate the team, particularly if times get tough;
- how progress and issues will be fed back; and
- how the programme steering committee will be chaired and managed.

Andy Shambrook, who heads a range of ICAEW's Academy courses, adds: “Sponsorship doesn't happen in the steering meeting looking at PowerPoint. It happens on the ground, talking regularly to the project teams implementing the changes, listening to their point of view and seeing things from their perspective. Finding their pain points and taking action to make things better.”

COMPENSATING STRATEGIES

Ideally the programme sponsor will be an excellent leader and communicator, with the power and influencing skills to maintain stakeholder commitment and blessed with keen judgement to make the right decisions quickly and intervene only when necessary. Successful CFOs may indeed embody these qualities. However, if they do not, the FTL needs to consider ways of compensating for any weaknesses. The following possibilities are valuable even with a strong sponsor but can be prioritised based on need.

- Find an influential mentor who can help provide support and advice, particularly on making difficult judgement calls and dealing with stakeholders.



- Build your own relationships with executive stakeholders and their influential team members.
- If you are using consultants make use of the person in the firm who has overall responsibility for the engagement (if you think they are up to it maybe they can operate as a coach to the sponsor).
- Develop your own presentation skills or find people in your team with such skills.
- Maximise the use of internal communication channels to promote the project and its successes.
- Use formal and informal information systems to help steer decisions.

MAKE IT EASY

As an FTL it is important to put yourself in the project sponsors' shoes and see things



“You should manage your sponsor much like you would manage your life partner relationship... mutual respect, trust and above all openness”

difficult to judge when to ask for help. Too early and too often and you end up being seen as incompetent and risk not getting help when you really need it. Too late and the position may be difficult to recover.

Meeting preparation is another key area. First of all bear in mind that many important decisions are effectively made before formal steering committee meetings. One effective programme manager we know invested a lot of time speaking one-to-one with every committee member before each meeting. Not only did this build consensus, but it also avoided any nasty surprises at the meeting. The last thing a CFO wants is to be thrown a hospital pass he or she can't deal with in a forum with influential stakeholders. Clear agendas and meeting objectives coupled with concise minutes and action points with responsibilities help ensure the best use of everyone's time.

Having said all of this, it does not mean letting the sponsor off the hook when there are hard things they need to do, such as dealing with conflict that threatens the success of the programme. Deloitte's 2011 report, *Don't quote me on this: Finance transformation leaders - on the line and off the record*, quotes an FTL saying: “Just expect your sponsor to be weak; shut down their escape routes so they can't get away.”

Adrian Ryan advises: “You should manage your sponsor much like you would manage your life partner relationship. There has to be mutual respect, trust and above all openness and a frank exchange of views. The occasional tiff is fine if it is resolved productively; in fact this can be very creative.”

ABSENT OR INEFFECTIVE

Sometimes no matter how effective you are as an FTL, finance transformation programmes can go off the rails. If you fear this is happening, get to the root cause to work out what action to take. It may not be

to do with poor sponsorship and you should take care not to leap to this conclusion. Maybe there was a flaw in the initial business case or operating model which neither you nor the sponsor spotted. Maybe business circumstances have changed significantly. So it may be that you and the sponsor need to step back, regroup and plot a way forward together.

However, as argued earlier, ineffective programme sponsorship is a recognised cause of programme failure. You will know if this is the problem based on how your relationship with the sponsor is going, but it may be worth checking with someone you trust to get a candid second opinion. Maybe sponsorship was an issue from the outset. Warning signs that it's becoming an issue include sponsors distancing themselves from the programme, making snide comments about the programme, missing steering committees and cancelling programme-related meetings.

If you can't resolve the issues through discussions with the sponsor, what are the options? It's important you continue to do, and are seen to be doing, everything you can to make the best of things. In particular take advantage of any wins you can realise despite the lack of support. Consider re-scoping the programme towards something more achievable. Perseverance will not be easy and it is important you pay attention to managing your health and using your support network. Escalation to the CEO or other executives is a high-risk option unless they are coming to realise the sponsor is not up to their job and needs to be replaced. Ultimately you may have to cut your losses and look for another job, either within the organisation or elsewhere. Finance transformation experience seems to be in high demand.

BIGGER AND BETTER

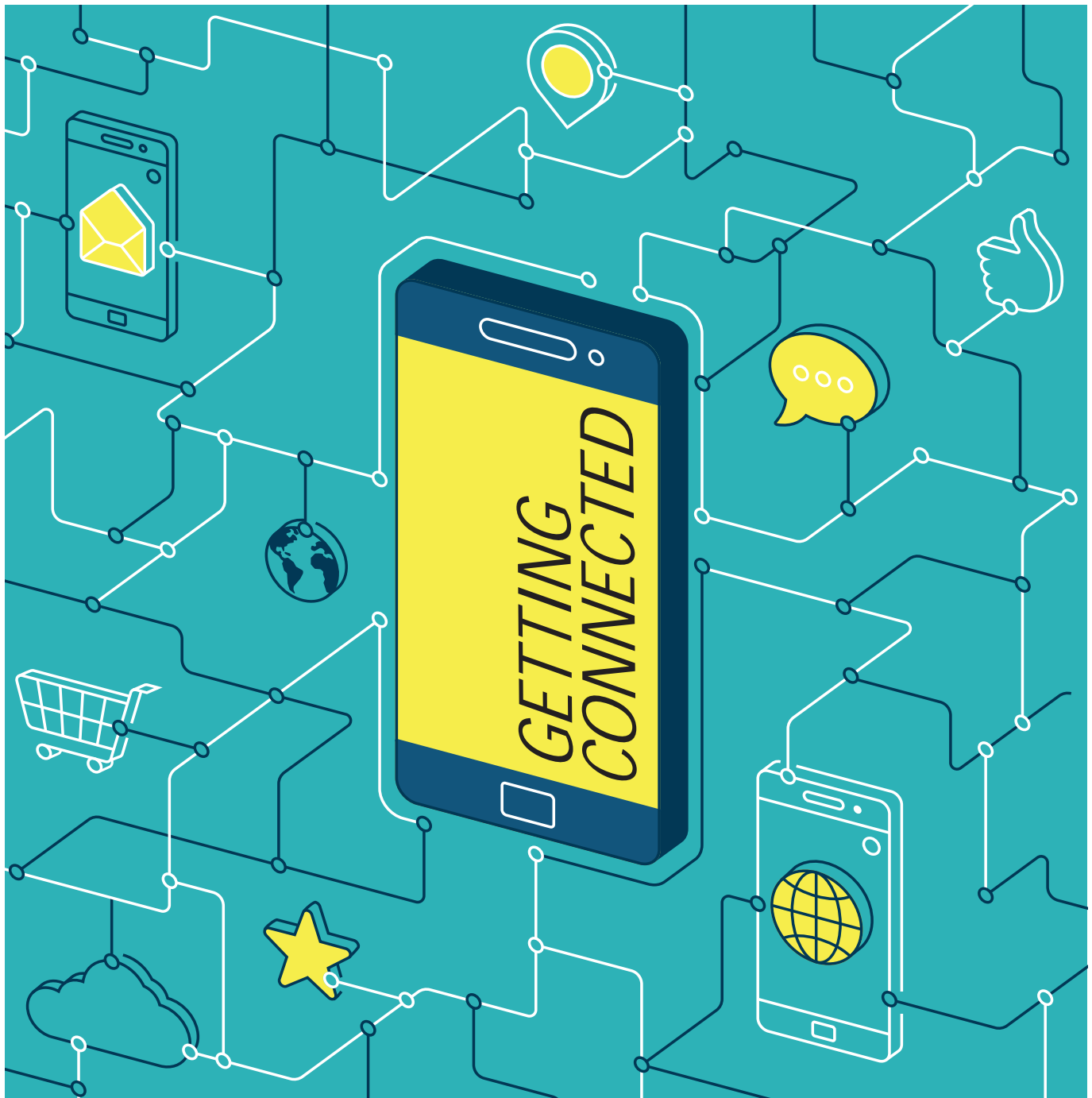
Having a successful finance transformation under your belt and a great working relationship with a CFO sponsor can only be beneficial for your career. Make sure you continue to nurture the relationship after you leave the programme. ●



Rick Payne, finance direction programme, Business & Management Faculty

from their perspective. In particular CFO sponsors have many responsibilities and demands to juggle, so the FTL has to make every effort to ensure the sponsor's time and energy is put to best use. The FTL should seek to build an excellent working relationship with the sponsor and make it easy for them to fulfil their responsibilities.

Managing expectations and minimising the number of surprises (negative ones at least) are at the heart of effective upwards management. As mentioned effective feedback mechanisms, both formal and informal, are essential. These should be designed to monitor programme risks and highlight issues around delays, overdue decisions, resourcing, team morale and cost overruns. However, even well informed sponsors may not know when it is best to intervene. For the FTL it can be



Christopher Brinton and **Mung Chiang** chart the underlying principles that guide the networks influencing our everyday lives

Networks - whether a social network, a communication network or an economic network - are everywhere these days. From whom we are friends with on Facebook to how our messages get carried through the internet, they all have interesting stories underlying them. As different as recommending movies to watch, controlling device power levels and video clips going viral may seem, the inner workings of these and other functions are the six hidden principles of networks.

1 SHARING IS HARD

Whether we're making calls on mobile phones or browsing the internet on wifi, we share the network media that we're using with many others. How is it possible for us to do this without disrupting one another's connections? It requires the network to have effective techniques for co-ordination and sharing among devices, from controlling the levels that our phones transmit information to pricing

the data that we receive (see box, *Pricing data smartly*).

One of the challenges to sharing is that network conditions can fluctuate rapidly as people connect and disconnect or move from one location to another. For example, the volume of phones connected to a mobile phone mast now may stop working well as soon as a new connection comes along. This is handled in many cases by letting the devices co-ordinate themselves through negative feedback. The network sends mobile phones signals about the current conditions - and they all follow the same protocol for using this signal to adjust what they are doing and when they are doing it.

2 RANKING IS HARD

Many websites today resolve large amounts of raw data to find an effective way of ranking items. Search engines like Google have methods for ordering the results from a query, just as websites have techniques for allocating advertising space to advertisers.

To come up with rankings, a website's algorithm should consider at least two factors. The first is the kinds of items site users are looking for. The words that are entered into a search engine's query field, for example, should appear in some form in the advertisements that are returned on the sidebar. The second is what the items can tell us about how "important" they are. Google, for instance, determines an importance score for each webpage by constructing a webgraph - the network of webpages - and analysing the structure of this graph. The ones with higher importance scores will be closer to the top of the search results.

3 CROWDS ARE WISE

Online retail and entertainment companies like Amazon and Netflix have many customers. They leverage the opinions of these "crowds" to make product rating and recommendations more accurate and useful. So when someone leaves feedback for a product on Amazon, it may affect where this product appears in a rank-ordered list of items. Similarly, when someone rates a film on Netflix, it could affect whether

PRICING DATA SMARTLY

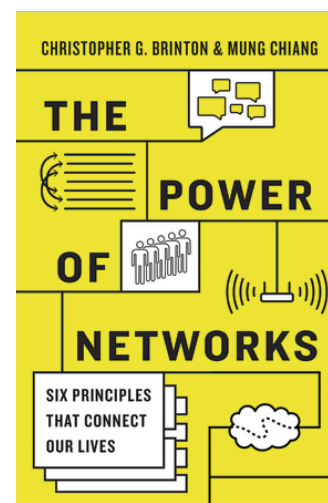
Brinton and Chiang include a chapter in their book on how data is priced, and use changes over time in the mobile telecommunications sector to illustrate their "sharing is hard" principle, and show that pricing can be used to enable more efficient sharing in networks.

They point to the advent of smartphones and how companies initially offered flat-rate pricing for data usage when it was less popular than call and text plans. "This changed quickly. The demand for data began to rise rapidly as handhelds became capable of surfing the web, streaming music videos, and supporting a wide variety of other data-intensive applications." The authors point to a "50-fold jump in cellular data demand" following the 2007 launch of the iPhone, and note that by 2015 4.2 billion gigabytes of data monthly was passing through the internet, with a projected 50% year on year increase.

For networks, this increase posed a problem - no matter how much was spent on increasing capacity, demand went up. So internet service providers (ISPs) switched to usage-based price plans, with the intention of influencing the way data networks are used. As Brinton and Chiang explain: "The network is regulating each user's demand based on the available capacity by feeding back the usage-based price. Each consumer is thereby asked to internalise her negative externality (the congestion she creates) on the network by paying for the amount she consumes."

The authors identify "two typical precursors to the introduction of usage-based pricing": a surge in network usage throughout the market and demand projected to climb faster than supply, and a green light being given to pricing innovation through regulation.

In mobile telecoms, usage-based pricing helps ISPs, allowing "revenue [to] catch up with the cost of supporting the rising demand". Brinton and Chiang also identify a long tail growing longer with data pricing, and state that "the heaviest data users are the ones whose demand also increases the most".

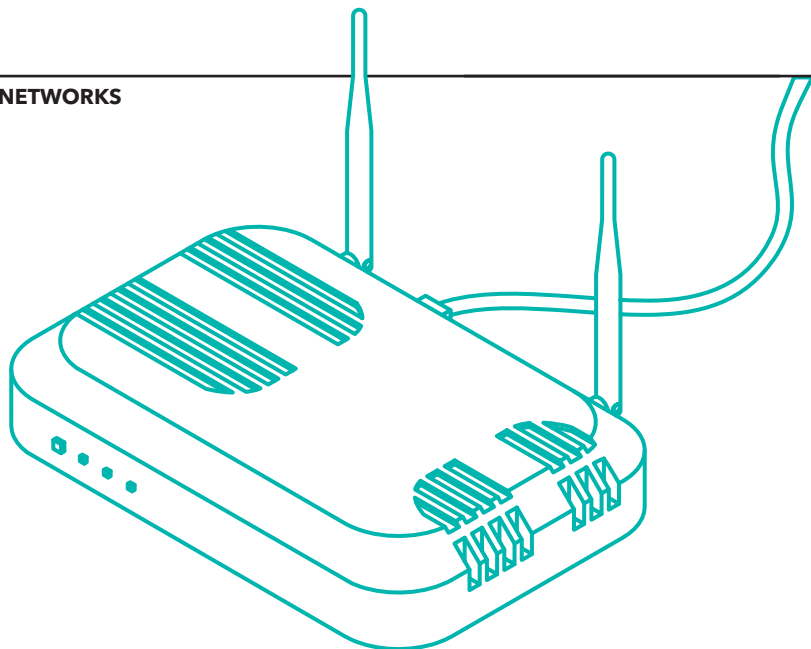


Since 2012, US-based companies such as AT&T and Verizon have led the way in altering pricing structures, such as by slowing users' data past a certain limit, or making voice and text plans flat rate and tiering data where the primary function of the device is no longer to make voice calls.

While more expensive flat-rate schemes, zero-rating or toll-free data could still be viable, Brinton and Chiang report on developments in smart data pricing as an alternative. They look at the potential for charges based on end-user experience, as evidenced by some cloud providers around the principle of diminishing marginal returns. They also identify countries where unused data can be traded, and time-dependent pricing is deployed, where it costs more at congested times of the day and in congested locations. The authors consider this as "sending a more specific feedback signal to end users".

The authors also ask if the end user is the only person in the chain who should be charged, and suggest sponsored content schemes, where content providers "may split the cost with the end users", much like the model established for Kindle eBooks.

Brinton and Chiang also discuss the impact of ever more users on the network. "No additional cost is incurred each time the consumer draws from the network," they say. "From each person's perspective, the only 'cost' is the minuscule congestion they are adding." This is until the network is congested, creating "a negative network effect" that the authors say leads to higher prices and starts to modulate demand.



Algorithms for ranking products based on opinion aggregation tend to assume and leverage the “wisdom of crowds”

it will be recommended to someone else.

Algorithms for ranking and recommending products based on opinion aggregation tend to assume and leverage the “wisdom of crowds”. This principle holds that, under certain circumstances, as a crowd grows, the collective decisions made by it will be better. For rating products online, this means that as more information about a product is gathered, the estimate of its quality has the potential to be more accurate, which can rank lists for potential shoppers.

This idea pops up in social learning networks, where people learn from each other through interaction and collaboration. Scaling this to a massive “crowd” of learners requires that the outcome of learning can be partially satisfied by “wisdom” within the network.

4 CROWDS ARE NOT SO WISE

Key to the “crowds are wise” principle is that the opinion of each person is formed in an unbiased way, and that it is independent of anyone else’s opinion. When these assumptions don’t hold, it brings us to the fourth networking principle - what other people think will, in fact, influence our actions, like that video clip we watched because everyone was talking about it.

The more people we see who have followed through with such an action, the more temptation increases for us to do the same.

When the social influence becomes large enough, we may ignore our own individual opinion completely and instead follow the crowd. The “fallacy of crowds,” as it’s called, offers some intuition into how internet content goes viral: there’s a positive (rather than negative) feedback in which more people seeing the content increases the influence on those who haven’t seen it, making more people see it, and so on.

5 DIVIDE AND CONQUER

As well as its technological and commercial success, the internet exemplifies an important engineering design philosophy. One of the key principles it is built upon is taking a large task and breaking it down into many subtasks that can be completed separately. This “divide and conquer” principle helps the internet achieve tremendous scalability in terms of the number of devices connected to it, its geographic spread, and the functions that it performs, which are constantly growing.

One function that exemplifies this is internet routing - the task of getting packets of data from source to destination. The postal service offers an analogy as to how this works. To route from sender to receiver, we need three main features: addressing, routing and forwarding. An IP address, equivalent to a home address, is assigned to a device. Forwarding is

getting from one step to the next along the path to the destination, whether from post office to post office or router to router. The postal system decides ahead of time what route a letter will take from source to destination, while in the internet, routers pass messages to each other to discover the shortest paths through the internet.

6 END TO END

The final principle is “end to end” control, which is how networks, like the internet, operate over great distances. The devices we hold in our hands often don’t know - nor do they need to know - what exactly is going on inside the internet to perform the functions assigned to them.

One task that is left to the end-hosts is congestion control: making sure the demand for the internet doesn’t exceed the supply on its links, and when it does, bringing the demand back down to a tolerable level. It is here the principle of “sharing is hard” re-emerges because this must be done in a way that works well for all devices connected to the internet. Since each device does not know how the network pipes are laid out or where the congestion is being caused, they must rely on feedback signals provided from the internet on the current congestion conditions to determine when to change their transmission rates. When all the devices follow the same protocol, these distributed actions can turn into a globally efficient behaviour. ●



Christopher G Brinton, head of advanced research, Zoom! Inc and lecturer at Princeton
Mung Chiang, Arthur LeGrand Doty professor of electrical engineering, Princeton

Since 2012, Brinton and Chiang have introduced networks to hundreds of thousands of people around the world through massive open online courses, and they are the authors of *The Power of Networks: Six Principles that Connect our Lives* (Princeton)

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TAGGED AT SOURCE

Tagging business accounts for HMRC is labour intensive – and sadly not optional. But it's also a task not all FDs feel comfortable outsourcing. Arkk Solutions explains why offering a nearshore service for iXBRL tagging is proving good news for its clients

Does the deadline to file your accounts to HMRC

seem to come round all too soon? Do you need support to deliver fast and accurate corporate reporting but aren't sure how to find it? If you answered yes to either or both questions, one way to help lighten the reporting load is to consider outsourcing your iXBRL activity.

If you're sceptical about outsourcing because the concept seems to have fallen out of favour, it's definitely time to reconsider. Today, outsourcing is all about nearshoring – and that's something iXBRL tagging specialist Arkk Solutions knows all about.

THROUGH THE PORTAL

With offices in Belfast, London and Dublin, Arkk Solutions supports clients around the globe with their reporting. For the HMRC service, Arkk Solutions set up operations in Belfast, where its dedicated team of accounting and software specialists are focused wholly on iXBRL tagging. The company's diverse range of clients, from FTSE 250 companies down to SMEs, benefit from a sophisticated and personalised outsourcing model.

Arkk Solutions' service enables businesses to upload Microsoft Excel or Word files via a secure portal. From here, the team of tagging experts download, tag, review, test file and return the files within 15 days – or sooner via the express service. Arkk Solutions has supported the iXBRL tagging requirements since their first implementation, and tag for both HMRC and Revenue iXBRL reporting.

HOME COMFORTS

Lucy Gordon, general manager of the Belfast office, extolls the virtues of being in the same country as most of Arkk's clients: "Many clients have commented on how easy it is to pick up the phone and speak to the person who tagged their accounts. With no language barrier or time

difference, this is a valuable but easy-to-deliver benefit. The team themselves benefit from the proximity to our other offices, as regular training sessions and face-to-face meetings with the London headquarters encourage a consistent approach."

The company also believes being in Belfast helps fulfil its key aim to be more efficient and transparent. Gordon adds: "One thing customers have noted very enthusiastically is that they can be assured their data is not going offshore to a jurisdiction. There is no uncertainty who is handling their data and the laws which protect it."

Having reporting experts close at hand means that software can be refined regularly to take in crucial regulatory changes. "Our development team updates and maintains our proprietary tagging software in London," says Gordon. "We are recognised by HMRC as an approved vendor, and were among the first providers to support early adopters with the transfer to the new FRS requirements."

For Arkk Solutions' clients, iXBRL reporting is one less thing to worry about around the busy year-end period. While you concentrate on your day-to-day financial operations, the local tagging team provides consistent reporting, expert advice and ongoing cost savings for simple submissions to HMRC and Revenue.

Next month: Arkk Solutions explains what prompted the change from an outsourced service in India to its nearshore location. ●

arkksolutions

For more information about nearshoring iXBRL tagging for your business, visit www.arkksolutions.com/ixbrl



TECHNICAL UPDATES

Our regular roundup of legal and regulatory change

TAX



NEWS AND UPDATES FROM THE TAX FACULTY WEEKLY NEWSWIRE. VISIT ION.ICAEW.COM/TAXFACULTY AND CLICK THE SIGN-UP LINK TO SUBSCRIBE FOR FREE

FINANCE BILL 2016-17: PROGRESS TO DATE

The Tax Faculty has published an update on the progress of Finance Bill 2016-17, which had a reading on 18 April, and a subsequent House of Commons session on 24 April. They met to discuss the following clauses:

- Clause 7 and Schedule 1 (workers' services provided to public sector through intermediaries);
 - Clauses 58 and 59 (insurance premium tax);
 - Clause 65 (alcohol liquor duties);
 - Clause 107 (soft drinks industry levy);
 - Clauses 120 to 122 and Schedule 25 (digital reporting and record-keeping);
 - Clauses 124 to 129 and Schedules 27 to 29 (tax avoidance and evasion);
- The General Election on 8 June will

change the rest of the timetable and the content of the Finance Act.

The Bill's progress can be tracked at tinyurl.com/BM-Parliament

TAXGUIDE 09/17 - FRS 102: LOANS AT NON-MARKET RATES

The Tax Faculty has published *TAXguide 09/17* to help members get to grips with the FRS 102 changes that affect loans from individuals to a company and intercompany loans.

Under Financial Reporting Standard (FRS) 102 the way in which long-term non-market rate loans are accounted for has changed. This appears to be the area of FRS 102 generating the most noise and is in fact so complex that we are still awaiting some of the guidance from HMRC.

Not only will businesses need to be aware of the new accounting rules, but also changes introduced in Finance Act 2016 now need to be considered.

The tax treatment of such loans will depend on how the loan is accounted for under FRS 102; whether the loan was made in a period commencing before or on/after 1 January 2016; the relationship between the lender and

the borrower; and whether there are any grandfathering provisions.

TAXguide 09/17 focuses on loans from individuals (shareholders and/or directors) to a company and intercompany loans. It considers the tax implications both for loans made in accounting periods commencing before 1 January 2016 and those made in accounting periods beginning on or after 1 January 2016.

Visit tinyurl.com/BM-TaxGuide0917

TAX AND SKILLS - AN OECD REPORT

OECD has published a report *Taxation and Skills - How tax systems impact skills development in OECD countries*.

Creating incentives to invest in skills across society is a key component in lifting wage and productivity levels across OECD countries. At the same time, increased levels of skills investment will be necessary to ensure that future economic growth will be inclusive and sustainable. This study demonstrates that tax and spending policies need to be designed in a coherent manner in order to encourage efficient and equitable skills investments. The study provides the following key insights:

- Investments in skills produce a sound return for students through the higher wages and salaries that can be earned with improved skills.
- Investments in skills are a good investment for government, with every dollar invested being more than fully repaid in additional tax revenues on average.
- Government investments in skills and education should attempt to ensure an efficient and equitable sharing of the costs and returns between governments and individuals. In particular, it is important for policymakers to constantly re-evaluate the means and extent of support provided by governments to ensure that the incentives for further skills investment remain sufficient for governments and individuals.
- The most efficient and equitable ways that governments can support skills investments are through direct government spending and by subsidising student loans.

The costs of failing to invest in skills will have consequences in the years ahead. A failure to invest in skills today will not only impede the economic participation

of individuals and restrain productivity growth, but will also reduce future expected tax revenues, increase future expected levels of social expenditure, and jeopardise future inclusive economic growth prospects.

The OECD report can be found at tinyurl.com/BM-TaxAndSkills

UPDATED VAT NOTICE ON THE FLAT RATE SCHEME

HMRC has issued a revised *VAT Notice 733: Flat Rate Scheme for small businesses*.

It includes slight amendments to section 4 (determining your flat rate percentage); paragraph 7.2 (do I need to keep any special records?); and paragraphs 15.4 and 15.5 (capital expenditure goods).

There was an important change to the Flat Rate Scheme on 1 April - the introduction of a 16.5% rate for limited cost traders. A news item last month (tinyurl.com/BM-VAT-Flat) explained that HMRC is writing to all businesses using the scheme to inform them of the change.

The flat rate scheme can be seen at tinyurl.com/BM-VAT733

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

PROPOSED SIMPLIFICATIONS TO FRS 102

The UK's FRC has issued an exposure draft outlining proposed incremental improvements and clarifications to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The proposals are part of the first triennial review of new UK GAAP. Consequential amendments are also proposed to the other UK and Ireland accounting standards for consistency with FRS 102.

Comments on the exposure draft are due by 30 June 2017. The aim is to finalise the amendments in December 2017, with an effective date of accounting periods beginning on or after 1 January 2019. Early application would be permitted.

The Financial Reporting Faculty's recent blog provides an overview of the principal changes proposed. Read our blog at tinyurl.com/FR-FRS102clarify

If you'd like to find out more about these proposals, the faculty is hosting a webinar on 18 May free to ICAEW members. For details of the event visit icaew.com/frfevents

PRINCIPLES OF DISCLOSURE

The IASB has published a Discussion Paper, *Disclosure Initiative - Principles of Disclosure*, looking at ways of making disclosures in financial statements more effective.

The board is looking to develop disclosure principles that could apply across all IFRSs, the purpose of which would be to help the board set better disclosure requirements and to enable preparers to make better judgements about disclosures. It is expected that the discussion paper could lead to amendments to IAS 1 *Presentation of Financial Statements* or the development of a new general disclosure standard.

The discussion paper is the latest instalment of the IASB's disclosure initiative, which was established in 2013 with a 10-point plan to deliver tangible

improvements to disclosures in financial reporting.

The discussion paper is open for comments until 31 July 2017. Read the IASB press release at tinyurl.com/BM-DIPD

IFRS 8 OPERATING SEGMENTS

The IASB has published an exposure draft outlining proposed improvements to IFRS 8 *Operating Segments*. The proposed amendments follow on from a post-implementation review of the standard that was carried out to assess whether it was working as intended. This review confirmed that the standard generally functions well but identified some areas that could benefit from improvements.

The proposed improvements include amendments to: clarify and emphasise the criteria that must be met before two operating segments may be aggregated; require companies to disclose the title and role of the person or group that performs the function of chief operating decision-maker; and require companies to provide information in the notes to the financial statements if segments in the financial statements differ from segments reported elsewhere in the annual report and in accompanying materials.

The board has also proposed to amend IAS 34 *Interim Financial Reporting* to require companies that change their segments to provide restated segment information for prior interim periods earlier than they currently do.

The exposure draft is open for comments until 31 July 2017. See tinyurl.com/BM-IFRS8

NEW UK GAAP RESOURCES

The 2016 UK GAAP Accounts factsheet highlights the new and modified UK GAAP requirements that are mandatory for accounting periods beginning in 2016. It has been updated for recent amendments and a revised version of FRS 103 *Insurance Contracts*. This factsheet is available for download free of charge at tinyurl.com/BM-UKGAAP16

Our popular FAQs on accounting for loans from director-shareholders has been also been updated. You can access all our FAQs and other resources at icaew.com/newukgaap

You can keep up to date on all the latest financial reporting news and faculty resources by downloading our free Financial Reporting app or following us on Twitter @ICAEW_FRF

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.

UBER CAN APPEAL TRIBUNAL CASE OVER EMPLOYMENT STATUS

The Employment Appeal Tribunal (EAT) is to hear an appeal by minicab app company Uber over whether its drivers can be considered workers rather than self-employed.

The two-day hearing scheduled for September comes after the landmark ruling last October that found Uber drivers were not self-employed and could be entitled to workers benefits such as holiday pay and sick pay.

The original case was brought by a group of Uber drivers, but was set to affect up to 30,000 individuals as well as set a new precedent for people working across the so-called gig economy in other sectors. Uber had stated that more than three-quarters of its drivers wanted to be defined as self-employed, and to choose their own hours.

At the time of the judgement, there had been speculation the case would be appealed. Businesses keen to alter their operational model in line with employment law may have to wait some months yet for a definitive answer.

RESEARCH SUGGESTS FLAW IN INTERNSHIP MODEL

An investigation into the employment market for graduates has turned the spotlight on internships – and claims the negative effect they have on social mobility is underestimated.

The Inbetweeners: The new role of internships in the graduate labour market, claims there are up to 70,000 internships created every year – almost 60,000 more than the 11,000 posts advertised.

The Institute for Public Policy Research (IPPR), which is behind the study, claims that the largest number are set aside by the HR department for the friends and family of prominent existing employees. It claimed these internships were generally informal and unpaid.

The IPPR reported that graduates felt an internship was essential for their CV,

but that those from less well-off backgrounds were effectively being excluded. The report stated: “In short, internships are acting as a barrier to social mobility, rather than being a driver of it.”

Industries with a high number of internships included the creative arts, publishing and media, and in some cases banking. In the study, it was also stated that while graduate job positions have declined since 2010, this has coincided with a 50% rise in the number of internships offered.

See the study at tinyurl.com/BM-Inbetweeners

UPDATED GUIDANCE FOR DEFINED BENEFIT PENSION TRUSTEES

The pensions regulator has issued new investment guidance for the trustees of occupational pension schemes.

The updates relate to defined benefit plans, and will be of interest to advisers and sponsoring employers.

The guidance is themed around governance, investing to fund defined benefits, matching assets, growth assets, implementation and monitoring.

Find the guidance at tinyurl.com/BM-Pensions

NOTICE OF TERMINATION RULING

In the case of *Newcastle Upon Tyne NHS Foundation Trust v Haywood* an employee was informed that they were at risk of redundancy but was on holiday when the notice of termination arrived. Did the date of actual receipt count as the date of notice of termination taking effect? The Court of Appeal found it did.

Ms Haywood had a contract that entitled her to 12 weeks’ notice. She was away from 19 to 27 April 2011, and the letter from her employer was sent on 20 April. She read it on 27 April.

Her employment contract did not stipulate how notice was deemed given. If 27 April 2011 was deemed as the start of the notice period, Ms Haywood would have been entitled to a more generous pension package because she was due to turn 50 on 20 July 2011.

The majority of the judges held that contractual notice of termination was given on actual receipt, and Ms Haywood’s employment was deemed terminated after her 50th birthday.

The written judgement can be found at tinyurl.com/BM-NewCourt ●

ON A LIGHTER NOTE



CHOCOLATE PRINTED TO ORDER

Belgian chocolatier Miam Factory has found a new application for 3D printing: customised chocolate gifts. The shop uses four 3D printers to make chocolates and engrave biscuits/cakes. But the process is not quick – one recent order for chocolate beer bottles took three hours to create each one.

3

HOURS IT TAKES TO CREATE A 3D-PRINTED CHOCOLATE BEER BOTTLE

50+

NUMBER OF APPLICANTS FOR SAALFELDEN HERMITAGE

NO PLACE LIKE A HERMITAGE



An advert for applicants to become one of Europe's last

hermits attracted more than 50 applicants, despite not offering any income. The mayor of Saalfelden in Austria chose Stan Vanuytrecht – a surveying technician from Belgium – to live alone in the 350-year-old hermitage, which has no water or electricity. "He radiates calm and comes across as well-anchored," said mayor Erich Rohrmoser. The previous incumbent quit after a year.

JOB LOSS IS BAD FOR YOUR HEALTH

The University of East Anglia and What Works Centre for Wellbeing, a UK government quango, have analysed more than 4,000 research papers to discover that losing your job has a more devastating and longer-lasting effect on wellbeing than divorce. All people tend to follow the same pattern, but the reaction to both is more pronounced for men. Men return to normal wellbeing after two years following the loss of a partner through divorce or death. However, after losing a job, men's wellbeing deteriorates for more than four years.

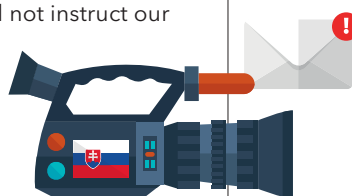


GETTY, ALAMY

WRATH OF THE NAME POLICE

Slovak media received a warning letter stating they would be fined up to £5,000 if they continued referring to 'Britain' or 'Great Britain' in Brexit coverage rather than 'United Kingdom of Great Britain and Northern Ireland' – although using 'United Kingdom' was permissible. The news outlets have been chastised by the Geodesy, Cartography and

Cadastre Authority, a Slovakian state agency that is responsible for enforcing the use of official country names in publications, based on a 1995 law. "I think the letter is absurd and I will not instruct our editors to use different terms," said Beata Baloghova of *SME Daily*.



€6.6k

FINE THAT SLOVAK MEDIA ARE FACING

A KNOTTY PROBLEM SOLVED

Runners out there may be interested to know that research has discovered why shoelaces come undone. The University of California at Berkeley performed a detailed study to identify the forces at play in "knot failure". It was found when running that the foot hits the ground with seven times the force of gravity compared with standing still. This force then stretches and

relaxes the knot, loosening it slightly. Meanwhile as the knot loosens, the backwards and forwards motion of the foot applies an inertial force on the free ends of the laces, pulling the already-loosened knot apart. The researchers believe the finding could have knock-on uses when applied to other intertwined structures like DNA.

Study co-author Christopher Daily-Diamond said: "This is the first step toward understanding why certain knots are better than others, which no one has really done."





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