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Out with the old... in with the new

# Out with the old...in with the new

- Lehman Brothers 2008
- Eurozone in Crisis
- Commodity Prices
- OECD warning
- UK double dip
- Youth unemployment
- Riots

## ‘Out with the old’

- West leading GDP growth
- UK’s leadership of global financial and professional services
- Absolute belief in unfettered free market
- Debt – over leveraged corporates + people
- Expectations that young people will be better off than their parents

## ‘In with the new’

- Lower growth
- A more internationally focused world for financial and professional services
- More responsible capitalism
- Sustainable business
- A less certain future for our young people

# In with the new – lower growth in Europe

- No return to 2007 soon
- UK
  - Under 2% to 2015
  - Consumption was key to growth but borrowed
  - Over spent + Public sector debt
- France similar
- Belgium – exception (no Government!)
- Asia
  - Up to 8%
  - 24% global purchasing power
  - Fruit picking in USA
- = ALL CHANGE

# In with the new – international focus for financial services

- London faced competition already
- Challenges increased for UK + Europe
  - new centres in new economies
  - EU/UK legislators
- Advantages remain
  - Rule of law (+ language)
  - No expropriation threat
- Long term issues
  - Numbers
  - China + India graduates + growth
  - Shift inevitable ?

# In with the new – financial and professional services cont...

- Chinese ambitions – global accounting firm
- Competitive threats
  - Regulation (unilateral -- e.g. Vickers)
  - Financial transaction tax (unilateral)
  - Tax rates generally
  - Trading restrictions (short selling/AIFM)
- Credible alternatives
  - Singapore + HK + Shanghai (31% global market cap – Europe 25%)
  - HK wooing British banks

# In with the new – financial and professional services cont...

- Impact on Accountants
  - Maintain build reputation
    - Public interest
    - Contribute objectively to debate
  - How contribute economic well being
  - Ethics
    - Profits – probity – L/T risk – reputation



# In with the new – financial and professional services cont...

- Impact on Accountants cont...
  - Accelerate international growth strategy
    - ICAEW – 15 years of exporting qualification
    - ICAEW – 15 years cultivating leaders of profession worldwide
    - ICAEW – worldwide reputation building
  - Help clients/employers export

# In with the new – changed capitalism

- Support economic + social progress
  - Responsibly (best already do)
- Threatened
  - Government rescue
- Short term or long term
  - Value destruction
  - Irresponsible risks
- Audit under the spotlight
  - Concentration
  - Non audit services
  - Market led solution needed
  - Evidence for change

# In with the new – changed capitalism cont...

- Accountants role
  - Public interest
    - Stakeholders
    - Shareholders
  - Plan for long term
  - Ethical business
  - Employee stakes/income share
  - Sustainability
- ICAEW
  - Policy forums worldwide
  - Models for capitalism/currency (Finance Innovation Laboratory)
  - Capacity building in emerging markets

# In with the new – sustainable business

- Part of responsible capitalism
  - Good for planet
  - Good for profit
  - Good business sense
- Threats to business
  - Climate change
  - Population
  - Industrialisation in China/India
  - Resources
  - Supply chain

# In with the new – sustainable business cont...

- What can accountants do?
  - ICAEW + WWF = Finance Innovation Lab
    - True costs of business (environment + society)
  - ICAEW + POW = integrated reporting
    - Sustainability central to financial reports
  - ICAEW = online course on sustainability
  - ICAEW = carbon emissions reduction
  - Good for business – examples
- Delivery improves results and image

# In with the new – impact on youth

- 20% to 40% NEETs
- Inst. Fiscal Studies – youth hit hardest
- Generation will not be better off
  - Low paid no job security
  - Fewer own homes
  - Less social mobility (UK, France, Italy, USA particularly)
  - University costs + debt
  - Inequality of income growth
    - Solution needed to inequality

# In with the new – impact on youth cont...

- Role of the profession?
  - Help young achieve
    - University
    - Non-university
  - ICAEW tradition
  - New routes
    - Durham (KPMG) Newcastle (PWC) +
  - Financial literacy
    - Money management/savings
  - Help business + Government face issues (e.g. ageing)

# Conclusion

## Big role for accountants

- Advice to businesses + public sector
  - Financial management/debt control
  - Spotting strategic opportunities/products
- Help businesses export
- Work internationally where there is a need
- Use ethical framework + integrity (objective + independent advice)
- Promote responsible business
- Encourage sustainable business practices



# Conclusion

## Big role for the profession (ICAEW)

- Business Advice Service (BAS) in UK
  - Help SMEs
  - Free initial consultation
  - Promote CAs
- Global strategy
  - Worldwide leadership
  - Mutual recognition
  - Reputation and influence
- Promote sustainable reporting
  - Forefront of future accounting
- Widen access to profession
  - Non-university intake
  - Supported university intake
  - International capacity building

# Conclusion

Our response today

- Acting in public interest
- Promoting responsible/sustainable capitalism

Hugely significant to reputation + future

# Conclusion

**WE MUST RISE TO THE CHALLENGE**



A world leader of the  
accountancy and finance profession