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DUCKETTS
 TRUSTED ADVISORS

October 2005 Newsletter

Disaster/depression special.



Book of the month

"Working together (in 90 minutes)" by Keith Antoine.

This guy's background is athletics and I'm always slightly concerned that sports analogies don't really transfer to the business world. He deals with this problem head on and shows that the relay race (4 x 100m) is indeed a good (if simple) example as the performance of the team is dependent on the members having different tasks and actually working together. The US produced the best sprinters by far in the 80s and 90s, but often couldn't win the relay as their team-work was indifferent. Only if the

individual sprinters were significantly better than the opposition would they win the race. Business teams always work in non-linear ways, making the "team effect" far more complex. The warning is clear: no matter how good your star performers, you will eventually be overtaken by a business using teams more effectively. And the book is very funny. www.mb2000.com

Repent at leisure?

The Sunday Times ran a report on the damage that divorce settlements can do to your wealth and concluded that this will stop men marrying (or maybe only marrying equally wealthy women). The lesson I would draw is that matters involving money should not be left to solicitors. You wouldn't expose yourself to so much uncertainty in a business deal, but pre-nups may or may not be effective. In fact, the whole issue would be resolved if fixed price divorces were introduced, but that's another story.

From a tax perspective, being married is only a plus where CGT & IHT are concerned. However, the taxman will take 40% of everything, whereas the divorce settlement is likely to start at 50% and work upwards. The Tax Credit system ignores marriage completely. But, what's logic got to do with it?

Oz times

Various business ideas came out of Australia in the late 80s/90s, with some of them catching on quicker than others. I heard about Paddi (Awesome Service) Lund via Accountants' Bootcamp. He was a dentist who had a nervous breakdown caused by trying to service too many clients. He therefore concluded that the way to happiness was to have less clients, but charge them a lot more. To be able to charge more, you need to be able to demonstrate better service. 15 years on, he's still saying that.

www.solutionspress.com.au/content/standard.asp?name=DrPaddiLund_HappinessAndProfits

Lessons re-learnt

A couple of years ago, we went to a seminar in deepest Wales and stumbled on Ken Lewis. His book was subsequently featured in the Newsletter (Kaizen etc) and we've viewed him as the lead thinker on team working in a manufacturing environment. The Boy Scout & I were therefore keen to seize the option to go and visit his business for a "this is how we did it" day. I'm still trying to decide what conclusions to draw from the experience. What happened to the company was that their biggest customer told them that production was to be relocated to China. They therefore went on a big drive to land new business and were successful in doing this. However, the Chinese relocation took 18 months longer than expected. Old work coupled with new work gave them massive short term growth and they ran out of resources, resulting in customer expectation failures. And, of course, when the old work finally did go to China, they had to make lots of redundancies. In that 18 month period, most of the new ideas were sidelined due to workload and have had to be re-learned and re-implemented. The MD of the company reckoned that the biggest single lesson was "hire for attitude and teach the required skills". Anything else leads to trouble. (And, keep trying things). However, given inherent uncertainty over demand/sales, what else could they have done?

In sickness

As you well know, I don't give advice on Financial Services matters. More than my job's worth. However, just occasionally, I might be prevailed upon to consider generic issues (before handing you over to the appropriate IFA/expert). Private Medical Insurance (PMI) has been on my mind recently, mostly because my knee has been hurting. [Don't get this mixed up with Permanent Health Insurance (PHI) or

indeed Life/Critical Illness Cover.] I last thought about this (PMI) about 10 years ago when waiting lists were long, but premiums were more affordable. Nowadays, with a private knee replacement coming in at about £10k, fully comprehensive premiums are large and you need to be very clear about what you are really insuring (your ability to get back to work quickly?). As ever, the creative geniuses in financial services can cut a policy to suit any pocket, but you get what you pay for (probably). Premiums are always a luxury as far as the taxman is concerned and it remains to be seen what will happen to the NHS over time. If it helps, I know a man.

Computers and bicycles

Both items can now be provided by employers free of benefit in kind charges. How very useful.

Mind mapping

This is a technique for visualising complex problems in order to understand the links between the different elements. I'm tempted to buy the software to give it a go. Anybody seen it work in practice? www.mindjet.com/uk/ or maybe www.cancercode.com/

Paperless

A must-read website for those expecting a compliance visit of any sort? www.scanandshred.co.uk

Ice is nice

The Met Office has issued a warning that we are about to get a negative oscillation in the North Atlantic Drift, thereby making it likely that there will be a prolonged period during the coming winter when cold weather will flood in from the Continent. The last time this happened was 1985/86. A lot has changed in the last 20 years as the supply chain has become far more efficient and very little stock is carried anywhere. Whilst we could run out of

food and fuel, I'm more concerned about business continuity:

- You may need to sleep with your computer to keep that data warm
- A VPN from home could be essential, assuming the power doesn't fail
- There will finally be justification for buying a 4WD vehicle
- You may not be able to get out to pay that end of January tax bill
- Ms Sparkle will not be able to get any returns to the Revenue, except down the wire
- Cash flow, which is always poor in January & February, will be dire
- You will be unable to get hold of your accountant as he will be playing in the snow

The prospects for doom & gloom are endless?

The future may be rosy (after all)

Despite various visions of apocalypse, those nice, cheerful people at BT have looked into the future and concluded that all sorts of exciting things will happen (fairly) soon. The list of good things is so long that it would be unreasonable to highlight any particular event. However, they do concede that any single disaster could derail the whole thing

<http://icaew.org/ve/ZZtUd89726178cgV88/stype=click/OID=9059218283520/VT=0>

Can't get good staff?

How about a £1k bonus for recommending a new employee who stays for 6 months? Well, it's a thought.

SMEs are official

The attraction of starting your own business is so attractive (to those in steady employment), that the electronic Times has started a blog:

<http://business.timesonline.co.uk/section/0,,23849,00.html>

I'm sure he'll get disillusioned sometime soon.

Tax shortfall

It appears to be common knowledge that the Chancellor is facing a £10 billion hole in his finances and this is equivalent to a 3p rise in the basic rate of tax. Taxation Magazine has suggested that this could be recouped by stopping certain Departments losing money:

- £2.2 billion in Tax credits in 04/05
- £3.0 billion lost in benefit fraud and error (to the nearest 0.5b?)
- £4.8 billion MOD cost over-runs

In 2004/5, the Revenue spent £4.91 million on management consultants and Customs a further £0.75 million. This was for advice on the planning and implementation of efficiency plans. I'll bet their networking was really good.

Networked out

Consultants now give lessons on networking. 6 tips for success:

1. Turn up as often as possible. People have short memories, if you're not there referral business will be offered elsewhere
2. Get there early and aim to leave space at the end. That's where the real business is done, in the informal sessions.
3. Have a 'giving' attitude. The more help, advice and referrals you give your fellow members, the more you will get back.
4. Aim to speak to new members and guests before the event. The more people you meet the more opportunities you will create
5. Be patient. Networking is about building relationships. Don't expect business to come to you for at least 6 months. It takes time for people to know, like and trust you.
6. Plan to meet fellow members on a one-to-one basis. When you do that, you get a greater insight into their business and vice-versa. That way you will know how you can help and be helped.

www.kintish.co.uk

And, of course, you can do the test to assess your networking ability.

SDLT interest

Due to an oversight in drafting, they forgot to put an interest charging clause in the Stamp Duty Land Tax legislation. So, anybody who paid interest on late SDLT, prior to September 2005, should get it back. That must count as good news.

ISAs to cost

As you will all be aware, International Standards for Auditing (not to be confused with IASs – International Accounting Standards) kick-in for December 2005 year-ends. These standards apply to all audits, no matter how small. The big firms reckon this will increase fees by 25%. I thought the Government was supposed to be reducing red tape?

Kate starts

I've sneaked this bit in near the end. I am pleased to advise that we have recently been joined by Kate Bayliss ACA. Kate says she likes to do management accounts, but I haven't let her do any yet. In reality, she's working on the accounts side with Sue and Elaine. Don't ring her up for a chat, she's got plenty to do.

Yet more disaster planning

If the forthcoming "Big freeze" isn't enough to worry you then the flu pandemic and the likely collapse in oil supplies should do the trick. One of our clients has actually issued a briefing paper on the possible response to high levels of absenteeism that a flu panic would create. Estimates of "attrition rates" vary from 30m to 380m worldwide (a material difference, even for auditors), so just about anything could happen. As I understand it, half of the people who have so far caught Avian Flu have died, so 3 billion deaths would be the logical extrapolation? Or am I missing something?

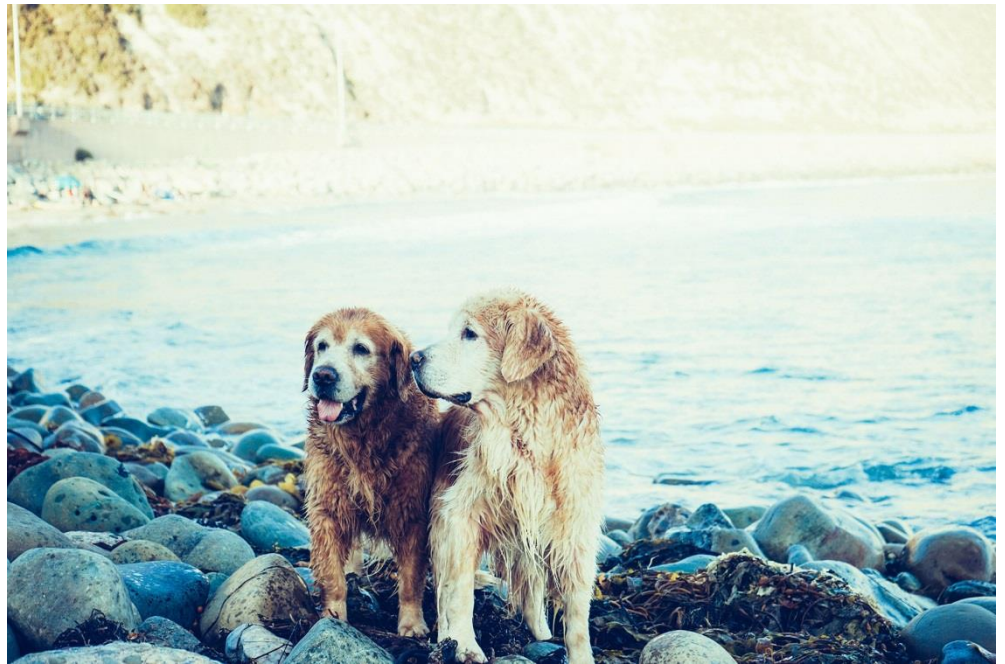
Disclaimer

Managing teams is as rewarding as flossing a salt-water crocodile? Allegedly.



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