

Business & Management

THE REVIVAL
IS MIKE ASHLEY THE
ANSWER TO SAVING
THE HIGH STREET?

HOME IMPROVEMENT
THE ALTERNATIVES
TO TRADITIONAL
HOUSING MODELS

UP IN THE AIR

In the wake of Carillion's collapse, how can other businesses avoid the same fate?



THE VALUE OF TOGETHERNESS



YOUR XC60 AND EXCLUSIVE MEMBER BENEFITS

We believe in the power of working together. That's why every detail of a Volvo, from its innovations to its design, is made to fit perfectly into your life. And also why we've partnered up with ICAEW to give you more. As a member, you can enjoy an exclusive £5,290 saving on our multi-award-winning SUV, the XC60 T5 R-Design. And you can discover our full range of benefits that will help you make the most of your car.

VISIT **ICAEW.COM/VOLVO** OR CALL
THE VOLVO CAR BUSINESS CENTRE
ON **03333 204 147**



XC60 T5 R-Design FWD Automatic, Metallic Paint Personal Contract Purchase Representative Example*

48 monthly payments	£399.00
Customer deposit	£4,108.23
Finance deposit contribution	£1,000.00
On the road price	£42,010.00
Member saving	£5,290.00
Revised on the road price	£36,720.00
Total amount of credit	£31,611.76
Interest charges	£4,822.12
Total amount payable	£41,542.11
Duration of agreement (months)	49
Fixed rate of interest (per annum)	2.52%
Optional final payment	£17,281.88
Mileage per annum	10,000
Excess mileage charge	14.9p per mile
Representative APR	4.9%

Fuel consumption and CO₂** figures for the Volvo XC60 T5 R-Design FWD Automatic, in MPG (l/100km): WLTP Combined 30.1 (9.4) – 34.0 (8.3). NEDC CO₂ emissions 165g/km.

Figures shown are for comparability purposes; only compare fuel consumption and CO₂ figures with other cars tested to the same technical procedures. These figures may not reflect real life driving results, which will depend upon a number of factors including the accessories fitted (post-registration), variations in weather, driving styles and vehicle load. **There is a new test used for fuel consumption and CO₂ figures. The CO₂ figures shown, however, are based on the outgoing test cycle and will be used to calculate vehicle tax on first registration. Preliminary data. Please contact your retailer for latest information.

*Finance subject to status. Subject to availability at participating retailers only on vehicles ordered between 01/04/2019 and 30/06/2019. At the end of the agreement there are 3 options: (i) Renew: Part exchange the vehicle, (ii) Retain: Pay the Optional Final Payment to own the vehicle or (iii) Return the vehicle. Further charges may be made subject to the condition or mileage of the vehicle. Terms and conditions apply. Applicants must be 18 or over. Guarantee/Indemnity may be required. Santander Consumer (UK) PLC trading as Volvo Car Financial Services, RH1 1SR. Retail offer only. Excludes fleet operators and business users.

June 2019 Issue 275

18

ESCAPE THE FATE

How can businesses avoid the waves created by Carillion's collapse? Pádraig Floyd investigates



08

FIND YOUR VOICE

Top tips for excelling at public speaking from Graham Shaw and Lindsey Maclean



14

DO WE NEED MORE MIKE ASHLEYS?

David Craik explores how the man behind Sports Direct could be saving the High Street



12

CHANGING PERCEPTIONS



Is integrated reporting the answer to solving climate change? Jonathan Labrey thinks that it might be

04 Editor's letter

Dipak Vashi on the potential rebirth of the High Street

05 News and events

Faculty and world news roundup, plus events

22 Go big or go home

Simon Creasey explores the alternative solutions to traditional housing models

26 Face the facts

How can the UK learn from Nigeria, the so-called 'economy to watch'?

28 Overcoming uncertainty

Matthew Leitch explains how to navigate the challenges of chairing meetings

31 Technical updates

A roundup of legal and regulatory updates

34 Book ends

Royston Guest on *The Compound Effect*; and a summary of *Economics for the Common Good* by Jean Tirole

Company collapses



As the summer approaches, it would usually be time to take advantage of the longer evenings and warmer weather to raid the high street and complete that holiday wardrobe. But, due to a number of factors, this is no longer the case for many people. The proliferation of online shopping, a general decline in consumer confidence following Brexit and a raft of high street store closures have

been some causes of this. BHS, Maplin, Toys R Us and LK Bennett are just some of the well-known names to have disappeared.

However, there is a man seemingly fronting a one-man band to reverse the trend and save the high street. Mike Ashley, the Sports Direct founder and Newcastle United owner, also has stakes in House of Fraser, Evans Cycles and sofa.com and is, remarkably, linked with almost every high street store or brand that has struggled over the last few years. So, is Ashley seeing something that we have all missed or is it something deeper than that? David Craik tries to answer this question on pages 14-16.

On the subject of corporate collapses, the fate of Carillion shocked many in the early part of this year. The lessons learned and takeaways from this event are still reverberating across the business world, with the accountancy sector and the role of the auditors in Carillion's collapse under particularly sharp focus. Pádraig Floyd focuses on Carillion in our cover story on pages 18-21, alongside an analysis of what went wrong and how this fate can be avoided by others.

I wonder if clearer and more efficient meetings would have helped Carillion and many high street victims avoid their fate. Probably not, but it is still a tool all businesses could improve upon. The precious time of employees and communication is key to any successful operation, so why is meeting time so often wasted or inefficient? Matthew Leitch looks at tips to chair meetings effectively on pages 28-30.

Another vitally important, and arguably oft overlooked, skill is the art of public speaking. Anecdotal evidence suggests many business professionals are still scared, or at least extremely uncomfortable, with the thought of speaking in front of a group. This is a skill much needed as you climb the corporate ranks, and if you are one of the above mentioned people, Lindsay Maclean and Graham Shaw will guide you through some top tips on page 8.

Building on our country fact file series, which began last month with Norway, we feature Nigeria this month on pages 26-27. If you would like any countries to be featured, please do let us know.

We are also looking for more junior members in business to join our committee. Please get in touch if you are at the working level in business and would like to extend your networking and working opportunities with more senior members. Email me at dipak.vashi@icaew.com

Dipak Vashi
Technical Manager

© ICAEW 2019 All rights reserved. The views expressed in this publication are those of the contributors; ICAEW does not necessarily share their views. ICAEW and the author(s) will not be liable for any reliance you place on information in this publication. If you want to reproduce or redistribute any of the material in this publication, you should first get ICAEW's permission in writing. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by ICAEW, the publishers or the author(s). Whilst every care is taken to ensure accuracy, ICAEW, the publishers and author(s) cannot accept liability for errors or omissions. Details correct at time of going to press.

To comment on your magazine, please email publishing@icaew.com



Business & Management Faculty

THE TEAM

Dipak Vashi
Technical manager
+44 (0)20 7920 8587
dipak.vashi@icaew.com

Caroline Wigham
Services manager
+44 (0)20 7920 8508
caroline.wigham@icaew.com

Rick Payne
Finance direction programme
+44 (0)20 7920 851
rick.payne@icaew.com

THE COMMITTEE

David Carr
Chairman

Steve Bastian, Emily Brooks, Laura de Poitiers, Chris Ford, Amy Griffith, Emily Mackinson, Rashad Shamim, Helen Stevens, Nick Wildgoose, Martin Wheatcroft

SUBSCRIPTIONS

Annual membership of the faculty costs from £101 for the whole year.

FACULTY EVENTS AND WEBINARS

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

B&M ADVERTISING

Advertising enquiries to advertising@progressivecontent.com

BUSINESS & MANAGEMENT FACULTY

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

+44 (0)20 7920 8508

@icaew_finman

bam@icaew.com

icaew.com/bam

ISSN 1471-1818

TECPLM16478

Printed in the UK by
Sterling Solutions



NEWS

FACULTY NEWS

**AGILE: HISTORY BEHIND THE THINKING**

Following on from our coverage in a recent cover story (see the May issue of *Business & Management*), we have recognised a huge thirst for information about Agile working practices. With that in mind, we've delved into the archives to find the original Agile Manifesto.

Originally intended with software development in mind, Agile has now developed into a framework for many thousands of iterative projects in multiple business disciplines.

The 17 original signatories of the manifesto, who first met to discuss their thinking on a ski trip to Colorado in 2001, came up with the following key messages to carry forward:

We are uncovering better ways of developing software by doing it and helping others do it. Through this work we have come to value:

Individuals and interactions...	over processes and tools
Working software...	over comprehensive documentation
Customer collaboration...	over contract negotiation
Responding to change...	over following a plan

That is, while there is value in the items on the right, we value the items on the left more.

This simple philosophy was developed into a set of 12 fleshed out principles, covering areas including late changing requirements, working together, sustainable methods and the need to self-organise. Read the manifesto in full at agilemanifesto.org

SOCIAL MEDIA: YOUR LINK TO THE FACULTY

Our social media feeds are great for keeping in touch with the B&M Faculty.

You'll find regular Twitter posts outlining our latest events, as well as live posts from the events themselves. Why not join the 1,700 other faculty followers and be part of the conversation? We'd love to engage with you directly.

Share your thoughts with us after attending our events, make suggestions for future subjects to cover and give us your opinions on key topics facing the finance function in industry. The feed is monitored, meaning you're sure to get a swift response to any questions you may have. Find us by the handle

@ICAEW_FinMan

Likewise, we'd love to start deeper business conversations within our private LinkedIn group. This is a great professional forum to discuss topics relevant to Brexit planning, staff CPD, practical insights on day-to-day conundrums as well as the successes of our members. Follow this link and click to be admitted to the group:

tinyurl.com/BAM-LinkedInG

Please use either to communicate with the faculty staff. We look forward to hearing from you.

ROUNDTABLE: CFO INSIGHT ON STRATEGY

The faculty convened a roundtable in May to discuss strategy execution. CFOs from a range of businesses, including from the electronics and food production sectors, shared their experience of the challenges faced, as well as imparted advice. There was a strong focus on the role technology is playing now, and where it might still aid transformation in the months and years to come. A write-up of the roundtable will appear in a future issue of *Business & Management*.

BUSINESS WORLD

JAMIE'S ITALIAN CHAIN COLLAPSES

Celebrity chef Jamie Oliver's restaurant empire has fallen into administration, risking 1,000 jobs. The chef, whose holdings include Jamie's Italian, Fifteen and Barbecoa, has appointed KPMG as administrators. His restaurants are yet more victims of the decline in casual dining. The chain underwent heavy restructuring and a personal £13m cash injection from Oliver in 2017, to no avail.



£13m
HOW MUCH
JAMIE OLIVER
CONTRIBUTED
TO SAVE HIS
RESTAURANTS

CRYPTO LOSSES

The Financial Conduct Authority (FCA) has reported that crypto currency investors have lost over £27m in the past year, across 1,834 reported scams. The average loss was £14,600, with scams relating to foreign exchange trading schemes. The FCA warns all investors to thoroughly analyse investments before risking their capital, as the medium of investment becomes more popular and easily accessible.



£27m
HOW MUCH
CRYPTO
INVESTORS
HAVE LOST

BENEFACTOR WIPES STUDENT LOANS

Billionaire investor Robert F Smith has wiped the entire student debt of Morehouse College's class of 2019 – an estimated sum of \$20-40m.

Smith has previously made donations to the historically black college, but shocked students by announcing his intentions to pay off their debt during a speech at graduation.

Smith is a famed technology investor, founding private equity firm Vista Equity Partners in 2000, which he still heads.



\$20-40m
THE STUDENT
DEBT PAID OFF
BY ROBERT F
SMITH FOR
MOREHOUSE
COLLEGE

Could you really retire 10 years early?

**ICAEW
member
offer**

T&Cs apply



Ed Monk,
**Fidelity
Personal
Investing**

For most of us, the whole point of saving and investing is to bring closer the day when we can quit work and swap the office for the slopes, beach, garden or wherever else we'd rather be.

But that task is not getting any easier. It's good news that we're all living longer but it means we also have longer retirements to plan for. However, there's plenty you can do to improve your retirement prospects.

contributions may be automatic but beyond that you may be required to make contributions which are then matched by your employer.

Keep an eye on cost

Just like your investment gains, the effect of fees is compounded over time and even a difference of less than 1% a year in your overall costs add up to a big difference over years and decades.

Managing your retirement savings – including the cost – can be easier if all your pensions are in one place. One way of doing this is to transfer them into a Self-Invested Personal Pension (SIPP). With a SIPP you choose what to invest in and when, and can take an income when and how you like normally after the age of 55.

We're all living longer, but it means we also have longer retirements to plan for

Start now

The most powerful tool available to any investor is completely free – time. Compounded returns, getting interest on your interest, is what can turn modest savings into something worthwhile, but the process needs time.

Get the help of the tax man...

If you're saving for retirement a pension is likely to be the best place to do it because your contributions benefit from tax relief.

Contributions are also allowed to build tax-free and then, once you reach 55, 25% of the pot can be taken tax free. Income tax is likely to be payable on any future withdrawals, depending on your income.

... and your boss

People who work for a company can usually benefit from an employer paying into a pension for them. Some employer

Increase contributions

If you have to suddenly start diverting a large share of your salary into a pension, it will be painful. If you start with a more manageable proportion, and increase this over time, it's a lot easier to bear. Start with an amount you can handle and aim to steadily increase it.

Will it be enough to retire 10 years early?

That won't be easy, but by attempting to meet this goal, you are likely to dramatically improve your retirement prospects. Whether that enables you to retire early – by 10 years or a more modest period – or whether it simply translates into a richer retirement, it will be worth the effort.

Important information: The value of investments can go down as well as up so you may get back less than you invest. Tax treatment depends on individual circumstances and all tax rules may change in future. This information is not a personal recommendation for any particular investment. Pension transfers are complex and may not be suitable for everyone. Before going ahead with a pension transfer, we recommend you undertake a comparison of the benefits, charges and features offered. If you are in any doubt whether or not a pension transfer is suitable for you we recommend that you seek advice from an authorised financial adviser.

Fidelity Personal Investing offers ICAEW members a range of extra Personal Investing benefits.

- 10% discount on our service fee
- Complimentary quarterly portfolio report
- Dedicated number to help you get started **0800 358 0753**

Register for benefits at
fidelity.co.uk/icaewoffer

Terms and conditions apply



ICAEW
MEMBER REWARDS
PARTNER



Fidelity
INTERNATIONAL

EVENTS & WEBINARS

ALL WEBINARS AND EVENTS
ARE FREE FOR FACULTY MEMBERS
EXCEPT WHERE STATED

WEBINARS

ICAEW.COM/BAMWEBINARS

The Business & Management Faculty is keen to keep providing its members with relevant and timely sessions that can easily fit around the pressures of your working day. If you would like to suggest further topics, send your ideas and comments to dipak.vashi@icaew.com

The following sessions are available online to book now.

60-MINUTE WEBINARS

Morning webinars run from 10am until 11am.

5 June

Economic update

3 July

Dealing with difficult situations

11 September

What does your gender pay gap tell you?

9 October

Conflict resolution

20-MINUTE WEBINARS

Lunchtime sessions take place between 12:30 and 12:50.

19 June

How accountants can become digital leaders

16 October

Five key questions all boards should ask about fraud

EVENTS

ICAEW.COM/BAMEVENTS

FEATURED EVENT RESTRUCTURING AND INSOLVENCY CONFERENCE

26 June (members £365 + VAT,
non-members £450 + VAT)
09:30 - 17:30

The collapse of Carillion, BHS and Patisserie Valerie are just some of the financial scandals that appear to have overridden the expected norms of British industry and damaged public faith in the financial sector's integrity.

So, what actions can restructuring and insolvency professionals take to rebuild public trust?

Join ICAEW for the ninth annual Restructuring and Insolvency Conference, which will lift the lid on recent crises. Discover expert analysis, smarter working techniques and how to focus on trust and transparency.

Key speakers and topics are varied:

- Hear from two of Carillion's appointed special managers (Mike Jervis and David Kelly, partners at PwC).
- Garry Wilson, managing partner at Endless, will discuss the importance of providing certainty in an increasingly uncertain and unpredictable world.

- Sarah Albon, inspector general and CEO of the Insolvency Service, will focus on trust and transparency in the profession.
- Sean Pilcher, RBS head of recoveries and restructuring, and Martin Fent, its head of commercial and corporate restructuring, will provide an update on RBS's work to restore trust.
- Join Ian Williams, director of RSM Restructuring and Advisory, for discussions on Brexit implications for the restructuring and insolvency profession, and chair of the Institute of Economic Affairs' Shadow Monetary Policy Committee, professor Trevor Williams, to discuss the key economic issues arising from Brexit.
- Work smarter, achieve more, live better – Simon Goodison, director of Smarter Not Harder, will share tools, tips and techniques to improve day-to-day productivity.

The final hour offers the chance to wind down and network during a drinks reception.

To book and to see the extensive programme in full, go to tinyurl.com/BAM-RIC19

See our cover story about Carillion on page 18.

LAST CHANCE TO BOOK FINANCIAL CONTROLLERS' CONFERENCE: FUTURE LEADERS OF FINANCE

12 June 09:15 - 17:00

Spend the day at one of ICAEW's flagship events, exploring insights, innovative strategies and techniques for your future as a leader in the finance function. Call the faculty to enquire about late availability on +44 (0)20 7920 8508.

COMING SOON

19 September

Managing virtual teams

26 November

Resilience and fortitude

FROM THE ARCHIVES

There's a wealth of online content available on various topics in your faculty member area. New items have been recently added to the growing library including:

- Practical Excel tips
- Stats skills in Excel (various sessions)
- Employment law update
- Business VAT update
- Influencing and persuading – telling your story
- How to choose the right NED

To hear them, simply log in at tinyurl.com/BAM-WebArchives

TALKING SENSE

Public speaking can be difficult. Some fail to grab their audience, while others can't bring themselves to face the task at all. Here, seasoned TedTalk contributors **Graham Shaw** and **Lindsay Maclean** talk about overcoming these barriers to presenting

SETTING THE SCENE

The first 30 seconds are crucial when giving a presentation, says **Graham Shaw**

HAPPY TALK: TECHNIQUES TO TRY

Write down three ideas to grab attention that you could relate to your talk. Choose the idea that you feel is best and plan how you will introduce it.

Watch the aforementioned TEDx talks by Simon Sinek and Robert Waldinger to learn more about how rhetorical questions work in practice.

Write six rhetorical questions to create curiosity at the start of your next presentation. Choose the best and include them in your introduction.

Rehearse what you'll say in the first 30 seconds for a confident start.

When it comes to doing a presentation it's critical to captivate your audience – especially within the first 30 seconds. In order to do this, you should use attention-grabbers – something that can capture the interests of who you are speaking to. By linking the attention grabber to your message, you can maximise its impact.

But why is it necessary to captivate your audience in the first 30 seconds? There are several reasons. To begin with, your actions within that time can greatly influence an audience's perception. That audience is also likely to remember what's first, as well as what's different.

On top of that, use of the aforementioned attention-grabbers can create excitement, concern and astonishment.

Creating a link to your topic from the attention-grabber is key and prevents any unnecessary confusion. For example, you could do a magic umbrella trick during your presentation, but while it may capture the attention of your audience, it may leave them slightly confused if there is not an explicit link.

There are many attention-grabbers available to use. Some relate to the use of facts and statistics, others relate to how you speak to your audience. Here are five examples.

USE INTRIGUING FACTS OR STATISTICS

Make people sit up and listen by stating an amazing fact or statistic. For example, at TED 2014 investigative reporter David Epstein opened his talk with an Olympic-related fact.

"The winner of the 2012 Olympic marathon ran two hours and eight minutes," said Epstein. "Had he been racing against the winner of the 1904



Olympic marathon, he would have won by nearly an hour and a half" (see tinyurl.com/BAM-DavidEpTalk).

Much like Epstein, you should make your fact or statistic jaw-dropping. Another example can be seen in Susan Pinker's talk at TED 2017 (tinyurl.com/BAM-SusanPinkTalk), where she used two facts and the promise of a third in the first 30 seconds.

"Here's an intriguing fact," said Pinker. "In the developed world, everywhere, women live an average of six to eight years longer than men do."



She follows with a second fact: "In 2015, *The Lancet* published an article showing that men in rich countries are twice as likely to die as women are at any age."

Pinker finishes with the previously mentioned promise of a third fact, stating that there is one place in the world where men live as long as women – Sardinia, an Italian island in the Mediterranean.

Using a sequence of related facts or statistics enables you to grab attention and then build further interest.

USE A PROP

A prop can also be a good way of capturing the attention of audiences. It could be an item of equipment; it could be used to demonstrate something like a technique or process; or it could be an item that's passed around, like a sample of a new product.

In his talk at the TEDSummit in 2016 (tinyurl.com/BAM-EdBoydenTalk), Edward Boyden, a neuroengineer at MIT, used a baby's nappy. Boyden picked up the nappy and explained that it was made from a material that could

swell up to 1,000 times in volume.

He then linked the nappy to brain research. At MIT, Boyden and his colleagues wondered if they could physically enlarge a brain – much like the nappy – to see things like biomolecules. Should it be possible to expand brains donated to science, Boyden believes it would be possible to gain a better understanding of disorders such as epilepsy and Alzheimer's disease. The prop not only grabbed the attention of the audience, but it was memorable.

MAKE A BOLD CLAIM

In my TEDxHull talk (tinyurl.com/BAM-MyTalk), I claimed that I could teach the audience to draw cartoons. This grabbed their attention, mostly because most people in the audience did not think they could draw.

The way you make a claim can make a difference. For example, stating "there is one thing that will make you more influential" grabs the attention of the audience. As does "you can boost your fitness level in just 10 minutes a day".

In your talks, think about what you could claim at the start that would get the attention of your audience. It doesn't have to be overdramatic or true, but must be something of value to the audience – phrase your claim in a compelling way.

TELL A STORY

The first line of your presentation can really hook people. For example, "last year, I had an experience that changed my life". At the start, even though people don't know how the story relates to your talk, they'll go with it because they know its purpose will be revealed.

ASK RHETORICAL QUESTIONS, CREATE CURIOSITY

According to research from the University of California, Davis, being curious about a topic helps us to remember it. Perhaps more surprisingly, researchers found that when participants were in a curious state, they could also recall unrelated information.

Matthias Gruber, the study's co-author and cognitive neuroscientist at the university, said: "Curiosity may put the brain into a state that allows it to learn and retain any kind of information, like a vortex that sucks in what you are

motivated to learn, and also everything around it."

Curiosity about one thing helps people remember other things too.

Rhetorical questions don't require answers, but they do get people thinking, as seen in talks given by author Simon Sinek (tinyurl.com/BAM-SimonSinek) and Robert Waldinger (tinyurl.com/BAM-RobWaldinger).

In Sinek's 2009 talk from TEDxPugetSound on how great leaders inspire action, he opens with a rhetorical question: "How do you explain when things don't go as we assume? Or better, how do you explain when others are able to achieve things that seem to defy all of the assumptions? For example: why is Apple so innovative?"

As you can see, Sinek builds on anticipation before revealing what he has discovered.

During his talk at TEDxBeaconStreet, Waldinger's opener also builds on anticipation. "What keeps us happy and healthy as we go through life?" he asks. "If you were going to invest in your future best self, where would you put your time and energy?"

He continues to build curiosity beyond the 30-second mark, and then concludes his opening with two more rhetorical questions: "But what if we could watch entire lives as they unfold through time? What if we could study people from the time that they were teenagers all the way into old age? We did that."

By this time, the audience is hooked and motivated to hear what comes next. There are several great rhetorical questions that you can use to create curiosity, including:

- "Have you ever wondered..."
- "Has it occurred to you..."
- "Why do people..."

You should not only use rhetorical questions at the start of your talk, but also throughout your talk. Much like using them at the start, using them throughout will keep the audience hanging on your every word.



Graham Shaw, author of *The Speaker's Coach: 60 secrets to make your talk, speech or presentation amazing*, available at tinyurl.com/BAM-GrahamCoach

A fear of public speaking can make presentations difficult. But, as **Lindsay Maclean** shows, there are ways of facing your fear and delivering a great talk



A recent study by Jobsite found that a third of British employees would reject their 'dream job' if it meant facing their biggest fear. For 67% of those surveyed, their biggest fear was public speaking. A further 56% said they had avoided applying for certain jobs because of public speaking being a requirement for a job. This can hold us back in business.

Building trust and connecting with other people is important for progression. When we connect with others and we're trusted, we've got a better chance of getting the job, being heard in a presentation, winning the pitch or being visible in a meeting. People trust others who are natural and authentic. When we get an idea of the real person behind the content we connect to the content.

However, when you are faced with a sea of eyes staring at you and hanging on your every word, you might find it difficult to be natural and authentic. You might get scared. Your body language and voice could reveal a lack of confidence and credibility, as well as give people a completely wrong

impression of you. Consequently, you could miss out on opportunities.

We are human beings made up of vulnerabilities and there's nothing wrong with being scared of presenting. I know what it feels like, because I used to be. And there is nothing wrong with fear; in fact, it's quite useful. However, learning how to manage this fear can make a big difference to your outcomes.

I believe that learning how to speak in public helps to define us. It also helps other people to understand our viewpoints, to hear us and see who we are. If we avoid this, we are always open to other people's assumptions and misinterpretations.

A presentation is an opportunity for you. Sometimes we just need a little help. And with these tips, you can be better at speaking.

INTENTION

Be really clear on your intention for speaking. Before any presentation, identify what you want your audience to feel and do both during and after your talk. Think about that one intention. Why are you speaking? Do you want to inspire them with your idea? Do you

want to influence their thoughts? If your intention is clear you'll feel more confident, energised and inspired, and you'll build a stronger connection with your audience.

POWER POSE

I love Amy Cuddy's TED Talk (tinyurl.com/BAM-CuddyTED), which encourages listeners to do some "power posing". By this, Cuddy means putting your shoulders back and chest out. Imagine a piece of string attached from the top of your head to the ceiling and get yourself into a powerful position before any challenging situation – interview, networking, presentation or meeting. Cuddy's research indicates that by doing this for two minutes you can increase your testosterone levels and walk into challenging situations feeling more powerful. Many years in this industry tells me this works! One thing I would say is that you should practice in the mirror some time so you don't end up imitating a pumped-up superhero in the interview.

TALK A GOOD GAME

Keep it conversational. Imagine you're talking to a friend. Remember you are speaking to other human beings. Many adopt a robotic persona when they present because they get nervous or take themselves too seriously. An audience will always respond better and listen more if you're personable and reveal human emotion. Creating a closer connection will feed your confidence while you speak.

NERVES

Don't fight them. Just use them wisely. This was a turning point for me as I learned that I got better results by letting the nerves in rather than fighting and pretending they weren't there. If you feel the nerves at the start, take a deep breath and smile. Do this if you make a mistake too. Your body may feel restricted by nerves, so make a conscious effort to loosen yourself up. Imagine that you have balloons under your arms. If you hold your upper arms tightly against your body (something people naturally do when they are presenting) you are in danger of looking like a flight attendant delivering safety instructions. Instead, throw the nerves out to the audience through your arms,

Never underestimate the importance of eye contact. Force yourself to look people in the eye from the beginning; this will help your audience engage with what you're saying

hands and fingers. People forget to use their hands when they present, which looks unnatural and stiff. So this is a brilliant way to make sure you are always using your arms and hands as well as channelling those nerves.

OTHER AREAS

Other elements – such as body language and the sound of your voice – are important. So, if you've only prepared your content and haven't paid attention to how you look and sound when under pressure, you're often wasting time. Practice mindful pausing and placing emphasis on what you are saying. Also practice raising your energy levels more than you think you should. Recording yourself and watching the video back also helps. Practicing and understanding your impact will give you a boost of confidence.

SIMPLICITY

Always keep presentations simple. Avoid using Powerpoint slides and scripts unless you absolutely must. If you have to use slides, use fewer words and more images. To remind you of your points, make cue cards to use and

either hold them or put them down at the side, next to your glass of water.

GOING WRONG

What do you do when it goes wrong? If you mess up, smile, laugh and keep very present. Human beings always make mistakes. No one is perfect. Many people fear social judgement and worry that everyone will think they are stupid if they make a mistake. That's simply not true. An audience is more forgiving and will relate, so don't dwell and keep going.

STORY

In everyday life, we don't speak in bullet points, do we? For example, when we go on holiday, we don't come back and say: "France, skiing, fun". If I spoke like that, you'd think I was really boring to go on holiday with and generally weird. So why do we think speaking at people in bullet points during a presentation is a good idea? It's not. If you can use stories in your presentations and bring it to life with analogies and examples, you'll take your audience on a journey and they'll sit up and listen. A story provides emotion – this is what people connect with. Plan your stories rather than listing facts.

EYE CONTACT

Never underestimate the importance of eye contact. Many people find this incredibly hard when they are under pressure. Force yourself to look people in the eye from the beginning; this will help you feel comfortable and your audience engage with what you're saying. If you stare at one spot above people or look at the floor you simply will not connect with your audience.

SMILE

Smiling is infectious. When we see someone yawn, it can prompt us to also yawn. It's the same with any facial expression – what we see is often what we mirror. If you smile, others will be more inclined to smile. Keep smiling, give it your best, it will be over soon and you'll feel really satisfied.

When it comes to speaking in public: go for it. ●



Lindsay Maclean, creator of the iElevate method and author of *Speak Up and Be Heard*, available at tinyurl.com/BAM-SpeakUpLindsay

In his now famous speech of September 2015, known as 'Breaking the tragedy of horizon', Bank of England governor Mark Carney told an audience of insurers at Lloyds of London: "We don't need an army of actuaries to tell us that the catastrophic impacts of climate change will be felt beyond the traditional horizons of most actions, it will impose costs on future generations that the current one has little direct incentive to fix." What's more, he said, once climate change becomes a defining issue for financial stability, it may already be "too late".

It is a worrying reality that the global economy finds itself in. Carney's speech was a call to change our methods and extend the limits of our outlook beyond the short-term, to think not in quarter-years or even annually, but over future business and economic cycles. For it is the preservation of our planet's ecosystem that will, in turn, restack the odds in favour of a prosperous and balanced economy. If we continue to over-exploit natural capital it will cause growing price volatility and business constraints across the world economy.

The issues that triggered the 2008 financial crisis were not climate-related. However, they were symptomatic of the very same approaches that ignored the build-up of risk in one part of the ecosystem, coupled with short-term management. A consideration of the wider impact of decisions, and structuring the corporate governance and reporting system to encourage more long-term and connected thinking, may well have highlighted some of the risks earlier.

The crisis exposed the impossibility of protecting businesses from wider interconnected global risks and the severe dangers arising from an excessive short-term perspective. Carney's speech tells us implicitly that when incentives only reward short-term behaviour, our capital markets are weaker, society is poorer and our environment suffers.

MEANINGFUL REPORTING

A solid accounting foundation is required to effectively incorporate

longer-term social and environmental consequences into corporate decision-making. And so accountants internationally have been driving the development of new ways of thinking, acting and communicating to stakeholders in the long term: integrated reporting.

For many organisations, reporting still doesn't sufficiently recognise the value of intangible assets, which has now grown to over 84% of total market value according to one of the most recognised analysts in this field, Ocean Tomo.

Sustainability reporting has become a commonplace practice among organisations and large corporations globally in the last 10 to 15 years, with

82% of S&P 500 companies publishing sustainability reports. And yet scientists confirm that we are still using the world's natural resources faster than we can replace them.

Such has the demand grown for information and disclosure in this area that more than 1,000 requirements now exist for reporting sustainability information alone – and at least 249 different products rate, rank or index companies on environmental, social and corporate governance (ESG) factors. The information gathered in sustainability reports can be crucial for demonstrating an organisation's impact on society and the environment.

However, like financial information,

DESIGNED FOR LONG-TERM THINKING

Jonathan Labrey, chief strategy officer, IIRC, explains why integrated reporting is the corporate antidote to climate change



sustainability information alone has limited value if it does not connect to the wider purpose of the organisation and its business model. Furthermore, many investors will not use sustainability information in their capital allocation decisions if they cannot understand how the information is linked to the business, its strategy and value creation.

This is what the integrated reporting model supports. Driving real connectivity of information, so that everyone looking at an organisation's business model can understand the resources and relationships the organisation uses to create value – what trade-offs are needed, what impacts these capitals cause, the outputs and outcomes they lead to, and what risks and opportunities they pose.

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The International Integrated Reporting Council (IIRC) has driven awareness and recognition from the world's leading companies, investors and thought leaders that the ways organisations think, act and report must recognise the 'six capitals' they use and effect – financial, manufactured, natural, social and relationship, human and intellectual.

Understanding of the interconnectivity of the different strands of resources we have is growing year on year. From the Financial Stability Board's Task Force on Climate-related Financial Disclosures recommendations, which highlight the impact climate change can have financially, to the development and agreement of the 17 United Nations Sustainable Development Goals (SDGs).

82%

of S&P 500 companies have published sustainability reports

17

Number of Sustainable Development Goals created by the UN

1,000

Number of requirements for reporting sustainability information

Companies have been quick to acknowledge the importance of the SDGs and re-orient their business model in order to achieve them

The SDGs target not only natural capital issues, but many of the global challenges we face, including those related to poverty, inequality, infrastructure, prosperity, peace and justice.

Companies have been quick to acknowledge the importance of the SDGs and re-orient their business model in order to achieve them. Tools, such as the International Integrated Reporting Framework, are supporting this transition.

Reporting that demonstrates the interconnectivity of all the capitals allows corporations and governments to measure and manage resources sustainably. For example, technology company SAP has stated that when its employee engagement index rises just 1%, this can lead to operating profit improvements of between €35m and €45m.

These kinds of insights bring the importance of the stewardship of resources and relationships into the consciousness of boards and other senior managers. This is vital if we are to evolve from our current mono-capitalist system.

Our partners at FCLTGlobal report that more than half of executives and directors say their company would delay a new project to hit quarterly targets – even if it sacrificed value. This way of doing business is counterproductive but, by embedding a broad-based framework such as integrated reporting, we can drive business and investment decisions which are long term, inclusive and with purpose.

THE BENEFIT OF INTEGRATION

Integrated reporting is not a new, different set of metrics for companies to report. It is a set of principles designed to

allow organisations to understand the risks and opportunities that arise in a multi-capital world, to use this to define their business model and business strategy, and thereby to explain how the company creates value over time. It is about helping businesses meet the challenges of the future.

Multi-capitalism and integrated reporting will help the economies of the world become more accountable, more transparent and more stable for a global economy that is now seeking to heal a planet that is – with no dramatic hyperbole – environmentally rotting.

This new way of doing business is being tested and implemented all over the world – by more than 1,700 organisations in over 70 countries – and the benefits are clear. Harvard Business School research concludes that companies that implement integrated reporting attract a longer-term investment base. According to KPMG research, the benefits of securing longer-term investors include lower market reactions to earning announcements, lower mispricing and being sheltered from stock market fluctuations. Studies from Stanford University, Nanyang University and the National University of Singapore all point to the benefits of producing integrated reports, including higher share price performance and a lower cost of capital.

Increasingly, European businesses and organisations are leaders in this global movement, through their adoption of the IIRC's framework for integrated reporting.

Organisations that adopt integrated reporting quickly realise that it is much more than a framework for reporting, it is a whole new way of thinking. And it is through embedding this integrated thinking that collectively we can harness the potential of intangible resources, as well as negate further environmental damage to our planet, addressing the 2.0C target of the Paris Agreement. It is proving it can be the corporate antidote to our tragedy of the horizon. ●



Jonathan Labrey,
chief strategy
officer, International
Integrated
Reporting Council

THE SAVIOUR OF THE HIGH STREET?



Can self-made businessman Mike Ashley save the high street? David Craik explores why other retailers aren't following his turnaround vision for UK retail

The recent woes of Debenhams encapsulate two of the biggest themes in retail today: the decline of the traditional high street, and the acquisition strategy of one of the UK's biggest and most controversial retailers – Sports Direct owner Mike Ashley.

Retail analysts single out his ability to acquire cut-price assets that he then uses to his trading advantage as a crucial string to his business bow. And supporters would say Ashley is at least showing ambition on a high street clouded in gloomy forecasts.

If there were more businesses willing to do the same, would the high street have a better chance of survival? What exactly are so many other retailers – such as Debenhams, which collapsed into administration in early April under a £600m debt pile and slumping profits – doing wrong?

TIMES ARE TOUGH

According to the Centre for Retail Research (CRR), there have been more than 100 retail failures in the past three years, such as HMV and BHS, with the loss of nearly 100,000 jobs. Like Debenhams, they were the victims of changing consumer habits towards online shopping, margin-busting promotional activities to drive faltering sales, and estates saddled with costly business rates. The 2017 revaluation of business rates means retailers will pay a total of £7.6bn, estimates the CRR.

Debenhams, which was founded in 1778, was particularly vulnerable, but survived due to a pre-pack administration where it was sold to a group of its lenders for £200m in emergency funding. It has earmarked 50 of its 165 stores for closure, jeopardising 4,000 jobs, and is aiming for a company voluntary arrangement on many other sites to slash its rent bills by 50%. And that was more palatable than Ashley's offer to underwrite a £200m shareholder fundraising in return for becoming chief executive. Instead, his 30% Sports Direct stake in Debenhams was wiped out.

SELF-MADE RETAIL EMPIRE

If successful, it might have been another addition to Ashley's growing retail empire. At its heart is Sports Direct, which he set up in 1982 (see box overleaf, *The boy done good*). He also owns or has sizeable stakes in Game Digital, sofa.com, luxury clothing group Flannels, Agent Provocateur and French

Connection. And he recently bought Evans Cycles and department store House of Fraser out of administration, saving thousands of jobs. However, attempts to buy collapsed brands HMV and Patisserie Valerie were unsuccessful.

Regarding Evans, bought last October, Ashley was "pleased to have rescued the brand". However, he declared that 50% of its 62 stores had to go. Last August, Sports Direct paid £90m for House of Fraser, vowing to turn it into the Harrods of the high street. "This will benefit both House of Fraser and Flannels in the luxury sector. We will do our best to keep as many stores open as possible," he said.

At a House of Commons Select Committee last December, it appeared that his acquisition strategy did in fact have nobler aims when he declared that he wanted to 'save the high street'. He told MPs: "Politicians and landlords should be doing more to save our struggling high streets, so I intend to make the most of this opportunity to make a real difference." He also suggested that as the internet was "killing the high street" retailers with over 20% of sales online should pay a 20% tax on their sales.

THE ASHLEY STRATEGY

So, is Ashley a high-street saviour putting his money where his mouth is by resizing and reinvesting in struggling retailers and keeping stores and jobs open? Analysts say the answer is unclear.

"He knows how to run a business, get the right merchandise and run slick supply chains," says Richard Lim, chief executive of Retail Economics. "The acquisitions are complementary to his existing businesses and he has picked them up at good value. If he has a turnaround plan in place, then it must be good for the high street."

However, Russ Mould, investment director at AJ Bell, doesn't believe Ashley's intentions are altruistic. "He may see himself as a crusader on behalf of the high street, but Ashley is looking to acquire assets cheaply," he says.

"In some cases, he is buying brands which have strong reputations in their field, even if their financial performance was poor"

"His purchase of House of Fraser and desire to take control of Debenhams may have also been driven by a need to bolster the reputation, product range and financial performance of Sports Direct. I suspect that many landlords are looking on rather nervously as his increased footprint will give him greater bargaining power when it comes to negotiating rents."

Mould says Ashley's critics doubt he has an overriding strategy – and his acquisitions are an opportunistic spree driven by price, where profits will come from store closures and cutting costs rather than investment or brand and product development.

"When he picks up stores from administrators, Ashley acquires finished stock for very little and he can then sell on this inventory for a quick profit through his empire's stores and websites. Buying from an administrator also brings assets which are free of both debt and any pension liabilities," adds Mould. "In some cases, he is buying brands which have strong reputations in their field, even if their financial performance was poor, such as Evans and Agent Provocateur. This adds to the brands he already controls, such as Slazenger, Lonsdale and Kangol, and gives him the option of offering those brands under one roof, or across his individual websites, almost creating mini-department stores."

IN PURSUIT OF VALUE

"When he sees a distressed business, he is looking for value," explains Richard Hyman, analyst at Richard Talks Retail. "Its real estate will be a liability, the brand won't be worth a lot, so what's left is the value of the stock."

"With House of Fraser he paid £90m for £600m worth of stock. The risk is very low as he sells that through. Most of the House of Fraser stores are leased, with the terms running out in September, so we will see what he does with them then."

Hyman has yet to see a turnaround strategy for House of Fraser or the other new acquisitions. "We might go into the stores and say they look a mess, with Agent Provocateur and sofa.com in there and a hotchpotch of other stuff. But if he sells a large chunk of stock, then it's going to plan."

WHERE'S THE COMPETITION?

Bearing all this in mind, why are so few of Ashley's peers following his lead? For some, there is more to business than fixating on costs. Retail analyst Nick



Sports Direct paid £90m for House of Fraser in August 2018, but Mike Ashley lost his stake in Debenhams when it went under in 2019

Bubb points to Philip Day, chief executive of the Edinburgh Woollen Mill Group (EWM) as an example of one such competitor (see box, *Why aren't there more Mike Ashleys?*). According to EWM, it focuses on investment, job creation and the return to long-term profitability of its brands. "Philip Day is very secretive, but seems to have built a decent sort of retailing business that isn't just focused on slashing costs," says Bubb.

The importance of investment might also explain the reluctance of others to acquire struggling retail operations. According to Andrew Busby, chief executive of Retail Reflections, anyone acquiring retailers needs to invest if their new acquisitions are to help revive the high street. "You need people to invest both in innovation and infrastructure, not sucking cash and assets out," says Busby. "If not, then you should just let Darwin do his thing and let struggling retailers die and wait for new blood to emerge."

Laura Shaw, corporate finance partner at BDO, believes retailers, investors and brands are reluctant to commit their investment solely to the high street because of the transformation in consumer shopping habits. "Ashley believes the high street still has a place, but he needs to take a multichannel approach with experiential stores. Selfridges is a good example with its nail bars," she says. "People shop online and go to stores for experiences. Traditional retailers must adapt."

Besides Mike Ashley's efforts, what other innovation could shake up the UK high street? Get in on the debate [#BAMVIEW_HighStreet](#) with [@ICAEW_FinMan](#)

MIKE'S IN THE HOUSE

Unfortunately Sports Direct could not be reached for comment on its retail strategy. However, a House of Fraser spokesperson said: "There's been a huge amount of work going on behind the scenes and we will soon unveil our strategy and future plans."

Sports Direct's interim results to 28 October contain some clues. Ashley, who has dismissed the senior management team at House of Fraser, revealed the department store made £70m in revenue since acquisition but posted a loss before tax of £31.6m. This has not been helped by the departure of suppliers such as EWM and sofa retailer ScS, blaming slumping sales.

Kevin Sweeney describes the Sports Direct takeover as brilliant for business. The owner of Peace Clothing, a House of Fraser concession owner both pre- and post-Sports Direct ownership, was owed £20,000 when the department store went into administration.

"We were on a 90-day payment schedule and the lost money was pretty catastrophic," says Sweeney. "When the deal with Sports Direct went through, we went to a short face-to-face meeting with Mike Ashley. He told me he was here to stay and he made us feel part of the Sports Direct family straight away. They have replaced the old 45, 60 or 90-day payment terms with a monthly schedule for all. It's brilliant for our cash flow." Sweeney says the firm also received a loan for £10,000 from Sports Direct to help it pay staff and suppliers.

Hyman sees no immediate end to Ashley's appetite for acquisitions. "There will be more casualties and potential deals come across his desk," he says. "He will run a failing business more effectively than its previous owners. He gets retail." ●

THE BOY DONE GOOD

In 1982, aged 18 and boosted by a £10,000 family loan, Ashley set up Mike Ashley Sports selling sport and ski equipment in Maidenhead. Over the years the venture changed its name to Sports Soccer, then Sports World International and finally Sports Direct. It has grown to around 700 stores becoming the UK's biggest sports retailer. Ashley built it largely through acquiring brands, such as Lillywhites and Slazenger.

In 2007, Sports Direct International floated on the London Stock Exchange netting Ashley £929m. It presently has a market value of £1.6bn. Ashley has a personal fortune, according to *Forbes*, of \$3.1bn.

Also in 2007, he bought Newcastle United football club. His time there has proven controversial with supporters bemoaning his lack of investment. His retail empire has also been criticised for its warehouse work conditions, zero-hour contracts and 'stack-em high, sell-em cheap' stores.



WHY AREN'T THERE MORE MIKE ASHLEYS?

According to retail analyst Nick Bubb, other investors of failing retailers include Philip Day and his Edinburgh Woollen Mill Group, which has bought clothing brands Peacocks, Jaeger and Austin Reed. Bubb also submitted a £5.7m takeover offer for the Bonmarché chain.

Other purchasers include Byland UK, which bought remnants of LK Bennett, and private equity firms such as Endless, which purchased craft and books chain The Works.

"Investor sentiment is pretty weak," says Richard Lim, from Retail Economics. "Retailers are sitting on lots of stores, which are not worth as much as they were a few years ago. Coupled with the sector's pressures, such as online growth and consumer uncertainty, it's risky for investors."

TRAVEL SAFELY TO UNCHARTERED DESTINATIONS.

A Hiscox Home Insurance policy also covers items you take with you for up to 60 days worldwide. So you and your family can travel without worry.

As an ICAEW professional you get our award-winning home insurance with a 12.5% saving too. So why accept less? Get your quote now.

Call **0808 3022692**
or visit [hiscox.co.uk/economia](https://www.hiscox.co.uk/economia)



ICAEW
MEMBER REWARDS
PARTNER


HISCOX
EVER ONWARDS

THE BUSINESSES TOO BIG TO FAIL

As the failure of outsourcing giants Carillion and Interserve creates waves throughout the industry, Pádraig Floyd looks at what other businesses can do to prevent being caught in their wake

The collapse of Carillion in January 2018 marked the largest construction bankruptcy in British history. The inquiries into the collapse pointed towards the board as the chief architects of the disaster, with auditors also in the firing line.

Carillion, perhaps due to the importance of its contracts and the size of its revenues, had been considered too big to fail. But that was of no comfort to the 43,000 people employed to provide services across the defence, education, health and transport sectors, who subsequently found their jobs at risk.

WHAT WENT WRONG?

The collapse has been a common tale in this market for a long time, believes Henry Stannard, partner at OC&C Strategy Consultants.

“You have publicly listed businesses that report in aggregated profit and loss (P&L) where there’s a high premium placed on organic revenue growth and those businesses are effectively run as siloed organisations,” says Stannard. “There may be dozens of operating companies that are essentially run independently, with independent finance teams.”

Within such a business, these small business arms are running multi-million pound contracts, but with little central oversight.

“It’s a bit like every manager at Tesco having control over what his store sells, how it is stocked, how much they charge, how they price an invoice to clients and so on. These are organisations that exist on low margins, where there’s a high premium on organic growth, with quite limited central ability to command and control.”

Beyond that, outsourcers were being asked to do more for less. Government had decided outsourcers had been ripping them off – not true, says Stannard, as the large revenues mask the tiny margins. So

they decided to demand big discounts, a lot more capital expenditure into contracts and payment by results. That made it difficult to effectively bid on contracts, particularly on the basis of results based payment. On that basis, you cannot know what results are achievable and, if greenfield outsourcing, it is impossible to determine how well the service is being delivered currently.

And, despite all that is being said about SME procurement, these contracts are always limited to a small pool of businesses with a big balance sheet.

“So not only have you got a naturally relatively risky, low margin industry, you’ve got a loaded contract, a customer base that is being hard bid on price, where your ability to understand the risk of that tender is low,” adds Stannard.

THE WRITING ON THE WALL

This model might be able to survive while a business is growing, but isn’t sustainable and the warning signs were clearly visible for some time. Carillion became “focused on turnover to drive the very large, amorphous beast that was created”, says Julie Palmer, regional managing partner at corporate restructuring specialist Begbies Traynor.

The company began issuing profit warnings in July 2017, with three being put out within a five-month period. Palmer says that, at the time, the stock market wasn’t as jumpy as it is today, so the impact wasn’t as

Carillion’s involvement in some of the most politically sensitive funding projects meant no one wanted to consider the possibility of failure

What’s the future for public-private collaboration on infrastructure projects? Talk to us on Twitter @ICAEW_FinMan using the hashtag #BAMVIEW_Carillion



great as it might have been. But speculators had the company in their sights.

Hedge funds were short selling Carillion's shares. This involves borrowing shares from other investors in exchange for a fee and selling them if they believe they can be bought cheaper, with the difference being the fund's margin. At one point in summer 2017, a quarter of Carillion's stock was being shorted not only by hedge funds but by BlackRock, the world's largest asset manager. Everybody was at it.

Complex financing arrangements indicated that traditional sources of credit were drying up as it struggled to service those debts. In the months between September 2017 and its collapse in January 2018, they rose by more than 50% to almost £900m.

FACING REALITY

The idea that Carillion was too big to fail was simply wishful thinking. Its influence into some of the most politically sensitive funding projects - schools, hospitals and more - meant that no one, particularly the government, wanted to consider the possibility.

Yet the government began to tackle the problem and develop a 'plan B' the year before the collapse. This involved drawing up a parallel strategy to ensure the contracts Carillion tendered for were contained in a separate vehicle with a suitable partner. Then, if a contract failed, a replacement was readily available that



CARILLION

was up to speed with the contract.

The government was certainly seeking to mitigate the risks of a collapse, but there wasn't enough ministerial oversight to understand just how bad things had got for the outsourcer. Carillion's model was no longer fit for purpose. It was out of place and running out of time, says Palmer.

When the collapse came, it was catastrophic. Companies like this would be expected to enter into a managed, pre-packaged administration process. Instead, an emergency application was made to the courts on a Sunday evening with the company being placed into compulsory liquidation on the Monday morning.

AVOIDING THE AFTERMATH

Interserve is another giant outsourcer that failed this year. While many parallels have been drawn with Carillion, this is a very different situation, sharing similarities with the recent examples of FlyBe and Debenhams.

"It was opportunistic to use the insolvency procedures in a way that cleared out the shareholding position, as there was a feeling that there was a business that could survive in some form in all three cases. The insolvency process was the best way of stripping out the value and leaving some other parts of it behind," says Palmer.

This is bad news for the shareholders, for whom there is no value once entering insolvency. However, while a restructure under administration is painful, it is quick. And what is left of the business can continue, saving jobs in the process, says Palmer.

The collapse of Carillion may not have been apparent to all, but those working

with and for the outsourcing giant will also have seen the warning signs.

Many who work with large, established businesses think everything will be alright in the end, but businesses should treat all debtors the same, regardless of the size of the company that they're dealing with. A key warning sign that things aren't right is delays in payment, says Caroline Sumner, technical and education director at R3, the insolvency and restructuring trade body.

"If your contract provides that your payment terms are 30 days and you are at a point where the company's taking 120 days to pay you, that should be a fairly strong warning sign that things aren't as they should be," says Sumner.

Yet many businesses - and small ones in particular - feel that they haven't any power to demand payments and just carry on for fear of losing a customer. Actually, that's exactly what businesses should do.

"The less you get paid and the more credit you incur, the more likely you are to enter into financial difficulties yourself," she says. "Cashflow is one of the key areas that needs to be managed effectively for any business, regardless of size."

Another alternative is to take out insurance, which can be expensive, particularly for smaller businesses.

Angus Dent, CEO of peer-to-peer lending firm ArchOver, urges small businesses not to dismiss insurance out of hand, but to consider what would happen to your

"Cashflow is one of the key areas that needs to be managed effectively for any business"

business if a major client went bust.

"When we trust too much in a company's longevity or size, we're making an understandable but risky mistake," says Dent. Investments and contracts can go bad but that doesn't mean businesses can't take steps to protect themselves.

"Just like Carillion didn't have to accept those tough contracts, SMEs should not accept contracts where there's a risk that they won't be paid or where there aren't measures in place to protect them against losses."

BW: Workplace Experts is a private office refurbishing business that carries credit insurance to protect a default that could jeopardise the future of the company.

"Occasionally we'll get clients where we may have concerns about their financial viability or that they don't have a payment mechanism within the UK," says director Anthony Brown.

In those circumstances, BW seeks funding of an escrow account, an upfront payment, a bank guarantee or relies upon its credit insurance. Another area that may see some growth following the failure of Carillion is the use of invoice factoring.

"Even a 50% return on a book of business in a timely manner is better than the uncertainty of non payment from a major customer. It may be the difference to ensuring a sustainable future as an organisation," says Brown.

Information is a critical tool in managing risk and forewarned is forearmed if you are seeking to protect your business, particularly for the SME.

"Local knowledge is key," says Sumner, who recommends joining local chambers of commerce for information on the ground about businesses to be avoided.

LESSONS TO BE LEARNED

Though the management and auditors have received most of the criticism for Carillion's demise, government



Protestors call for ex-Carillion workers at the British Museum to be brought back in-house after collapse

procurement has also come under scrutiny. Those appointing providers must consider a range of factors in addition to price when selecting suitable suppliers, says Mark Robinson, chief executive of Scape Group.

"Unrealistically low bids can not only lead to collapse, but also to poor deliverables in terms of project quality, investment in the local economy and a fair deal for suppliers on the ground," he says.

"The public sector should not be accepting bids without making informed decisions based on a wider cost benefit analysis or clear evidence of ethical supply chain engagement."

The trouble with government procurement is that it is a rather fragmented and vague entity in its own right. The largest buyers - defence, transport, and more - operate in a relatively uniform way, but around half the outsource market is made up of local government and that covers 150 unitary authorities.

Stannard says that there are good examples of outsourcing, but the Office of Government Commerce, designed to co-ordinate government procurement, has been a failure. And, while the early days of PFI may have offered rich pickings to providers, no one is ripping the government off.

"The government has benefited from vendors that really need the work, and there's always one or two vendors who act in an economically crazy way by a lack of management oversight or strategy," he says.

Stannard added that the government needs to consider carefully what it asks vendors to do and what value they can add that the government cannot. "It must be as much about what it wants, how it will

pay for those services, how to set the contract and how to ensure the service is what is required."

The collaborative relationship the government has with the water companies is a good example of how this business can be conducted, says Stannard. They have performance targets and operate on tight margins, but it is very clear what the vendors can and cannot control - unlike many of the outsourcing contracts where the provider will not make any money. Sometimes, there's just no stopping it.

There are lessons for business, too. Aside from paying heed to warning signs when they are apparent, Stannard believes that risk management must operate across the organisation, not simply within finance.

"There must be an operational view of risk management, both in bidding and in contracts. And that has to start with centralised functions, common reporting standards, rigorous operational diligence and review of contracts."

Businesses could learn useful lessons from the manufacturing sector, which very tightly controls costs, revenue base, pricing and invoicing, he adds. Unfortunately, there will be more failures, because there are always factors that cannot be completely controlled. However, bad management is one of the most common causes of structural problems and that can be dealt with. Carillion failed to adapt to its new environment and paid the ultimate price. If your model is declining - or equally growing - the business needs to be properly funded to support that growth or needs its own cash reserves to accommodate that, Palmer says.

"I feel the old-fashioned mantra that turnover is vanity, profit is sanity and cash is king holds true," she adds. "Sometimes, it's a question of sticking to your knitting and being fairly selective about the opportunities to work with a fundamentally sound business." ●



AT A GLANCE: THE DEATH OF CARILLION

£1.15bn

Carillion reported half-year losses of £1.15bn in 2017 and was struggling under nearly £900m of debt. The company was forced to issue a string of profit warnings after a review of its construction contracts found them to be much less valuable than previously thought, resulting in a £845m write-off.

41

In July 2017, CreditSafe decreased Carillion's credit score from 94 to 41, says David Walters, Creditsafe's head of data. Such a reduction in score would indicate a reduction in credit available falling from £73.8m to just £16.1m.

£29m

With no more credit available and just £29m available in cash, the business could no longer operate and it collapsed in January 2018.

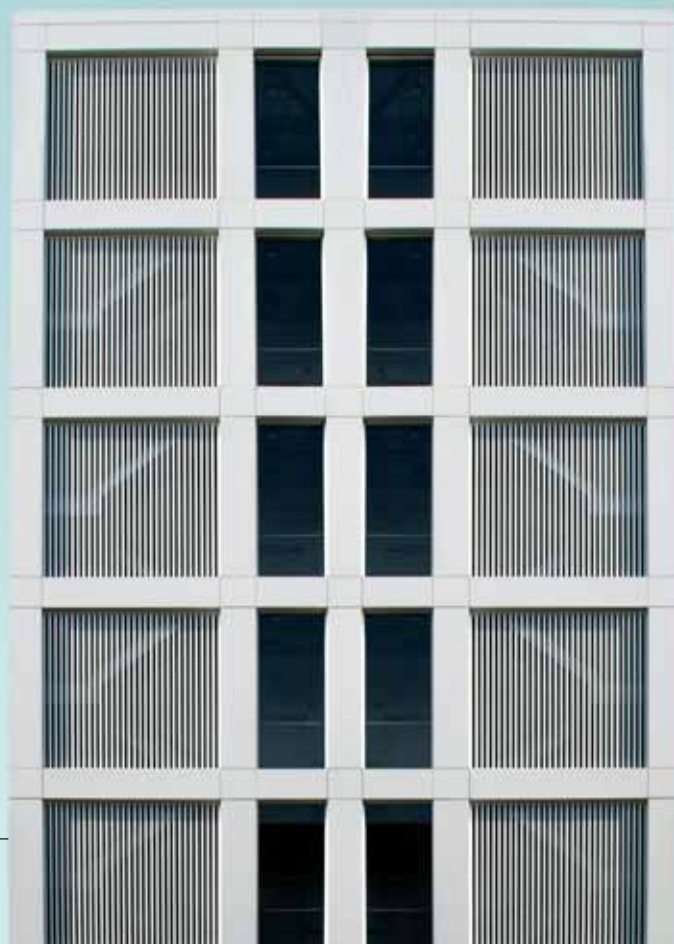
2,221

By the end of April 2019, the number of redundancies due to liquidation had reached 2,221, while 11,093 jobs had been saved. This does not cover those working via subcontractors, but more than 3,700 employees have been retained to deliver services until such time as those contracts cease or are transferred to another provider.



There's no place like

HOME



Simon Creasey explores the alternative solutions rivaling traditional housing models to meet the needs of a growing UK population

It's an interesting time for housebuilders in the UK. Following a tumultuous 2018, during which the share price of listed housebuilders fell by a whopping 27%, the sector bounced back in the first quarter of 2019. Share prices soared 18% – more than double the 8.2% enjoyed by the FTSE 100 as a whole – according to data from consultancy Building Value.

Taylor Wimpey has reported a 5.5% rise in full year pre-tax profit so far in 2019. Persimmon revealed profits had punched through the £1bn mark for the first time in the company's history. Bellway posted an 8.7% rise in pre-tax profit and Countryside said new home completions were up 43% in the six-month period to the end of 31 March, compared with the same period last year.

This uptick in financial performance has been boosted by the government's help to buy scheme, growing demand for affordable housing and the continued record low interest rates. But not everything is as rosy as it seems.

Although the government's UK House Price Index shows the value of homes is still rising (albeit by a rather miserly 0.6% a year), figures from the Royal Institute of Chartered Surveyors reveal a significant drop in new buyer inquiries in March.

Changes to the stamp duty regime, introduced by the government in 2016, have also stifled the buy-to-let market. In the period 2011-2015, buy-to-let mortgages almost doubled from 62,000 to 118,000, yet over the last three years it is estimated the number of landlords has fallen by about 120,000. Throw into the mix the prospect of a hard Brexit, which could be disastrous for the UK's leading housebuilder groups, and there are some serious question marks surrounding the sector.

ONE MODULE AT A TIME

Despite these uncertainties, housebuilders are rising to the challenge by embracing the latest building

technologies and launching new financing options to create additional revenue streams.

One of the companies leading the charge is Urban Splash, which launched a new modular housing concept called House in 2016 that has proved to be a big hit with the market.

"We believe that modular is a good answer to the UK housing shortage," explains Urban Splash FD Julian Curnuck. "Largely disregarded, yet more widely embraced in recent years, it's fast becoming a recognised solution, prominently on the radar at a government level too. All of that's positive as we strive as a nation to create more homes and make them accessible to more people."

The company has delivered nearly 200 customisable modular town houses at a number of developments across the UK, with future sites planned in Merseyside, Walsall, Manchester and Milton Keynes.

"All of the modular homes are created in our Urban Splash House factory in the East Midlands, a facility in which we have capacity to create up to 400 homes per year using volumetric modular technology – essentially meaning we create a large proportion of our customer's homes efficiently, delivering them to site as fully constructed, 3D modules, says Curnuck.

It's not the only company banking heavily on modular. Legal & General has spent millions setting up a residential modular business, with houses constructed at a facility in Yorkshire. Other major UK housebuilders are also making inroads into modular. Last year Berkeley Group received planning permission for a 150,000 sq ft factory in Kent capable of producing up to 1,000 modular properties per year.

SUPPLY AND DEMAND

On a smaller, but no less ambitious scale, is Project Etopia. The modular smart homes provider, founded in 2015, produces modular homes that can be ready for occupancy in under four weeks. Joseph Daniels, CEO of Project Etopia, believes off-site construction could have reached a tipping point.

"The private sector built more homes in 1959 than it did in 2017 and the government remains some way off its target of building a million homes by the end of 2020," says Daniels. "Heriot-Watt University has estimated there is a shortfall of up to four million homes. Meanwhile, the UK population is



CASE STUDY: URBAN SPLASH

FD Julian Curnuck explains the advantages of the company's modular housing concept.

"Volumetric modular operations like ours, where the entire pod or module of each floor of the house is created offsite, means that there is minimum disruption on the actual site, minimum environmental impact and fewer vehicles – all of which has a positive impact on the local community.

"We know exactly what's needed so we can be smart with the materials, calculating and ordering to precise specifications, making for less waste – on a traditional site there are vast cut offs, plaster board for example. Such waste, plus the cost of transporting it to and from site, adds to traditional contractors' carbon footprints. The factory environment is also a much better place to ensure high and consistent quality standards are met.

"These advantages also extend to customers who are able to fully customise their homes. The approach works well for both parties – some customers have resold their properties for £100,000 more than they were bought for.

"With almost 200 homes already completed and sold, the demand and business case for modular is proven and we will continue to invest in and grow this area of our business."

What opportunities and risks do you see for the finance function in the house building sector? Start the conversation on Twitter, @ICAEW_FinMan Using the hashtag #BAMVIEW_Housing



“London is seeing some willingness to permit taller towers. These allow greater density, which works for build to rent”

expected to increase by 3.6 million (5.5%) in the next 10 years, making the imbalance between housing supply and demand even more critical. We’re in the midst of a perfect storm and the housing crisis needs an urgent solution. Only modular houses can be built fast enough to solve it.”

To underline Daniels’s point, in April the company announced that the first four houses of London’s “only modular commuter village” were completed in just 34 days at a site in Corby. Daniels concedes that lack of investment has been a major stumbling block for modular in the past but, but as each new modular home goes up, “false assumptions” about modular housing are falling away.

“Homes England is allocating financial support to modular developers and chancellor Philip Hammond has previously made a budget commitment to back offsite construction methods,” says Daniels. “Building organisations are also now devising new quality marks for modular homes and these accreditations will increase their adoption.”

ROOM TO RENT

Another area of the market that’s caught the attention of housebuilders and real estate developers alike is the burgeoning build to rent market (BTR) and private rented sector (PRS). Some companies – like Quintain – are creating standalone brands to target this sector. It launched a lifestyle-focused residential rental platform called Tipi in March 2016 and currently has more than 260 apartment homes under management and more than 3,300 in various stages of development. Many of these homes are at Wembley Park in north-west London, which the company claims is the largest BTR site in the UK.

Quintain has plenty of experience of the ‘for sale’ residential market. However, Michael Allen, director of BTR at Quintain, says the company took a strategic decision a few years ago to retain “a healthy portion of its deliveries for long term rental on the balance sheet”.



There are a number of reasons why operators have embraced the BTR model. “First and foremost, you’ve got a supply demand imbalance in the housing market, which is just getting worse,” says Allen. “The second thing is that the ability of your average wage earner to buy property is going down. So home ownership is becoming less and less achievable for your average earner because pricing is getting higher and higher, and also because of the availability of debt. So those two planets are coming into alignment. The other planet coming into alignment is London finally seeing willingness in terms of the planning system to permit taller towers. These basically allow greater density, and BTR works better in larger chunks because it’s more efficient to manage.”

The added bonus of the BTR sector is, unlike for sale housing, the rental market is much more resilient because while some people may not be willing to risk their equity during times of financial uncertainty they still need to be housed.

As a result, Allen says the company hasn’t seen any slowdown in rental absorption or rent rates due to market conditions or financial conditions. “I can say from my previous experience working in the US through different economic conditions that the rental housing business is much more resilient to economic cycles,” he explains.

This resilience factor is why traditional housebuilding companies of all shapes and sizes are also eyeing up the BTR and the PRS sector at the moment. While it’s becoming an increasingly competitive marketplace as lots of

different operators wade in, Howard Crocker, managing director of Delph Property Group, believes there is plenty of scope for growth in the sector for those operators who position themselves correctly.

He argues that much of the current PRS stock backed by large institutions is of a ‘vanilla’ standard, but he thinks these investors are missing a trick.

“We believe there’s a massive demand for people who want something different,” says Crocker. “They want the service, they want the amenity space, they want a brand that interacts with them differently and it’s not good enough just to have a concierge who’s friendly and smiles at you when you enter the building on the ground floor. We looked at every process under the sun in connection with renting your apartment and we said ‘OK, how can we do it differently?’”

He thinks the answer to this question is Kooky, the PRS brand that Delph launched in April. What Kooky essentially does is de-risk developments by buying them off plan. It commits to buying the apartments from developers – its sweet spot is schemes consisting of 100 to 300 units located in city centres – and releases 30% of the deposits for these units, which allows developers to go to their finance company and raise the necessary funds to forge ahead with developments.

It’s a model that, based on early feedback from the market, appears to be gaining traction. It is likely that housebuilders and real estate developers will increasingly seek out these kinds of alternative solution to overcome the challenges ahead. ●

Expedite R&D cash receipts by up to 12 months

- No personal guarantees
- No equity dilution
- Interest rates from 1% per month

A short-term cash advance of up to 70% of your clients' current R&D tax claim.

archover.com/rda

5th floor, 40 Gracechurch Street, London EC3V 0BT
020 3021 8100 rda@archover.com

ArchOver is a Business Lender that connects businesses requiring finance with investors seeking a favourable return. ArchOver has funded over £95m of loans to UK businesses.

ArchOver is authorised and regulated by the Financial Conduct Authority 723755 and is not covered by the FSCS. Lender capital at risk. Past performance is not a guarantee of future returns.

POWER POTENTIAL

It was declared an economy to watch in 2013, but how has Nigeria developed on the world stage?

Since gaining independence from Britain in 1960, Nigeria has experienced a rocky path to stability: civil war was followed by 30 years of military rule, before a democratic process was put in place. Nigeria has since had 20 years of government fashioned on the US federal model. Rich in oil and natural resources, Nigeria has been identified as a powerful emerging market – not just for exports, but for imports to support its large, young population.

Oil, rubber and cocoa have been Nigeria's stock in trade, but indications are that it has become a more mixed economy. This reflects the government's own aims in its *Economic Recovery & Growth Plan* to be less dependant on oil (pipelines have regularly been the target of terrorists, as well as questioned for their environmental impact). Priorities include agriculture; solid minerals, including iron, gold and coal; manufacturing; services, including information and communication technology, tourism, financial services and creative industries; construction and real estate. Fiscal measures introduced to boost many areas included the Economic Community of West African States Common External Tariff 2015-2019, which reduced import duty rates on specific items, and implementation of an Integrated Tax Administration System.

Current ICT infrastructure is one of the weak points identified by analysts when it comes to attracting even more foreign direct investment to the country. Nigeria was ranked 143 of 176 countries in the global ICT Development Index. Its Federal Ministry of Communications created the *Nigeria ICT Roadmap 2017-2020* with the aim of boosting the jobs market in ICT by two million posts to help it improve. Despite its 150 research centres and universities, analysts also believe Nigeria has been hampered by limited scope for research and development. It is hoped deregulation in the telecoms sector will continue to drive further growth. ●

NIGERIA



Nigeria is a founder member of the African Union



Member of the United Nations and Commonwealth of Nations



Member of the Organization of the Petroleum Exporting Countries (OPEC) since 1971

MINT

Member of the **MINT** group of BRIC-like economies coined in 2013: **M**exico, **I**ndonesia, **N**igeria and **T**urkey

LAGOS

Previous capital

- Population **13m+**
- Largest city population in Africa



ABUJA

Capital city since 1991

- Population **2.44m**



29th largest

economy, overtaking South Africa in 2014



32nd largest

country by landmass



Population **190.8m**
(World Bank figure)



10-25%

Amount of Nigeria's GDP coming from Lagos economy



90%+
of the population is aged under 64



70%

of population estimated to live below the poverty line (2010)



54.3%
of the population was of working age in 2017 (16-64)



34%

Rate of unemployment (2017)



Income tax **24%**



Corporation tax **30%**

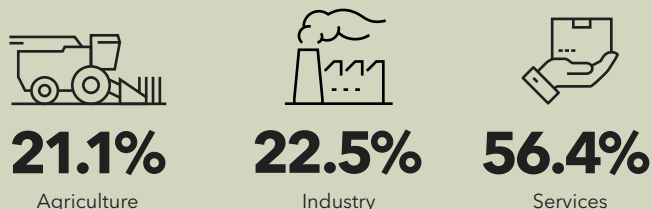
Nigeria's capital Abuja



GROSS DOMESTIC PRODUCT BREAKDOWN



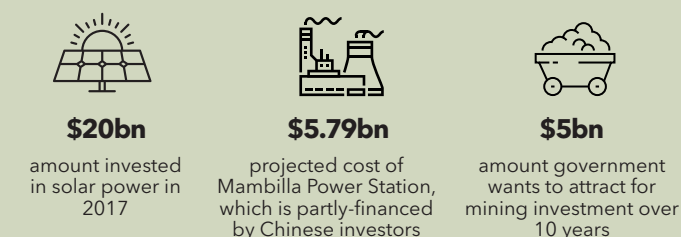
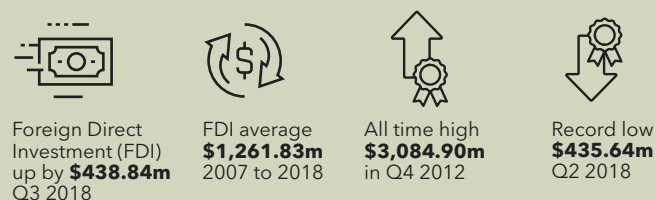
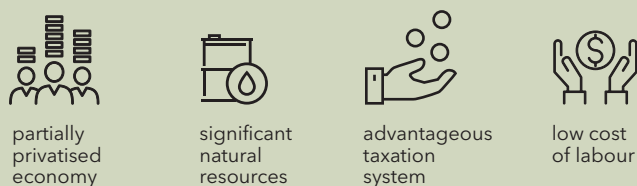
GDP composition by sector of origin (estimated 2016-17)



Key emerging industries: Nollywood (film industry), real estate, tourism and telecommunications.

LAND OF POTENTIAL: FOREIGN DIRECT INVESTMENT

Nigeria is seen as attractive due to:



IMPROVING INFRASTRUCTURE

\$650m

seed funds approved by the government for the Presidential Infrastructure Development Fund and invested in critical road and power projects across Nigeria in 2018

**\$278m**

amount invested by government for 25 key economic road projects across Nigeria's six geopolitical zones in 2017

EXPORTS



up by **32.2%** in 2017, after a decline of **29.4%** in 2016.



Main export partners: India, US, Spain, China, France, Netherlands, Indonesia



Key exports: Mineral fuels and oils, ships, boats and floating structure, cocoa

IMPORTS



up by **10.4%** in 2017, following a decline of **23.7%** in 2016.

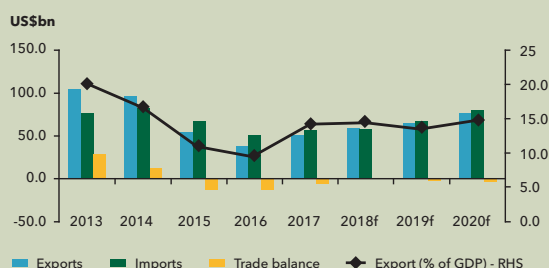


Main import partners: China, Belgium, US, South Korea, UK

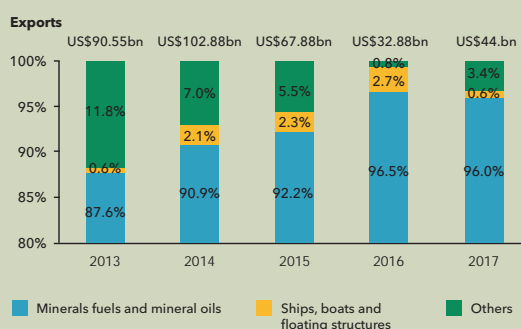


Key imports: Mineral fuels and oils, machinery and mechanical appliances, electrical equipment

EXPORT, IMPORT AND TRADE BALANCE



TOP THREE COMMODITY EXPORTS, % OF TOTAL EXPORTS



MULTINATIONAL CORPORATIONS WITH OPERATIONS IN NIGERIA



British Airways



Google



Cadbury



KPMG



Unilever



Shell

MAKING MEETINGS BETTER

Matthew Leitch looks at some of the most common and important challenges when steering meetings through uncertainty and risk



Many of our difficulties in meetings are driven by uncertainty and its associated risk. At the same time, a significant portion of our mismanagement of risk is due to poor meetings. If you chair meetings then you are in the best position to make positive changes, but if not there is still a lot you can do.

BETTER CONTRIBUTIONS

People who are not chairing meetings can still make a positive difference to the way meetings are run, according to a study published in 2013.

It focused on what the researchers call 'procedural' contributions. Examples of positive procedural contributions are: "all right, back to the topic", "so essentially you're saying that...", "let's talk about this first", "should I write that down?" and "that's the most important issue we're facing".

Nale Lehmann-Willenbrock, Joseph Allen and Simone Kauffeld recorded and painstakingly coded 59 team meetings at 19 organisations. And the study produced more than just correlations; the exact sequence of contributions was studied to see what happened immediately after positive procedural contributions. This analysis showed that positive procedural contributions increased the level of productive contributions immediately after and reduced the level of dysfunctional contributions.

As an added bonus, meetings with a lot of positive procedural contributions left people feeling most satisfied. Overall, the effect was best when lots of people made positive procedural contributions, not just one person. In short, chipping in with these positive procedural contributions can give you better meetings, even if you are not the chair, and getting some colleagues to chip in too should increase the effect.

Having established that there is something you can do, even if you are not chairing a meeting, here are five important scenarios involving uncertainty.

1. AVOIDABLE CONFUSION

Much uncertainty in meetings is almost entirely avoidable. It is that all-too-common uncertainty about what is being discussed. For example, the conversation may have drifted into a debate about what to do, when that was not anticipated or planned, has no structure and it is not even clear what alternatives are being compared.

You could say: "So, am I right in thinking we are trying to decide X, and the options we are currently comparing are A, B and C?" This positive procedural contribution on its own might be enough to restore some order. You might add: "Are there other options we should be considering?"

Sometimes comparison of options is not the best way to think about a problem because the conversation is iteratively designing a solution. You could say something like: "So, am I right in thinking we are trying to come up with a way to X, and so far we have ruled out anything involving A, but we might be able to do

Ideally, the agenda should identify the key tasks of the meeting and indicate a process for each one, but in practice this is quite rare



it through B or C, which are the options we are exploring at the moment?"

Ideally, the agenda should identify the key tasks of the meeting and indicate a process for each one, but in practice this is quite rare. Most meetings I have been to had either no agenda or a list of topic names only.

2. UNPRODUCTIVE ARGUMENT

A slightly less common but still important situation is where a disagreement has developed over some issue and progress has stalled. Both sides seem to think they know the answer, or at least that the other side does not know the answer, and time

is ebbing away.

This kind of stalemate usually indicates that nobody really knows, because the problem involves too much uncertainty to be resolved without more information. A useful contribution is to point this out and propose getting more information. You might say: "We have been discussing this for a while and I think the reason we have not resolved it is that we need more certainty. What can we do to get more information that will help us with this? Is there some quick research we can do? Is there a way forward that will allow us to make some immediate progress and at the same time gather more information towards a proper solution?"

You should find most people in the room agree with this approach, even if one or two people do not. I have described this scenario in both surveys and through my teaching at the Southampton Business School and the intervention described above is the most strongly supported by every group. Very few fail to spot this as the best response to protracted disagreement in a meeting.

3. QUANTITATIVE VAGUENESS

Sometimes people make statements in meetings that are quantitatively vague. They will use a phrase when they could have given a number. For instance: "We have received many complaints from

customers about this recently" is vague as to how many complaints and over what period of time. It could mean three complaints or 300 for all we know. And recently could be in the last day or the last six months.

The obvious response is to ask for numbers. If they are not available then press for at least a range within which the truth lies. People often do not realise how vague they have been. In the above example, it is helpful to hear that the number of complaints has not been counted but is somewhere between 50 and 100 over the past week.

People are often vague about how likely something is. They may say a risk is 'high', which is almost meaningless. Ask for odds or a percentage certainty. What you are asking for is a numerical degree of belief. The logic of such statements has been thoroughly studied and we know that probabilities like this convey information, with some probability sources conveying more information than others on average. This may be because there is more data or a better analytical method was used, for example. A subjective certainty of, say, 5%, is more informative than the words 'not very likely'.

4. GROUP GUESSTIMATES

Occasionally a group needs to make a quick estimate or prediction. This is a

If the best that can be done is an educated guess it is best to avoid a discussion in which numbers are mentioned



problem that has been studied repeatedly by psychologists. If there are facts to support the estimate then it makes sense to have a conversation that digs out those facts and uses them to calculate a number. However, if the best that can be done is an educated guess it is best to avoid a discussion in which numbers are mentioned and instead ask everyone with relevant expertise to think of their personal estimate, write it down, and then share it. Take an average of the estimates and consider their spread for evidence of interesting differences.

Do not mention a number or allow anyone else to mention a number before the poll is conducted because numerous studies have shown that such mentions tend to bias estimates. This is called anchoring. Also, beware of group polarisation, which is the tendency for groups that discuss issues to end up with a more extreme but not more accurate position than they would have without conversation.

5. REACTING TO PREDICTIONS

One situation that is crucial to managing business risk is where a meeting is asked to consider predictions that have been made. For instance, someone might be trying to get backing for a project and has made estimates of the costs and benefits of that project.

If something is important enough for estimates to have been made at all then it is important enough for uncertainty around those estimates to be expressed in some way, and for the implications of that uncertainty to be considered. For example, if a prediction of sales quantity was made and other figures calculated from it then we should expect to see not just the range of sales quantities that are credible but also the financial implications of the high, expected and low levels. In particular, if sales were disappointing then where would we be financially?

When assessing this scenario, most people understand that asking for an analysis that shows the implications of different levels of success is a good idea. So, if you suggest it then most people will agree with you, even if they do not speak up at first. This is more likely if you, as a professional accountant, always provide this sort of analysis when you present predictions.

MEETINGS ARE KEY

In summary, well-conducted meetings are crucial to managing risk effectively, but managing risk during meetings is also crucial to well-conducted meetings.

A consistent finding from the research when using hypothetical scenarios is that people are not always able to distinguish between less than ideal solutions, but tend to give their strongest support for actions that are open, honest and risk aware. Even if it is not what is usually done, most people respond well to a solution that is open, honest and risk aware, and will think it is sensible and appealing. ●



TECHNICAL UPDATES

Our regular roundup of legal and regulatory change

TAX



NEW VAT REGISTRATIONS AND MAKING TAX DIGITAL

Are you wondering how Making Tax Digital (MTD) for VAT works for new VAT registrations? The Tax Faculty has confirmed the process with HMRC.

The process for registering for VAT is unchanged. A business that needs to (or chooses to) register for VAT for the first time should follow the current process to register for VAT and the VAT registration guidance on gov.uk

If the taxable turnover of the business in the previous 12 months is over the VAT registration threshold of £85,000, the business will also need to comply with the MTD for VAT requirements. This includes following the steps to sign up to MTD for VAT as explained in the ICAEW guidance for businesses and agents and in recent Tax Faculty webinars (free to all ICAEW members).

Having to complete two separate processes – registering for VAT and then signing up to MTD for VAT – has the potential to cause delay and difficulty. A business cannot sign up to MTD until

the VAT registration is complete. The Tax Faculty understands that HMRC is developing functionality that will allow businesses to register for VAT and sign up to MTD in a single, combined process, but there is currently no timetable for when such a service will be introduced.

If you have any feedback on MTD for new VAT registrations, please email caroline.miskin@icaew.com

BUSINESS TAX UPDATE WEBINAR AVAILABLE ON DEMAND

A webinar explaining the latest key tax rules and reliefs affecting business was recorded in April and is now available on demand.

Anita Monteith and Caroline Miskin discussed changes to capital allowances, including the new structures, building allowance and off-payroll working (also known as IR35).

Other topics covered included the latest on MTD, research and development tax relief and some key changes affecting employment tax.

The webinar recording is available to ICAEW members at tinyurl.com/BAM-BTU

APPRENTICESHIP LEVY: SENDING OR RECEIVING A TRANSFER OF APPRENTICESHIP FUNDS

In *Employer Bulletin 77*, HMRC reminds levy-paying employers that the amount they can transfer to other employers increased from 10% to 25% from April 2019.

Where an employer is considering making a transfer, the receiving employer also needs to have an account on the apprenticeship service.

When setting up an apprenticeship service account, each account must have at least one:

- account owner;
- organisation; and
- PAYE scheme.

To register an apprenticeship service account, the employer needs:

- the account owner's email address;
- the organisation's company number, charity number or public body name;
- the PAYE scheme's Government Gateway credentials.

EXEMPTION FROM THE DIESEL CAR SUPPLEMENT

Details of how to report car and fuel benefits for diesel cars meeting Euro standard 6d are provided by HMRC in *Employer Bulletin 77*.

Where the car is first made available to an employee in the 2019/20 tax year, a new 'Fuel Type F' should be used to report diesel cars which meet Euro standard 6d on form P46 (car).

Where an employer is payrolling car and fuel benefits, they will need to:

- calculate the cash equivalent using the appropriate percentage for 'Fuel Type F';
- enter this amount in box 182 of the full payment submission (FPS); and
- enter 'F' in box 177 of the FPS.

HMRC will provide guidance on P11D completion for 2019/20 in due course.

HMRC REPORTS ON THE DIRECT RECOVERY OF DEBTS

HMRC has published a report on the direct recovery of debts (DRD). This looks at the effectiveness of DRD and how it has been used, and concludes that it has achieved its policy objectives.

The DRD procedure was introduced in 2015 and is designed to tackle those individuals and businesses who deliberately do not pay their tax, even though they can afford to. It gives HMRC the power to take money directly

from bank accounts to settle debts.

When DRD was first proposed in Budget 2014 there was considerable concern that it could be used against the wrong targets, including those who genuinely could not afford to pay or who had struggled with the tax system. After consultation and strong representations from ICAEW and other bodies, the government agreed to strengthen the safeguards for the use of DRD, and this is reflected in the legislation and guidance.

One of the safeguards was that HMRC undertook a review of DRD after it had been implemented.

HMRC concluded that DRD has achieved its objective of collecting tax from deliberate non-payers. The fact that the vast majority of debtors paid up when they got the DRD warning indicates that DRD has a significant deterrent effect and suggests that it has been correctly targeted at those who won't pay rather than can't pay.

TAXTALK: LATEST INSTALMENT

The May edition of TAXtalk is available to watch online. The roughly 30-minute-long recordings take an element of the tax system and break it down, with advice and insight from ICAEW experts on the relevant areas.

May's TAXtalk was hosted by Anita Monteith, alongside Sue Moore, private client tax manager, and Jason Bradley from the ICAEW Technical Enquiries Helpdesk. Sue discussed current consultation on Principal Private Residence relief and the dangers of neglecting will planning, while Jason and Anita covered the latest Making Tax Digital news.

For past recordings, and new ones as soon as they are published, visit tinyurl.com/BAM-TAXTalk

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

VENTO BANDS: UPDATE TO COMPENSATION RATES

The Vento bands, which set out the values payable for psychiatric injury and damage to feelings as awarded by the Employment Tribunals, have been reset.

The bands are to be updated annually, with an adjustment made for inflation.

The damages bands are as follows:

- lower (less serious): £900 to £8,800;
- middle: £8,800 to £26,300; and
- upper (most serious): £26,300 to £44,000.

The new figures are applicable from 6 April 2019.

AI: SOME POSITIVE SIGNS

The rise of artificial intelligence (AI) at work has been listed as a cause for fear over the past six years, since a wide range of job roles were listed as 'at risk' of automation and possible obsolescence. But a new report from the Chartered Institute of Personnel Development (CIPD) has thrown this view into doubt.

According to its study, *People and machines: from hype to reality*, AI and automation are increasingly being seen as a force for good, offering many employees the chance to develop their careers and take on new or enhanced roles that are better paid.

The survey, in partnership with PA Consulting, approached employees and employers to discuss how AI and automation have already changed work. It spoke to 759 employers via YouGov, who shared their reasons for going down the AI and automation route. Among the most popular reasons were to improve the quality of goods and services (38%) to deliver more cheaply (33%) and to reduce costs overall (32%).

The study also found that the new technological advances were broadly equal when it came to the creation or elimination of roles. For physical tasks, 44% suggested AI had created employment, while 43% thought it had eliminated or replaced jobs. For

cognitive tasks, AI was said to have created more roles (42%) than it had eliminated (37%).

CIPD and PA Consulting agreed that the resulting picture was complex. Professionals, administrators, and intermediate managers, semi- and unskilled manual workers and clerical staff were among the groups whose work was most at risk of automation. Some 50% of people who had a 'monotonous' component to their job had noticed the volume of such tasks had reduced due to AI.

The report commented: "There is no inevitable impact of AI and automation on employees, but we do not support the doom-mongers' predictions of a general slide towards heightened control of workers and impoverished working lives."

Read it in full at tinyurl.com/BAM-Machines

FINANCIAL REPORTING



YOU CAN FIND OUT MORE ON THE LATEST FROM THE FINANCIAL REPORTING FACULTY AT [ICAEW.COM/FRF](https://icaew.com/frf)

IMPROVING CORPORATE REPORTING: SMALLER QUOTED COMPANIES

A new guide to help smaller listed and AIM quoted companies improve their financial reporting has been published by the FRC and ICAEW. The guide addresses issues raised by the FRC about the quality of financial reporting in this sector, and provides practical tips and questions for audit committees to consider, with a view to driving up the quality of smaller quoted company financial reporting.

Smaller Listed and AIM Quoted Companies – A Practical Guide for Audit Committees on Improving Financial Reporting offers practical, cost-effective suggestions on how smaller quoted companies can improve the quality of their financial reporting and suggested questions for audit committees to ask themselves and those associated with the financial reporting process, including the board, chief financial officer, finance team and external auditors. These questions are designed to encourage the smaller quoted companies to reflect on current practices and consider areas for improvement.

To access the guide visit icaew.com/sqcguide

FRC THEMATIC REVIEWS FOR 2019

In its *Draft Plan and Budget 2019/20* the FRC has announced the areas of focus for its upcoming thematic reviews. In particular it has announced plans to:

- follow up on its thematic reviews on the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* in June 2019 interim reports;
- monitor companies' disclosures relating to IFRS 16 *Leases* in 2019 interim reports where it expects to see explanations of the impact of the new standard (which is mandatory from 1 January 2019); and
- conduct a thematic review of impairment of non-financial assets.

The FRC has also stated a change in previous practice by only making

limited use of pre-informing companies of its intention to include their reports in its samples for thematic reviews.

Access to resources on the standards can be found at icaew.com/ifrsstandards

You can read the FRC's press release at tinyurl.com/BAM-ThemRev

BITESIZED BRIEFINGS

In March the Financial Reporting Faculty launched Bitesize briefings, a range of 20-minute webcasts on topical subjects. Two webcasts, *Introducing the Financial Reporting Lab* and *What makes up the annual report?* can be accessed at icaew.com/frfevents

IBOR REFORM

The IASB has published for public comment proposed changes to the old and new financial instruments Standards, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments*, in light of the reform of interest rate benchmarks such as interbank offer rates (IBORs).

The IASB has proposed to amend IFRS 9 and IAS 39 to provide relief from specific hedge accounting requirements that could have resulted in the discontinuation of hedge accounting solely due to the uncertainty arising from interest rate benchmark reform.

Comments are due by 17 June 2019 and the IASB aims to issue the final amendments later this year.

Read the IASB press release at tinyurl.com/BAM-IBOR

EQUITY INSTRUMENTS

The European Financial Reporting Advisory Group (EFRAG) is launching a public consultation to gather constituents' views on whether alternative accounting treatments to those in IFRS 9 are needed to portray the performance and risks of equity and equity-type instruments held in long-term investment business models.

Comments are due by 5 July 2019.

Read the press release tinyurl.com/BAM-EFRAG ●

BOOK ENDS



SPEED READ

Entrepreneur and author Royston Guest explains what he gained from reading *The Compound Effect* by Darren Hardy

WHAT MADE YOU PICK UP THIS BOOK?

I am a big fan of the whole concept of marginal gains: how you can break down your personal and professional goals into bite-size chunks and through daily discipline build real momentum in achieving your goals.

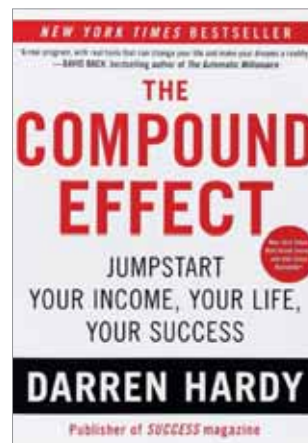
WHAT TIP OR ACTION FROM THE BOOK MOST STRUCK A CHORD WITH YOU?

Darren says "your life is the product of your moment-to-moment choices", which I interpret as the quality of your life is not about chance. It's the idea that you're in

control of your own destiny and, through increased focus, conscious and deliberate intent, and disciplined delivery you can create forward momentum. Compounded, this can have an exponential impact on the results you achieve. Every day we make choices - big or small - which directly or indirectly move us closer to or further away from our goals. It's in your hands.

HOW DID YOU MAKE CHANGES THAT HARDY'S APPROACH OUTLINED?

I constantly use the concept of marginal gains and breaking goals down into bite-size chunks and actions.



Professionally, it's setting and delivering the business sales targets or taking the strategic vision and breaking that down into a yearly plan. Personally, I'm training for a marathon. Adding on more miles per run or running for an extra 15 mins each day will eventually build up my stamina.

WHAT WAS THE RESULT?

Certainty. That it's in my control to turn my goals and ambitions into reality. It's down to me to make it happen. I'll let you know about the marathon - I'm still in training!

WHO ELSE SHOULD READ THIS BOOK?

Anyone interested in being the best version of themselves. If you feel overwhelmed by the 'big picture', whether that's pursuing a career change or a new job, for example, or you're someone who doesn't take any action (or starts and stops), this book is for you.

Royston Guest advises growing businesses and is the author of *RISE: Start living the life you were meant to lead*

BOOKMARKED

Economics for the Common Good

Jean Tirole
Princeton University Press
£14.99



With his latest book, economics professor and 2014 Nobel prize-winner Jean Tirole is in part on a mission to improve the public image of economics, even if some readers won't like his conclusions.

Tirole acknowledges the subject's position as the "dismal science", and the difficulty in persuading people in general to accept the messy reality, rather than seeing what they want to see. Society, he believes, would be improved for being better informed about economics and, with this, finding a way to see that humankind can pursue economics for the common good.

Describing his book as "a tool for questioning", Tirole takes a near-600 page tour of economic concerns as wide-ranging as climate change and corporate social responsibility, industrial policy, innovation and R&D, financial levers, toxic products,

stock markets, financial bubbles and panics. Two-thirds of the book is devoted to macro-economic and industrial challenges, making it a pertinent read for accountants in industry. There are particularly interesting sections describing the labour-market foibles of Tirole's native France, and an examination of how the inevitable digital-led future is already beginning to hollow out the centre of certain jobs - though he is not convinced there will be a complete loss of salaried employment.

Tirole realised as he was completing the book that it was "timely" with the continued emergence of populist uprisings as a response to various forms of economic turmoil - making his aim to render economics "comprehensible to the common man" even more pressing. ●



Business Conferences

ICAEW's annual Business Conferences have been designed with complementary programmes, specialist breakout sessions and the highest calibre of expert speakers. Whether you're a Finance Director for an SME or a Financial Controller for a FTSE 100 company, one of our conferences will provide you with a comprehensive round-up of essential technical updates and career development opportunities tailored to your needs.



12 JUNE FINANCIAL CONTROLLERS' CONFERENCE

Future Leaders of Finance

Explore insights, innovative strategies and techniques that will prepare you with the skills to be a future leader of finance.

Book today at icaew.com/fc2019



18 OCTOBER CFO CONFERENCE

Empowering the Strategic Leader

Guiding senior financial professionals on how to transform expert insight and thought leadership into effective business strategy.

Save the date at icaew.com/cfo2019

DO MORE THAN REFER

Banks have gone to the clouds too. Who will businesses ask for help now?

Bank branches are disappearing - 3,000 in the last 3 years alone. The new financial products are digital and with over 360 lenders to choose from, businesses need your help.

Compare and apply to over 100 financial providers and be the bank manager for your clients.

Expand your advisory service lines, giving your practice a boost at [Capitalise.com/playbook](https://capitalise.com/playbook)



Connect with the Capitalise Community

Join the 1,200 firms using us to help find financial services for their business clients.