Capital management still key concern

Financial executives are still trying to improve their working capital management processes.

A survey of 200 European finance executives by CFO Research Services and RBS found that three-quarters were aiming for moderate or substantial improvements in days sales outstanding (DSO), days payable outstanding (DPO), and days inventory outstanding (DIO).

The main focus, according to the survey, will be to shorten payment cycles and get cash in through the door quickly. Over a third of respondents said that they needed to improve their own working capital processes to accomplish this.

Survey results also suggested that finance executives in Europe were starting to consider additional automated cash management and trade financing techniques to help improve working capital. Half of the respondents currently employ either e-invoicing/e-billing or automated direct debit. Only 38% or fewer use online invoice viewing and reconciliation, foreign currency netting, intra-day sweeping, notional or zero-balance pooling, automatic investment solutions or direct SWIFT connectivity.

Deals of the Year Awards 2010 kicks off

Nominations have opened for The Treasurer's Deals of the Year Awards 2010.

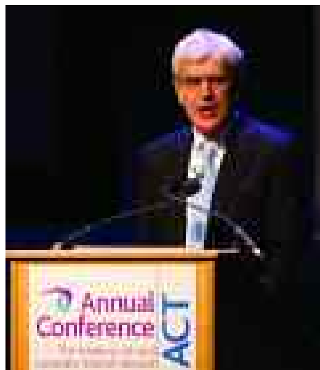
All those associated with the treasury profession are asked to help recognise the stand-out achievements in the world of treasury in what has been another challenging year.

"We would like to encourage all treasurers, bankers and advisers to take part in recognising and celebrating excellence in treasury," said Peter Matza, ACT's head of publishing.

Award nominations can be made online, by post or by fax. For further information, visit **www.treasurers.org/awards**

CBI boss fires parting shots

Overheated rhetoric is harming the banking system and stifling the emergence of new competition, Richard Lambert has claimed in his final speech on the sector before he steps down as director-general of the Confederation of British Industry (CBI).



Lambert: stop bashing bankers

Lambert suggested that politicians had successfully deflected their share of the blame for the near collapse of the banking system onto the bankers. He said the crisis had been due as much to badly designed policy frameworks, errors of judgment by the government, central banks and regulators, and bad macro-economic management as to bankers' greed and errors of judgment.

"If politicians persist in the argument that it was all the bankers' fault, they will come up with the wrong responses," he said. The proposed increased banking levy would fall as much on the banks' customers as on overpaid City dealers, he added.

He deplored politicians indulging in banker-bashing as the annual bonus season approached, and suggested they focus instead on what shape the UK banking system should take in future. "What do they think it should look like in five years' time, and how do they think we should get there?"

Lambert admitted that he had not initially welcomed the new government's launch of an independent commission on banking but had since changed his mind. The commission appeared to be undertaking its task under Sir John Vickers' chairmanship "in a thoughtful and balanced way", and intended to remove uncertainty by giving "a pretty clear idea of where it's heading" by next spring.

Addressing the regulators' role, Lambert hoped that the new Financial Policy Committee would not be run by "a bunch of technocrats" but include people with imagination. Its priorities should include creating a system in which failing banks could not assume taxpayer support and where debt holders would face losses once equity investors were wiped out. Regulators also needed to devise ways to revive the securitisation market as a source of loan funding in the UK.

The banks themselves also have much to do to restore public confidence. "Senior managers are going to have to be much more visible at the coalface, and work harder to reassure business borrowers that their requests are being seriously assessed," Lambert said. ■

Default retirement age chaos looms

Government proposals to phase out the current default retirement age have gone unnoticed in the flurry of activity surrounding the emergency budget and the state of the economy. Yet the move has "profound implications" for both employees and employers, solicitors Oxley and Coward have warned.

Consultation on the proposals ended on 21 October and the default retirement age (DRA) phase-out is due to begin on 6 April 2011, with abolition scheduled six months later, on 1 October.

The firm said the move had broad implications. Employees nearing what they thought was a well-earned retirement at 65 may find their employer has no plans to let them go, while employers expecting to see older employees leave may be left with them on the books for many years to come with no legal right to compel retirement. Businesses could find staffing plans in disarray.

"As the law stands, as long as employers follow the statutory retirement procedure, they can quite lawfully compel employees to retire at 65," said the firm's employment specialist Dawn Cherry. "With no DRA this would all disappear, unless of course the employee has a contractually specific retirement age.

"At the moment, it appears employers will still be able to operate their own compulsory retirement age with DRA abolished, but the key difference is likely to be that an employer will be expected not only to justify but provide reasonable grounds for the retirement age chosen.

"In our view, some form of guidance or code of practice would help many employers and employees alike. The risk is, removing the DRA with nothing in its place could see employers and employees in a legal limbo, with neither exactly sure of their rights and responsibilities. A legal minefield, even for a solicitor!"

Queue grows longer for FSA authorisation

Financial services firms are having to wait ever longer to gain authorisation to operate from the sector's watchdog, reports City law firm Reynolds Porter Chamberlain.

The firm found that the typical waiting time for FSA authorisation of new firms has been steadily lengthening. In 2007, before the onset of the credit crunch, the average wait was 7.9 weeks; by the first quarter of 2010 that had lengthened to 19.5 weeks, and by Q2 21.1 weeks.

Financial services firms cannot conduct regulated business until they have been authorised by the FSA.

Over the year April 2008 to March 2009, as the credit crunch tightened, it received 1,375 applications for authorisation, 37% fewer than the 2,193 submitted in 2006/07. The lengthening delays, against a background of fewer submissions, risked reducing competition and harming the City's international competitiveness, said Jonathan Davies, a partner at the firm.

FSA: delays hit City's competitiveness

"The question in my mind is whether the FSA is taking longer to authorise firms because it is being more rigorous, or whether it is because it is haemorrhaging its more experienced staff and cannot keep up with the workload," Davies said.

"If they are being more rigorous, what does that say about the FSA's approach to authorisation a year ago? If, on the other hand, the FSA lacks the resources to cope effectively with requests for authorisation, then that will raise major concerns in the financial services sector." ■

Thumbs up for pensions allowance cut

The Treasury decision announced last month to curb tax relief on the pensions of high earners appears to have wide support. A survey has found that nearly two in three finance directors, trustees and pensions managers welcome a reduced annual allowance as an improvement over earlier proposals for a "high income excess relief charge" targeted at people with incomes over £130,000.

The survey, by consulting actuary and administrator Punter Southall, was of over 130 individuals, with backgrounds from FTSE 100 blue chips to charities. It found that 64% felt a reduced annual allowance would be simpler to communicate and administer, with all members treated similarly and less complex calculations needed. More than 80% agreed the changes would lead to more enquiries and requests for calculations, and almost half believed that the increase would be significant.

The October announcement set the annual allowance at a higher than expected £50,000, which will take many individuals out of the scope of the charge altogether,

The factor for valuing annual benefit growth in defined benefit schemes has been set at 16, so the level of "deemed contribution" will be lower than expected. Individuals tipped over the £50,000 level by a one-off salary rise will be able to carry forward their unused annual allowance from the previous three years to reduce any tax charge, possibly to nil.

Jane Beverley, Punter Southall principal and head of research, said: "The government has listened carefully to concerns raised that a reduced annual allowance approach would impact disproportionately on those who, although they may be classed as high contributors to their pension schemes, are not really high earners."

Efficiency drive for e-bill payments

Banks and billers have been urged to improve the efficiency of electronic bill payments by the Payments Council, which says UK businesses annually spend millions of pounds resolving problems when their customers omit the right reference payment information.

Peter Finlayson, director of policy at the Payments Council, said the organisation's new guidelines would improve the accuracy and delivery of payment service information.

Michael Alexander, chairman of the Payments Council's Large Corporate User Forum and an independent director on the Payments Council board, said: "This best practice, if followed by as many parties as possible, could make a considerable improvement to the processing difficulties those businesses have and the amount of time spent on manually repairing payments when the payment reference information is wrong or missing."

Workers swap benefits for cash

British workers would sacrifice staff benefits in favour of higher salaries, according to research by financial protection provider Unum.

Based on a poll of 100 HR professionals conducted by GfK NOP Business, it found that 38% of companies reported a growing trend over the past two years for employees to forgo benefits such as income protection and life insurance to take a lump sum instead.

Unum said: "As employees struggle to boost their monthly income amidst a challenging economic environment that has seen salaries frozen and bonuses slashed, a growing number of UK workers are choosing to ignore the risk and give a short-term boost to their salaries by contracting out of their company's employee benefits."

Unum added that its own research showed almost half of all UK workers had been off work for more than a week due to illness or injury at some point during their career, and around two million workers had had to take off six months or more.

Marco Forato, Unum's chief marketing officer, said: "A lot of people are struggling financially as a result of the recession, but workers should only opt out of long-term financial benefits as a last resort."

TradeRisks appoints Raeburn as its chairman

Corporate finance and investment firm TradeRisks has named Richard Raeburn, chairman of the European Association of Corporate Treasurers (EACT), as its new chairman.

Raeburn (pictured) has been a leading figure in the debate over future regulation of derivatives on behalf of the corporate sector since he went to the EACT in October 2008. He moved to the EACT from the ACT, where he was chief executive from 2002 and 2008.

TradeRisks' founder and chief executive, Alex Pilato, said that the appointment demonstrated the company's ambitions as it expanded into new markets in the UK and overseas. "We are seeing increasing demand for execution transparency and fair market competition for debt and hedging products from corporates and institutional investors alike, which is driving exciting growth for the company," he said.

Raeburn, whose previous positions also include being lead partner of KPMG's corporate treasury practice, said he was pleased to be joining TradeRisks, which set up TRL Exchange as a marketplace for funding and derivatives.

"The company's focus on transparency and new ways of helping borrowers and investors achieve their funding and risk management objectives is particularly relevant in today's financial markets," he added. "The financial landscape offers significant opportunities to extend this disciplined focus more widely to the benefit of organisations in the public, private and the not-for-profit sectors."

Private equity buy-outs revive

Private equity buy-outs in the UK, which slumped to their lowest level in 25 years in 2009, have revived strongly this year, according to Nottingham University's Centre for Management Buy-out Research.

The organisation reported that in the first nine months of this year private equity deals totalled £12.5bn compared with £4.7bn over the same period last year.

Although the figure is still well below that reached in the pre-credit crunch boom of 2007, private equity buy-outs in the first half of 2010 accounted for a record 73% of all UK mergers and acquisitions by value. The figure exceeded the earlier year's percentage of 62% and is sharply higher than last year's 28%.

Rather than faltering, activity showed signs of accelerating in Q3, which saw 32 buy-outs worth almost £4.2bn, a 22% increase over the second quarter and more than six times more than the same months last year.

However, the figure was boosted by so-called "pass the parcel" deals in which one private equity group sells to another. They represented 44% of all UK private equity deals by value over the first three quarters, compared with 20% over the same period a year ago. The greater volume was reflected in a year-on-year tripling in the value of private equity exits in the 12 months to September to £7.6bn. ■

Global M&A activity rebounds

Global merger and acquisition activity over the first nine months of 2010 hit $1,420.2bn, a 24.8% increase in the total for the same period last year, according to intelligence service Mergermarket.

A total of 8,010 deals were announced, representing a rise of 16.7%. Goldman Sachs was the leading financial adviser, accounting for 208 deals worth a combined $369.7bn. European M&A was up 50% by value and 18% by deal count from the same period last year.

Private equity-backed buy-outs showed an even sharper increase in activity over the period, with a total value of $150.6bn, or a 93% increase on a year ago. The Q3 total of $69.1bn was the highest quarterly total since the second quarter of 2008.

Cross-border activity between regions totalled $390.7bn to the end of September, up 109% from the first three quarters of 2009. Mergermarket said cross-border deal flow had comprised 27.5% of all global activity so far this year, the second-highest percentage it had ever recorded.

It was more of a mixed picture for emerging markets. Although $357.3bn of deals were announced over the first three quarters of 2010, a year-on-year rise of 51.9%, activity in Q3 this year dipped to $98.4bn and was the lowest quarterly total in a year.

Of the deals announced so far this year, 6.4% were valued at over $500m – the highest proportion since 2007. The total of 515 compares with only 323 for the first three quarters of 2009.

Chancellor targets tax take

While the main focus of last month's Comprehensive Spending Review was government spending, business needs to be aware of the government's promise to take further action to combat tax fraud, evasion and avoidance.

Chancellor George Osborne announced in the review that he would be pumping in an extra £900m into HM Revenue and Customs in the hope of raising an estimated £7bn a year of extra tax revenue by 2014/15.

Osborne said: "To ensure that banks make a fair and growing contribution to the public finances as the economy recovers, the government will continue to monitor tax receipts from the banking sector. As part of this, the government expects the banking sector to comply with both the letter and the spirit of the law and not to engage in or promote tax avoidance."

The government also wants 25% "efficiency savings" to focus on frontline tax collection.

Jane Bennett, Forum of Private Business, said: "We feel that one crucial area the government has addressed is tax. HMRC will be expected to find savings of 15% via new technology and other efficiencies and these are likely to include reforms to the UK's complex tax system." ■