2016 / 2017

FINANCE

The Parliamentary Review

A YEAR IN PERSPECTIVE

Foreword

The Rt Hon Theresa May MP

Prime Minister

This year's *Parliamentary Review* follows a significant year in British politics. It was a year in which our economy continued to grow, as the Government followed its balanced plan to keep the public finances under control while investing to build a stronger economy. It was a year in which we began to deliver on the result of the EU referendum by triggering Article 50 and publishing the Repeal Bill, which will allow for a smooth and orderly transition as the UK leaves the EU, maximising certainty for individuals and businesses.

And, of course, it was a year in which the General Election showed that parts of our country remain divided and laid a fresh challenge to all of us involved in politics to resolve our differences, deal with injustices and take, not shirk, the big decisions.

That is why our programme for government for the coming year is about recognising and grasping the opportunities that lie ahead for the United Kingdom as we leave the EU. The referendum vote last year was not just a vote to leave the EU – it was a profound and justified expression that our country often does not work the way it should for millions of ordinary working families. So we need to deliver a Brexit deal that works for all parts of the UK, while continuing to build a stronger, fairer country by strengthening our economy, tackling injustice and promoting opportunity and aspiration.

In the year ahead we will continue to bring down the deficit so that young people do not spend most of their working lives paying for our failure to live within our means. We will take action to build a stronger economy so that we can improve people's living standards and fund the public services on which we all depend. We will continue with our modern Industrial Strategy, deliver the next phase of high-speed rail, improve our energy infrastructure and support the development of automated vehicles and satellite technology, building a modern economy which creates the high-skill jobs of the future.

At the same time, work needs to be done to build a fairer society – where people can go as far as their talents will take them and no one is held back because of their background. So we will continue to work to ensure every child has the opportunity to attend a good school. We will continue to invest in the NHS and reform mental health legislation, making this a priority. And we will work to address the challenges of social care for our ageing population, bringing forward proposals for consultation to build widespread support.

So this is a Government determined to deliver the best Brexit deal, intent on building a stronger economy and a fairer society, committed to keeping our country safe, enhancing our standing in the wider world, and bringing our United Kingdom closer together. We will continue to put ourselves at the service of millions of ordinary working people for whom we will work every day in the national interest.

"This year's *Parliamentary Review* follows a significant year in British politics"

Foreword

The Rt Hon Philip Hammond MP

Chancellor of the Exchequer

It's been a long road back for the British economy. In 2009 our deficit was at a post-war high, our economy shrank by 4.3% and millions feared for their jobs. Thanks to the hard work of the British people since then, we have reduced the deficit by three-quarters, we have been the second fastest growing G7 economy for the past two years, 2.9 million net new jobs have been created and our employment rate is the highest ever recorded.

By controlling our public spending, backing business and creating the environment for enterprise and investment to thrive, we have got the UK economy back on track.

But now we face new challenges. The deficit is down but debt is still too high. Unemployment is at a 40-year low, but real pay growth is stagnating. And I understand that people are weary of the hard slog of repairing the damage caused by Labour's great recession.

All our progress could be put at risk if we listen to those who say we should abandon the economic plan that has brought us so far, just as we are coming to the final furlong. And it is up to all of us, in business and in Government, across every sector covered by *The Parliamentary Review*, to make the case, all over again, for a market economy, sound money and a system that incentivises enterprise and innovation.

So I will stick to the plan to bring the public finances back to balance, at a pace that supports the economy in the face of short-term challenges, and to make longer-term changes. I will pursue a Brexit outcome that puts jobs and prosperity first. And I will continue with my priority to build a productive and dynamic economy.

It is only by making sustained increases to our productivity that we can deliver the higher wages that will increase living standards and fund the improvement of our public services. That is why I announced the £23 billion of additional investment in infrastructure and innovation at the Autumn Statement last year, and why I launched an overhaul of our technical education system at the Spring Budget.

It is a good start, but there is more to do if we are to close the productivity gap with our competitors, and build a strong economy to provide opportunity, prosperity and the funding for public services that this country needs. I am determined to get on with the job.

This is how we can unlock the full potential of our economy and create an economy that works for everyone.

“We have been the second fastest growing G7 economy for the past two years”

Foreword

The Rt Hon David Gauke MP

Secretary of State for Work and Pensions

This is an unusual and dynamic time to be serving in government and parliament. The year in Westminster has been characterised by change, with the Prime Minister's snap election rounding off a year of reverberations following the referendum result in June 2016.

As a parliament, and as a country at large, we have all been considering the ramifications of leaving the EU, and how a stable, prosperous post-Brexit future can be achieved. In this context, the work of my department is more important than ever. We play a crucial role in providing continuity, stability and safeguards for the country's working and living arrangements – whether that be administering state pension payments to over 13 million people each week, or providing maternity payments totalling £2.9 billion each year.

As our departure from the EU will alter the labour market, it is up to my department and others to support the workforce, enhance the economy, seek opportunities for trade and ensure we are match-fit for a post-Brexit world.

The work already undertaken by this department has helped the UK achieve the joint-highest rate of employment since records began, alongside the highest rates of employment for both women and disabled people. Our flagship welfare reform, Universal Credit, ensures that it always pays to be in work rather than on benefits. We have just celebrated the rollout of this initiative reaching over 100 job centres, and will continue to expand its availability and uptake in the year ahead.

In the upcoming parliamentary year, we will continue simplifying the benefits system, and also work to embed clarity and sustainability in other areas of social security.

We continue to improve confidence and transparency in the maintenance arrangements for children of separated parents, by closing legacy schemes and encouraging and incentivising parental collaboration. We will pursue our commitment to help people with disabilities get into, and stay in, work, building on the 300,000 who have joined the workforce in the last year. We have already announced plans to raise the state pension age to 68 in 2037, in a move that will rebalance generational fairness and enhance provision for people in old age. The continued uptake of the workplace pension supports this drive for strategic planning and long-term sustainability.

Optimising and incentivising our work and pensions provision is vital because we need a clear and sustainable system in a post-Brexit world – one that galvanises the workforce and enriches the economy, while supporting the most vulnerable. By getting protections, benefits and incentives right at home, we can build our productivity, presenting a Britain that is ready to do business, and open to engagement with the rest of the world.

> "This is an unusual and dynamic time to be serving in government and parliament"

Andrew Neil

Return of the Two Party System

The BBC's Andrew Neil gives his take on the state of Parliament following the June 2017 general election.

It was a year in which politicians learned not only of the power of a referendum to overrule the will of Parliament – but of its power to change the party system in which they operate. Nobody saw this coming. But, in retrospect, perhaps we should have, since we had the fallout from the Scottish referendum to guide us.

In the autumn of 2014 the Scots voted 55%-45% to remain part of the United Kingdom. That was supposed to settle the matter of Scottish independence for a generation, until some Scottish Nationalists began regarding a generation as no more than a couple of years. But in post-referendum elections to Holyrood and Westminster, it also recast the Scottish party system.

Remember, Scotland had been one of the first parts of the UK to throw off the British two-party system and replace it with a multi-party choice of SNP, Labour, Tory, Green, Lib Dem and even UKIP. But as the constitutional issue took centre-stage – and remained there even after the referendum – Scottish voters coalesced round a binary choice: for or against independence.

Thus was a new two-party system born of a centre-left Nationalist party (the SNP) and a centre-right Unionist party (the Scottish Tories). The other parties have not been completely obliterated, especially in Holyrood with its peculiar voting system. But by the general election of 2017 Scotland had become a battle between a dominant Nationalist party and a resurgent Tory party representing the Union. Two-party politics was back north of the border.

So we should have been prepared for something similar when Britain voted 52% to 48% to leave the European Union in the June 2016 referendum. At the time, we remarked on the power of referenda to overrule both the Commons (where MPs were 65% pro-EU) and the Lords (probably 80% pro-EU). What we did not see was how the Brexit referendum would reconfigure English politics just as the Scottish referendum had redrawn Scottish politics.

So we were taken by surprise for a second time. In this year's general election – perhaps the single biggest act of self-harm a sitting government has ever inflicted on itself – almost 85% in England voted either Conservative or Labour. The English had not voted in such numbers for both major parties since 1970, when the post-war two-party system began to wane – and declined in subsequent elections to a point where barely 65% voted Tory or Labour, encouraging some commentators to think the decline terminal.

Neil believes two referendums have redrawn the map of British politics.

The referendum, however, reversed the decline. The Brexit vote ended the schism on the Eurosceptic Right as UKIP voters returned to the Tory fold; and those on the Left of the Greens and the Lib Dems flocked to Jeremy Corbyn's more 'Red Flag' Labour offering. So, as in Scotland previously, two-party politics was back with a vengeance in England too.

But without one crucial element. Our historic two-party system regularly produced one-party government for the life of a Parliament. But our new two-party system has produced a hung Parliament with no party having an overall majority. This knife-edge parliamentary arithmetic means the smaller parties may be down – but they are not out.

The Conservatives need an alliance with one small party (Ulster's DUP) to be sure of a majority. Even then, with the Tories and Labour divided over Brexit, no majority on any issue will be certain and on many votes the smaller parties will be pivotal in determining many outcomes.

So politicians return from their summer recess to a great parliamentary paradox: the two-party system has resurrected itself but rather than bringing with it the stability and certainty of the two-party politics of old, almost every major vote in the months ahead will be uncertain and unpredictable – and politics will be peculiarly unstable. Power will rest in Parliament. Government will be able to take nothing for granted. No vote will be in the bag until all the votes are counted. Westminster will have a new lease of life – perhaps even a spring in its step. Our democracy might be all the better for it.

Review of the Year

Brexit and beyond

The effect of Brexit on the finance industry is uncertain, given the complexities of leaving the EU

In July 2017, following the disruption of a snap election, talks with the EU over Brexit started to take shape. There has been no shortage of serious attempts to forecast what the outcome of Brexit and the talks could mean for the financial services sector.

In October 2016, Oliver Wyman published a report, commissioned by TheCityUK, which aimed to estimate the impact of the UK's exit from the EU, particularly with respect to the UK financial services sector. In compiling the report, Oliver Wyman worked closely with TheCityUK's Senior Brexit Steering Committee and senior industry practitioners. It also consulted the major sectoral trade associations in its attempt to estimate the impact of the UK's exit from the EU.

The starting point is that the UK-based financial services sector (FS-sector) is very important to the UK economy as a whole. It's annual earnings amount to some £190-205 billion and the sector provides direct employment to over 1.1 million people. It also generates some £60–67 billion worth of taxes every year. Plus it contributes to a trade surplus that amounts to some £558 billion.

The sector, the report points out, is an interdependent, interconnected ecosystem that has been developing now for many years. The ecosystem itself brings significant benefits to financial institutions and the corporates and the households that it supports. The downside of this, the report notes, is that the UK's exit from the EU could be felt more widely than simply in business transacted with EU clients.

'Our analysis suggests that, at one end of the spectrum, an exit from the EU that puts the UK outside the European Economic Area (EEA), but otherwise delivers passporting and equivalence and allows access to the Single Market on terms similar to those that UK-based firms currently have, will cause some disruption to the current delivery model, but only a modest reduction in UK-based activity. We estimate that revenues from EU-related activity would decline by approximately £2 billion (around 2% of total international and wholesale business), that 3–4,000 jobs could be at risk, and that tax revenues would fall by less than £0.5 billion per annum,' the report says.

However, a scenario that sees the UK move to a 'third country' status with the EU without any regulatory equivalence, would be expected to have a more dramatic impact. The report points out that severe restrictions could be placed on the EU-related business that can be transacted by UK-based firms.

‘In this lowest access scenario, where the UK’s relationship with the EU rests largely on World Trade Organization (WTO) obligations, 40–50% of EU-related activity (approximately £18–20 billion in revenue) and up to an estimated 31–35,000 jobs could be at risk, along with approximately £3–5 billion of tax revenues per annum,’ the report says.

At the same time, the knock-on effect on the financial services ecosystem in the UK could be profound as major players relocate out of the UK. ‘An estimated further £14–18 billion of revenue, 34–40,000 jobs and around £5 billion of tax revenues might be at risk,’ the authors note.

Europe too, could be a big loser. Oliver Wyman points out that for some institutions, the cost of relocation and the ongoing inefficiencies associated with a more fragmented environment could cause them to close or scale back parts of their business. ‘Others, particularly with parents located outside of the EU, could move business back to their home country, reducing their overall footprint in Europe,’ it warns.

On the plus side, with Brexit giving the UK a strong push in the direction of forging new relationships and trade links, the report points out that we could see significant opportunities arising from new networks of trade and investment agreements. Initiatives that, for example, nurture the growth of FinTech, would boost jobs, revenues, taxes and the trade surplus delivered by the financial services sector.

European businesses, as much as their British couterparts, have a strong interest in ensuring minimal disruption to their work

It seems obvious that EU business in general has a strong interest in supporting the UK’s continued status as an international financial centre. This is true not just because of the services directly provided to EU businesses by the sector, but also, as the report notes, because the UK has been, and continues to be, a conduit for global investment into the EU. ‘The best outcome would be to recognise these dynamics and [craft agreements that] deliver mutually beneficial results for the UK, the EU and the rest of the world,’ the report concludes.

The legal implications

Following on from the Oliver Wyman report, the law firm Freshfields Bruckhaus Deringer (Freshfields) was commissioned by TheCityUK to carry out a legal analysis of the impact of Brexit on the sector and related professional services industries.

The Freshfields report rules out the most optimistic scenario, which is where the agreement between the UK and the EU results in full equivalence and passporting across the scope of the single market directives. However, the report was commissioned and written before the disastrous (for Theresa May) June General Election, and therefore is partially blind to the current argument (or debate, to give it a politer colouring) within the Government between the ‘soft Brexit’ camp and the ‘hard Brexit’ camp.

The possibility of a hard Brexit, particularly given the government's deal with the DUP, is a cause of conern amongst some of the British public

The crux of the matter is immigration, where the likes of Chancellor Philip Hammond want to ensure that UK business continues to have access to EU domiciled talent – making him more favourable towards the EU's 'free movement of peoples' doctrine – while the Prime Minister and those in her camp are strongly opposed to the 'free movement of peoples' approach and want strictly enforced borders with strong controls over immigration. The latter approach is incompatible with continued membership of the European economic area (where acceptance of the 'four freedoms' is a non-negotiable requirement for membership).

Quite which faction, the 'hard' or the 'soft' Brexiteers will come out on top at the end of the proposed two-year Brexit negotiating cycle remains to be seen.

The Freshfields report focuses on two scenarios. The first sees the UK having 'third country' status, with the equivalence already established continuing, but with no new access arrangements in place to compensate for the loss of passporting rights. The second is where the UK does not succeed in obtaining equivalence across the core single market directives.

To be clear, 'equivalence' occurs where the EU agrees that a particular UK supervisory regime is 'equivalent' to the requirements in a specific EU directive, and offers equivalent protections to consumers. Equivalence can be granted in full, or partially, or can be time limited.

According to the Freshfields study, firms they talked to wanted to keep as much of their activities in the UK as possible and to continue their EU-related business with as little disruption as possible. No surprise there. The report also found that firms are basing their contingency planning on a worst case scenario, i.e. no equivalence and massive disruption to services.

Legislating for the UK's withdrawal

David Davis, as Secretary of State for Exiting the European Union, has been personally responsible for much of the negotiations

The main takeaway from the Government's own March 2017 white paper on how it sees legislation progressing, is Theresa May's assurance that the Government intends to convert the 'acquis' i.e. the body of European Community legislation, into UK law at the same time as it repeals the European Communities Act.

'The same rules and laws will apply on the day after exit as on the day before. It will then be for democratically-elected representatives in the UK to decide on any changes to that law, after full scrutiny and proper debate,' the Prime Minister said in her foreword to the white paper.

David Davis, the Secretary of State for Brexit, emphasised in his foreword that the Great Repeal Bill would not be 'a vehicle for policy change'. It is just designed to take what was EU law and turn it into UK law. The business of deciding which of the EU derived laws needs to be repealed or amended can happen at a more leisurely pace. The Great Repeal Bill will simply give the Government the necessary power, as Davis puts it, to correct or remove the laws that would otherwise not function properly post Brexit.

Review of the UK banking sector

In a briefing report looking at the regulatory environment the global financial services sector can expect to face through 2017, the Deloitte Regulatory Centre notes that, taken as a whole, 2016 was another difficult year for the financial sector. Economic and political uncertainty added a large complicating factor to the already difficult task the sector faced in completing preparations to bring their organisations into line with the post-crisis regulatory regime.

'A prolonged period of tepid economic growth and persistently low and volatile interest rates has squeezed profitability in some sectors and put significant pressure on longstanding business models and balance sheet management. Firms are further challenged by continuing uncertainty over the final shape of post-crisis financial regulation. While regulators are keen to preserve the hard won reforms of recent years, rising political uncertainty in developed economies (as demonstrated by the UK's referendum decision to leave the EU and the US presidential election results) has increased the volatility and hence unpredictability of the macro-policy environment. This has caused some to go as far as questioning the sustainability of free trade and open markets,' the report claims.

The City of London is the centre of the UK banking industry, and a focal point of concern following the referendum result and the ensuing uncertainty regarding regulation

Barclays comes close to tripling profits for 2016

Barclays' pre-tax profits for 2016 rose to £3.2 billion for 2016, almost triple its 2015 pre-tax profit figure. However, as Chairman, John McFarlane, warned in his press briefing, the bank still has serious issues to resolve.

The bank needs to reach a settlement with the US Department of Justice over a longstanding mortgage-bond mis-selling scandal. So far Barclays has refused to settle out of court. It is the only major bank to hold out

The US Department of Justice has been highly critical of Barclays' behaviour, and is still taking action against the group

against the swingeing fines imposed by various US authorities for egregious mis-selling and other fraudulent or semi-fraudulent activities by financial institutions in the lead up to the global financial crash of 2008.

The US Department of Justice case is that Barclays jeopardised the financial position of millions of American homeowners over the sale of residential mortgage-backed securities (RMBS) in the run up to the banking crisis

Barclays is also struggling to dispose of its African bank at an acceptable price.

In March 2016 Barclays announced that it wanted to sell its 62% stake in its Africa business, despite its long history of operating in Africa. The bank has been heavily criticised in the past for its sluggish management of its Africa business and its failure to identify and exploit opportunities in a continent that has the youngest demographic on the planet. Barclays Africa Group employs 45,000 people across Africa and controls banks in ten African countries, including Ghana, Kenya, Tanzania and Uganda.

By November 2016 Barclays Africa was the worst performing lender on the six-member FTSE/JSE Africa Banks Index. The bank managed to sell around 12% of its stake in May 2016 but further sales ran into trouble when the South African Reserve Bank made it clear that it did not want shares to end up in the hands of a buyout company.

The Reserve Bank is playing the role of lead regulator for all of the African countries involved in Barclays Africa and is determined to ensure that any transaction that takes place will go smoothly with no disruption to customers, the banking sector or the South African currency.

Co-op sale leaves the Co-op Group with just 1% of the bank

At the end of June 2017 the Co-op Bank announced that it had concluded a £700 million deal with hedge funds. The deal refinances the bank but leaves the Co-operative Group owning just 1% of the bank. In 2013 the Group owned the Co-op Bank outright, but saw its stake dwindle first to 30% then to just 20% within a year.

In 2013, under its former Chairman, the disgraced Paul Flowers, the Co-op Bank had needed an injection of £1.5 billion to stay solvent after a massive black hole was discovered in its accounts. In February, the bank, which was still desperate for funds, said it was putting itself up for sale. At the time, the Co-op Bank Board said it was looking both at a sale and at 'other options' including a stock market floatation.

The bank has proved something of a disaster for the Co-operative Group. In early April 2016, after the bank reported its results for the 2015–2016 year, the value of the Co-operative Group's remaining 20% stake in the Co-op Bank shrank to just £185 million.

This was well down from the original £333 million it put into the bank in 2013 to keep it solvent. Six months later the value of its 20% stake was down to £140 million, giving the bank a notional value of £750 million.

Despite seeing its stake reduced all the way down to one percent after the hedge fund deal, the Co-operative Group emphasised that the Co-op Bank would retain the 'name, brand and commitment to co-operative values, as set out in its ethical policy'.

In March 2017, the bank announced its results for 2016, reporting a statutory loss before tax of £477 million. This is a reduction in the £610.5 million loss before tax reported for 2015. The improvement came from lower operating costs, lower losses on asset sales and lower conduct charges, the bank said.

The Co-operative Bank is now almost entirely owned by other interests, following the Bank's disastrous performance over the last few years

Chairman Dennis Holt called 2016 'a year of both progress and challenge for the bank'. Considerable progress has been made in delivering the bank's turnaround plan over the last three years, and the bank is now stronger in many areas than it was in 2013,' he said.

HSBC intent on putting scandals and revenue slumps behind it

In February 2017 HSBC reported a 62% slump in annual pre-tax profit for 2016, so Stuart Gulliver, the Bank's Chief Executive Officer (CEO) was naturally delighted when HSBC was able to announce in May that it had achieved a 12% increase in adjusted pre-tax profit for the first quarter of 2017. Profit, after discounting one-off items, was $5.94 billion while revenue was up 2% on the same quarter in 2016, rising to $12.8 billion.

Outperformance in Asia plus a strong showing by the bank's investment arm, with trading revenues up 29% for the quarter, eclipsing the average increase of 9% recorded by nine of the largest global investment banks, were responsible for most of the increase. Gulliver said that revenue growth had also come from a solid recovery in retail banking and wealth management.

Stepping down as Chairman in October, Douglas Flint has overseen a difficult period for HSBC, following the Libor scandal

Misconduct scandals, swingeing fines and the fact that globally, HSBC has exited from almost 100 businesses and ceased operations in 18 countries, has taken a heavy toll of the bank in recent years. Moreover, HSBC is about to see major changes in its top management.

Gulliver is due to retire in 2018 and the present Chairman, Douglas Flint, steps down in October this year, making way for Mark Tucker, the Head of the insurance firm, AIA Group. Tucker will have the responsibility of appointing a new CEO to succeed Gulliver.

In its determination to put scandals like the Libor rigging fiasco and money laundering charges behind it, the bank hired some 1,800 extra compliance staff in the first five months of 2017, bringing its total compliance headcount worldwide to more than 6,000.

In August 2016 HSBC announced its first share buyback, drawing on capital released from the sale of its Brazilian business. It bought US$2.5 billion of stock. In his February briefing on HSBC's 2016 full year results, Gulliver noted that the bank planned to buyback a further $1 billion worth of shares, and had received the necessary regulatory clearance.

The bank has something of a cash windfall at present because it is now able to remit money back to its UK headquarters from its US operation. So further buybacks are not completely out of the question, though Flint said that he would not want to steer shareholder expectations in that direction.

Asked whether HSBC was now on track to grow revenues after years of revenue shrinkage, Iain Mackay, Group Finance Director, said that the signs were looking very good.

Lloyds Bank clears its bailout debt

Lloyds Banking Group is now almost wholly privately owned, with only a small government stake remaining

In the first week of April 2017 Lloyds Banking Group (LBG) announced the closure of 100 branches and the loss of 325 jobs. The closures affected 54 LBG branches, 22 Halifax branches and 24 Bank of Scotland branches. The losses are part of a wider attempt by LBG to shrink its cost base, with the total job cutting exercise said to ultimately result in the Group shedding 12,000 jobs.

The closures are part of a plan announced by the bank in June 2016 and reflect a general move among High Street banks to shift more of their business to the internet – which they say is in response to customer demand. LBG plans to use mobile branches to continue services in affected areas.

Despite inevitable criticisms over its branch closure programme, 2017 started well for LBG. Announcing its first quarter results at the end of April, the banking group reported that profits had doubled by comparison to Q1 2016. Pre-tax profit was up at £1.3 billion versus £654 million. This looks particularly healthy in the light of the bank having to set aside a further £350 million to cover payment protection compensation claims.

At the time the results were announced, the Government's stake in Lloyds had shrunk from 43% to less than 2%, and it had already recovered all the taxpayer's bailout cash, amounting to £20.3 billion. In May, just a few weeks after the Q1 results announcement, the Government sold its remaining 0.25% stake in Lloyds, returning LBG to full private ownership almost a decade after the 2008 bailout.

The move was widely seen as a pivotal moment for the UK banking sector, with LBG being the first lender to clear its bailout debt to the Government. According to LBG, the Government made a profit for the taxpayer of £900 million on the conclusion of the deal.

Not so good for the bank is the fact that in October this year its former Chief Executive, Eric Daniels, and Chairman, Victor Blank, are due to give evidence in a £450 million law suit brought against the bank by some 6,000 investors who claim the bank withheld information from them during its government-instigated take-over of Halifax Bank of Scotland (HBOS) at the height of the global financial crash of 2008. Claimants include many small retail investors and some 300 corporates, including pension and investment funds.

The takeover massively damaged Lloyds and led directly to the Government having to bail out the bank. Helen Weir, now Marks & Spencer's Financial Director, is also due to give evidence.

The Lloyds/HBOS Shareholder Action Group expects the hearing, scheduled for 2 October, to last for 12 weeks. One of the main claims being made is that the directors of Lloyds TSB failed to disclose that the bank had secretly made a £10 billion loan facility available to HBOS and that HBOS had already required funding of up to £25.65 billion from the Bank of England and $18 billion from the Federal Reserve.

Under the circumstances, the action alleges, exchanging 0.605 Lloyds shares for each HBOS share amounted to a gross over-valuation of HBOS's share capital. The case 'would highlight the inexcusable failure of the Directors to share crucial information with their shareholders ahead of the deal going through,' the shareholders claim.


Former Lloyds chairman Eric Daniels is undergoing intense legal scrutiny, which may have ramifications for the bank

Restructuring at RBS

On 24 February 2017 the Royal Bank of Scotland reported an operating loss before tax of £4.08 billion for 2016. The loss deepened to £6.955 billion once additional items such as litigation and conduct costs, plus restructuring costs were taken into account.

Restructuring costs included a £750 million provision in respect of its remaining State Aid obligations regarding Williams & Glyn (W&G). The bank had been obliged by the European Commission to dispose of its 300-branch W&G portfolio as a condition of receiving a taxpayer bail-out of £45.5 billion during the 2008 global financial crisis. The Government has now come up with a plan which it hopes the EU will accept, which would allow RBS to abandon the sale.

The Government plans to use £750 million RBS has set aside to enable challenger banks to increase their market share

Paul Pester, the CEO of TSB, has been critical of government plans to increase competition, labelling them as insufficient

The bank is still 71% owned by the Government and has singularly failed so far to find a willing buyer for its W&G branch network, the major barrier being the difficulty of separating the two entities' IT infrastructure. To date, RBS has spent some £1.8 billion attempting to sell the W&G tranche.

The Government is proposing to use the £750 million RBS has set aside to enable challenger banks to increase their market share of the small to medium-sized business market (SMEs). So far, the plan has been less than enthusiastically received by several of the challenger banks. In April, Paul Pester, Chief Executive Officer of TSB, which was successfully carved out by Lloyds, slammed the Government plan. 'Writing us a cheque for £100 million would be very interesting, but it ain't going to do much for competition,' he commented in an interview with the Press Association.

For its part, the Commission has said that it can only accept the new plan 'if the new commitments can be considered equivalent to those originally provided'. There has to be considerable doubt that the EU will consider that equivalence has been achieved.

FinTech's bright future

Governor of the Bank of England Mark Carney has stressed both the challenges and opportunities that the growth of FinTech presents to regulators and the industry at large

In a recent speech, the Governor of the Bank of England, Mark Carney, pointed out that FinTech has spurred a host of new entrants, including new payments providers, peer-to-peer lenders, robo-advisors, innovative trading platforms and foreign exchange agents. In time, he noted, these new entrants would likely bring about the unbundling of traditional banking models and may well deny banks their traditional economies of scale and scope.

Plus, he pointed out, FinTech has systemic consequences that are highly complex and pose challenges for regulators. More diverse business models and alternative providers are positives for financial stability, but robo-advisors and traders could encourage 'herding' behaviour, with trades becoming more and more correlated.

Other positives include the possibility of better credit risk analysis, with Big Data analysis able to provide a more accurate and dynamic picture of the state of the economy. Economic forecast improvements might well emulate weather forecasting, which has steadily improved in accuracy in recent years.

'My own forecast is that FinTech's consequences for the Bank of England's objectives will not become fully apparent for some time. Many of the technologies needed to deliver such transformations are nascent – their scalability and compatibility untested beyond Proof of Concept,' he added.

Rapid growth suggests InsurTech could rival FinTech

Global investment in the InsurTech market by insurance companies totalled US$1.7 billion in 2016, across some 173 deals. The insurance companies were way behind the banks in recognising that buying innovative technology start-ups was a great way of responding to and countering the potential threat from such start-ups.

Accenture Partner, Steve Watson, keeps a close eye on InsurTech. He reckons that although more than half of all insurance InsurTech deals take place in the US, the UK, along with Germany and China has become a significant centre for such deals. 'There is a growing recognition that although the banking and capital markets may have started their FinTech journeys earlier (and built up a considerable weight advantage), it will ultimately be the insurance industry that sees the most benefit – and the greatest level of disruption – from this global upsurge in innovation,' he comments in a recent blog.

In particular, a number of new InsurTech companies are focusing on the potential benefits to be derived from the ever expanding 'network of things'. 'This is great news for those insurers and start-ups that can harness this army of devices to deliver new levels of insurance personalisation, better real-world outcomes for their customers, and increased due diligence with respect to their own internal risk profiles,' he comments.

Accenture, alongside other organisations, have noted the disruptive and innovative potential of InsurTech

The Financial Conduct Authority in 2016/17

On 27 July 2017 the Financial Conduct Authority (FCA) outlined proposals to extend the Senior Managers and Certification Regime to all financial service firms. As always with this regime, the aim is to make individuals more accountable for their conduct and competence. The intention is to encourage personal responsibility for actions and to make sure that the lines of responsibility are clearly demarcated.

The proposal envisages five conduct rules that apply to all financial services staff at FCA-authorised firms. The rules emphasise integrity, due care, skill and diligence, along with being open and cooperative with regulators. Senior managers will need to be approved by the FCA and will appear on the FCA Register.

Jonathan Davidson, Executive Director of Supervision – Retail and Authorisations, at the FCA, said 'This is about individuals, not just institutions. The new Conduct Rules will ensure that individuals in financial services are held to high standards, and that consumers know what is required of the individuals with whom they deal.The regime will also ensure that Senior Managers are accountable both for their own actions, and for the actions of staff in the business areas that they lead.'

One of the FCA's major reports over the last year was its study of the competitiveness of the asset management industry, which it launched in November 2015.

The FCA notes that the UK asset management industry is the second largest in the world, managing around £6.9 trillion of assets. Over £1 trillion of this is managed for UK retail investors, £3 trillion for UK pension funds and £2.7 trillion for overseas clients. The final report confirms the findings set out in the interim report published in 2016. This found that price competition is weak in a number of areas in the industry.

To drive competitive pressure on asset managers, the FCA will:

» support the disclosure of a single, all-in-fee to investors

» support the consistent and standardised disclosure of costs and charges to institutional investors

» recommend that the Department for Work and Pensions (DWP) remove barriers to pension scheme consolidation and pooling

» chair a working group to focus on how to make fund objectives more useful and consult on how benchmarks are used and performance reported.

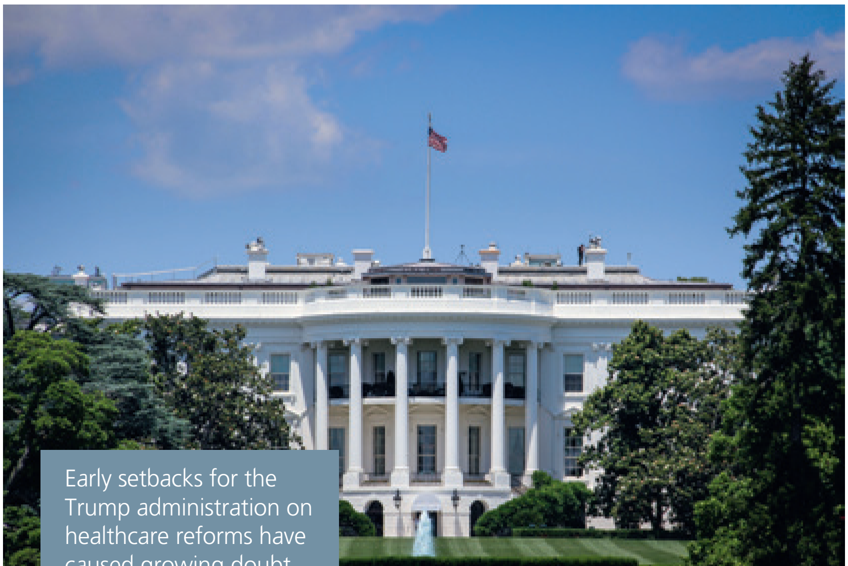
FCA proposals regarding competition and behaviour aim to strengthen regulation whilst limiting interference

The report also contains recommendations aimed at improving the effectiveness of intermediaries. These include proposing a market study into investment platforms and a recommendation that HM Treasury should bring investment consultants into the FCA's regulatory perimeter.

In October 2016 the FCA and the Prudential Regulation Authority (PRA) came under attack in a report compiled by the Cass Business School for the financial services think tank, New City Agenda. The report suggested that UK regulators were 'sleep-walking' into another financial crisis, and that crucial changes put through in the wake of the 2008 global financial crash were already being watered down.

The administrative costs incurred by the regulators now amount to £1.2 billion a year, six times what they were in 2000. Plus, there are now over 13,000 pages of rules guidance and supervisory statements published by the FCA and the PRA, which, the report claims, is creating a bureaucracy that is both overzealous and ineffective.

What's next?



Early setbacks for the Trump administration on healthcare reforms have caused growing doubt over the president's ability to see through his planned economic measures

Commenting on the prospects for the UK economy after Brexit, accountants PricewaterhouseCoopers (PwC) note that the current rate of growth going into the Brexit negotiations is not exactly brilliant. Growth slowed in the first half of 2017, while inflation rose sharply, squeezing consumers. PwC is predicting that gross domestic product (GDP) growth for 2017 as a whole will come in around 1.5%, and will drop another point in 2018, to 1.4%.

This modest growth prediction is despite the fact that the UK economy grew by 2%, from Q1 2016 to Q1 2017. However, the quarter-over-quarter growth rate for Q1 2017 was just 0.2%.

Nor, in all probability, can the UK expect much help from the US economy, traditionally one of the major growth engines driving global growth, along with China. At the time of writing, forecasters were scaling back their growth predictions for the US economy. One of the major concerns for pundits being the fact that President Donald Trump's attempt to repeal the health care reforms instituted by his predecessor have been thrown out by the Senate. This has cast doubt upon President Trump's ability to deliver his promised tax and economic stimulus and has caused some analysts to downgrade their growth predictions for the US economy.

As *The Parliamentary Review* goes to print, it looks as though low growth will continue at least through much of the Brexit negotiations. Whether it will have given way to higher growth or started to slide towards recession by the time the Brexit talks come to an end is anyone's guess.

Paul Hartwell, Chief Executive Officer

BACB

The global trade finance market has generally been seen to be liquid and well-functioning, particularly between developed markets. But more recently, it has experienced periods of stress, most notably right after the Lehman bankruptcy in 2008, and a more structural change in response to the relaxation of historic economic sanctions particularly with respect to Iran and Sudan.

However, following the election of President Trump, there is also a degree of uncertainty about how long these changes will actually last. International economic sanctions have been a common and recurring feature of political interactions between countries; the United States is the country which has most frequently applied negative economic sanctions. Alongside these, several measures, imposed by a multilateral organisation like the United Nations, have also taken place in recent years.

> "BACB is a UK bank at the heart of London. It has a commitment to deal in those countries or markets which the larger banks deem to be too risky or not sufficiently profitable"

Trade agreements also have a major impact on trade and investment worldwide. They shape business relationships among companies across the globe. In order to succeed in world markets, small business exporters need to be aware of the impact trade agreements have had and will have on their businesses. Likewise, lenders must be familiar with trade agreements in order to better understand the needs and financial concerns of their customers. Recent political events, most notably the BREXIT vote and President Trump's intention to review the North American Free Trade Agreement, mean that both new bilateral and multilateral trade agreements will influence the size and shape of future international trade flows.

Given this prevailing political and economic uncertainty, it is therefore not surprising that the large multi-national banks, which have historically dominated the financing of international trade flows, are now nervous and reluctant to commit to new trade finance activity. This is particularly true where it is needed the most – in and across emerging markets. This situation is exacerbated by the increasingly burdensome and costly regulatory compliance requirements associated with doing business in 'more challenging' markets, particularly in relation to those banks that have significant operations in the US and/or have agreed deferred prosecution agreements with the US authorities.

To the external observer, it appears unusual for banks not to commit to supporting trade finance business when losses on short-term trade finance portfolios historically have been extremely low. Moreover, given their short-term nature, banks have been able to reduce their trade finance exposures quickly in times of stress. This feature of trade finance allows banks to reduce their risk when they are under funding and liquidity pressure but, in doing so, the risk is transferred to the real economy.

The result of all this risk and uncertainty is a growing funding gap for trade finance – the World Trade Organization estimates that this currently amounts to some $120 billion for Africa alone and it is the small and medium-sized enterprises (SMEs), which are typically the engine room for economic growth, that are suffering the most.

AT A GLANCE

- International wholesale bank
- Tailored trade solutions to clients
- Focus on developing markets in Africa and Middle East
- UK real estate arm
- London Headquarters with four representative offices – Algeria, Côte d'Ivoire, Libya, United Arab Emirates

Trade Finance performs two vital roles: providing working capital tied to and in support of international trade transactions, and/or providing means to reduce payment risk. The principal alternative to bank-intermediated products is inter-firm trade credit. This is often costly and very difficult to obtain for business activity across emerging markets due to a myriad of concerns, including country risk, legal risk, safe custody of goods and certainty of shipment.

This is where banks such as BACB have an important role to play. BACB is a UK bank in the heart of London. For the past 45 years we have been providing trade finance support and solutions to clients and banks in and across emerging markets with a particular focus on the trade and capital flows into and out of Africa. BACB has a commitment to deal in those countries or markets which the larger banks deem to be too risky or not sufficiently profitable. Over this period we have built a reputation and established a proven track record of being able to identify and mitigate the risks associated with doing international trade finance in challenging circumstances.

We understand the need, not just to sell product, but also to develop long-term sustainable relationships with our clients in order to better understand their unique problems and provide bespoke solutions. Because of our clear commitment to the bank's business model and strategy, allied to our significant risk management expertise, we have been able to establish a bridge between the emerging markets in Africa with those in SE Asia, the Gulf and the developed markets of Europe, over which billions of dollars of trade finance is processed annually. As a supportive partner to companies working in challenging environments, BACB has become the 'go to' bank for both importers and exporters in these markets and, through the provision of trade-related services, we are successfully cross-selling a much broader range of banking products and services.

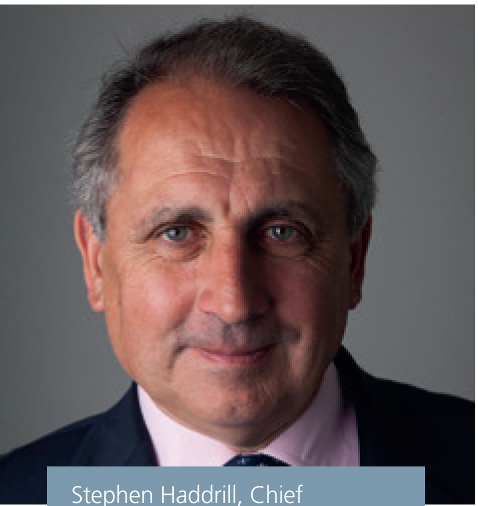
The fact that BACB operates as a UK bank out of London, regulated by the Prudential Regulation Authority and the Financial Conduct Authority is key and has only served to strengthen its position as a safe, secure and financially stable business partner. We have both hosted and participated in trade missions between the UK and its target markets. We consider ourselves advocates in helping to build trade relations between the UK and the developing markets, not just by helping to bring about change, but by being part of it.

BACB is based in London and taps into The City's diverse talent and profits from a range of highly-experienced individuals

BACB is evidence that a bank does not always have to be big, or indeed, be a household name, in order to be successful. The bank is an unashamedly niche player that knows what it is good at and can deliver the type and quality of service that clients trading in and between emerging markets require in order for them to be successful. Through building sustainable partnerships with clients in our target markets, often when the scale or complexity of the business opportunities are not aligned to the strategies of the larger and more established financial institutions, BACB has been able to support the growth of local economies and, at the same time, establish a profitable operating model benefitting its clients and shareholders whilst also supporting the impetus that the UK must generate to establish bilateral trade agreements post-BREXIT.

> "We understand the need not just to sell product, but also to develop long-term sustainable relationships with our clients in order to better understand their unique problems to provide bespoke solutions"

The Financial Reporting Council



Stephen Haddrill, Chief Executive of the Financial Reporting Council (FRC)

The Financial Reporting Council (FRC) is the UK's independent regulator for audit, accountants and actuaries. It is also the custodian of the UK's Corporate Governance and Stewardship Codes. We monitor the quality of the annual reports and audits of the UK's largest listed and Alternative Investment Market (AIM) listed companies. We take action when standards fall short.

AT A GLANCE

- » 25 years old in 2017: age of the UK Corporate Governance Code
- » 90%: Number of FTSE 350 companies complying with all but one or two Code provisions
- » 203: Number of FRC reviews of corporate reports in 2017
- » 139: Number of FRC reviews of audit quality in 2017
- » 4 million: Entities that apply UK accounting standards
- » £4.2 trillion: total market capitalisation of UK listed companies (as at 31 May 2017)

“Diversity needs to be encouraged, different views need to be voiced and the dangers of groupthink avoided”

Since its creation 25 years ago, the UK Corporate Governance Code has made an important contribution to the high regard in which UK business is held globally. Global investors say a reason why they commit their capital to UK listed companies is the trust and confidence the Code engenders. But, a quarter of a century later, is the Code still relevant for the business challenges of a post-Brexit Britain?

The Corporate Governance Code was developed as a result of the Cadbury Report in 1992, and was a response to corporate scandals at the time involving BCCI, Polly Peck and Maxwell. The Code sets standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Although controversial at the time, its principles, including separating the Chief Executive Officer and Chair of a company and requiring independent non-executives on company boards, have been instrumental in spreading good boardroom practice throughout the listed sector and beyond. As a result, the strength of corporate governance in the UK is respected globally.

The key philosophy of the Code is not to set out rules but instead act as a guide for best practice. In particular, the Code's 'comply or explain' approach has allowed the FRC and business to respond confidently and effectively to evolving market circumstances. A rules-based approach would have meant lower standards and an inability to adapt governance arrangements to market and company circumstances.

Whilst compliance with the Code's provisions is high, FRC monitoring shows that when boards choose not to follow provisions too many explanations are of poor quality. Businesses must address this in their reporting against the Code and investors must be prepared to hold companies to account when they fall short.

It is important that our framework of corporate governance continues to evolve with market developments and public expectations of what good governance looks like. We must also consider the impact of Brexit. We want to ensure that investors continue to look to the UK as a destination of choice. Businesses, too, need to see the merit in being listed in the UK. A proportionate, principles-based framework for corporate governance can help to achieve these outcomes.

The FRC has reviewed the Code on a number of occasions to make sure it is aligned with key business developments, and to encourage improvements in the way companies are governed. We are very aware of issues around executive pay, and although we have no regulatory obligations in this area, we wish to encourage in the new Code proper consideration of the pay and conditions of the entire workforce.

A greater focus on boardroom diversity remains important. A board should consider the balance of skills, background and experience of the senior executives and non-executive directors. Diversity needs to be encouraged, different views need to be voiced and the dangers of groupthink avoided. With this in mind, the FRC supports the aims of the Government-led reviews by Sir Philip Hampton and Dame Helen Alexander into gender diversity, Baroness Ruby McGregor-Smith's into race and Sir John Parker's into the ethnicity of UK boards.

We released a report, in 2016 called 'Corporate Culture and the Role of Boards'. This report offers observations which ultimately align a healthy corporate culture with the long-term success of a company. The report found that investors have a key role to play in ensuring that governance and culture are taken into account when engaging with the companies they own. We have since written to investors urging them to challenge the businesses in which they are investing when explanations of governance are poor.

In light of future challenges, we have announced a fundamental review of the Corporate Governance Code. The review will build on the Code's globally recognised strengths developed over the past 25 years while considering the appropriate balance between its principles and provisions and the growing demands on the corporate governance framework. We have been consulting widely to ensure that the variety of views of Britain's businesses, investors and broader stakeholders are considered.

The FRC is also the custodian of the UK's Stewardship Code, which sets out the principles of effective company stewardship by investors. In so doing, this Code assists institutional investors to better exercise their stewardship responsibilities.

In 2016 we categorised investors who signed up to the Stewardship Code by the quality of their reporting and worked with signatories to ensure that their approach to stewardship was transparent and explanations were of good quality. We told investors in the lowest category to improve their reporting or be removed from the list of signatories to the Code. The lowest category of stewards has now been removed altogether, driving up standards. We also intend to consult on changes to the Stewardship Code in light of our fundamental review of the Corporate Governance Code.

Although the UK remains in a good position globally, with high levels of trust and confidence among investors, the UK Corporate Governance Code must support that trust for the next 25 years and beyond to make sure the UK remains a magnet for global capital. With that in mind, we wish to see that when business thrives, society as a whole benefits too. The Corporate Governance Code is an integral part of the UK corporate governance framework and must play its part in delivering these goals.

“We wish to see that when business thrives, society as a whole benefits too”

Target Group

Ian Larkin, CEO of Target Group

Working with organisations both large and small across various industries and the public sector provides us with a great vantage point to view, assist and lead change and, in turn, to drive innovation. At Target we are constantly working in partnership with organisations to create greater cost efficiency, improve customer experience and deliver complex processes even faster.

FACTS ABOUT TARGET GROUP

- Over 38 years experience
- Trusted by over 50 major clients across the globe
- £25 billion assets managed on our systems
- 19 million accounts managed for our clients
- In 2016, over £3 billion of direct debits processed on our systems

We work with over 50 major institutions around the world, including Goldman Sachs, Morgan Stanley, Credit Suisse, Shawbrook Bank, the DVLA and the Home and Communities Agency. Our leading FinTech platform manages assets in excess of £25 billion, enabling the automation of the complex critical processing, servicing and administration leading to competitive advantage and enabling scalable growth. During 2016, we posted a turnover of £64.1 million with an earnings before interest, tax, depreciation and amortization (EBITDA) of £11 million.

Alongside our outsourcing and software solutions, we are able to leverage our deep domain expertise to advise our clients on operational process improvement, digital transformation and regulatory compliance. Our systems process over 18 million accounts and collect over £3 billion of direct debit payments each year, on behalf of both private and public sector clients. In short, we are at the forefront of driving innovation with, and for, our clients. In August 2016 Tech Mahindra, a global specialist in digital transformation, bought Target Group from Pollen Street Capital. The acquisition confirmed the evolution of a company that started life in the late 1970s as a small software provider to a global player in the business process outsourcing market – a huge change in itself.

So what were some of the key projects Target has been involved in that illustrate how we can help underpin change, foster innovation and create tangible benefits for large organisations?

Driving innovation at the DVLA

In the Autumn Statement of 2013, the then Chancellor of the Exchequer, George Osborne, announced the introduction of a new option to pay vehicle tax by direct debit. In just 18 weeks, Target Group worked with the DVLA to design and implement a solution that gave consumers an alternative method of paying their vehicle tax. The quick and efficient payments solution was delivered on time and supported the DVLA in revolutionising its customer experience.

Since 2014, Target Group has set up over 30 million direct debit accounts for the DVLA and collected over £2.6 billion with a total of £135 million processed in a single day in October 2016. As well as supporting its digital transformation, Target has also made an important contribution to the DVLA's financial and strategic targets and delivered a better all-round experience for customers. The system is now one of the largest direct debit schemes in the UK.

Lasting change and efficiency via business process management

Target has also been at the forefront of driving lasting change and efficiency via business process management. Our client, a tier 1 global bank, set itself some ambitious, yet attainable, growth targets in 2016. However, behind the scenes, it was acutely aware of the challenges such growth would place on its complex infrastructure and resources. Built up over decades, the bank had a mix of different legacy IT systems from different generations, with customer data spread across

Foreign Secretary, Boris Johnson visits Target Group's Newport IT Command Centre

them. Unsurprisingly, its processes had bottlenecks, hand-offs between systems, multiple authorisations and manual interventions. These were not only costly but also had a detrimental impact on the customer experience.

It had previously attempted to streamline its operations. However, these projects had typically stalled without delivering clear benefits. With new compliance challenges, a desire to enhance its digital presence and ongoing imperatives to cut costs, the bank recognised it had to try again. Target Group was appointed on the back of a commitment to deliver tangible outcomes, fast. Ten weeks later, the Target team had made good on that promise – transforming one of the bank's most complex end-to-end processes and

> "Since 2014, Target Group has set up over 30 million direct debit accounts for the DVLA and collected over £2.6 billion with a total of £135 million processed in a single day in October 2016"

> "Embracing that challenge and the benefits innovation can create is a defining principle and one of the key components of Target Group's, and our clients', ongoing success"

installing a working model that has helped deliver further savings and service improvements. The project supported the bank in making significant cost savings and has since helped deliver further efficiencies and service improvements.

Looking to the future – digitisation and data

As technological innovation speeds up, competition to stay ahead of the field is intensifying, it is becoming increasingly clear that the next wave of innovation will stem from digitisation and data.

Big data, where data sets are so large or complex that traditional processing application software is inadequate to deal with them, has become a well-worn buzz-word and for good reason. There are significant organisational and regulatory risks and requirements when it comes to handling it. The cost of falling foul of this is significant.

As well as the risks, there are significant rewards for those that adopt an intelligent approach to its analysis and application. Whether they realise it or not, most large organisations are awash with valuable and, as yet, undiscovered insights. Often there is a mountain of information tucked away in a number of departments, in varying states of accessibility, accuracy and formats. Unless it is cleansed, ordered and worked properly it can be useless. However, harnessing and practically applying data correctly creates real value and allows organisations to make informed decisions that lead to a greater understanding of customers or clients, drives efficiency and can reduce operational costs. It's important to stay on top of these trends too and respond accordingly to stay ahead of trend and be innovative as an organisation. The 'dark philosopher', Heraclitus of Ephesus, got it right when he concluded as long ago as 500 BC that 'life is flux' and that the only constant in this world is change. Change can be good and it can be bad. However, how we respond to the challenge of change dictates whether it's a positive or a negative experience. When the challenge of change is embraced it leads to another Holy Grail of successful organisations-innovation. Staying ahead of the competition and abreast of how trends shift constantly is a daily challenge. Embracing that challenge and the benefits innovation can create is a defining principle and one of the key components of Target Group's, and our clients', ongoing success.

DRS Bond Management

Chris Davies and Fiona Recker, founders and Joint MDs

Founded in 2009, in the wake of the banking crisis, London-based DRS has grown rapidly to become the UK's leading independent surety bond specialist. DRS covers the whole of the UK, Ireland and international companies.

Surety is transformational: releasing working capital, alleviating the need for liquid security and reducing strain on banking facilities. DRS also arranges a variety of risk-sharing arrangements with banking partners that add vital capacity for business growth.

The surety market's principal advantages are:

» Zero collateral starting point, over 98% of DRS' bonds are issued without cash collateral

» DRS typically negotiates on default bond wordings, with clear trigger events, that are fully explained to all parties and protect against iniquitous claims

» On-demand bonds can be issued where appropriate

» Superior release of liability advice

» Rates are competitive with banks, often cheaper

» Bonds issued by banks are hard liabilities

» Bonds issued by sureties are contingent liabilities i.e. 'off balance sheet'.

Where appropriate, on-demand bond wordings may also be sourced, for example, letter of credit replacement guarantees and security for pension deficit obligations.

Most guarantees are still arranged within the banking sector. This typically ties up 100% of the bond sum as collateral. All bank bonds are 'on demand', regardless of the bond wording, which is an unacceptable commercial risk. Also, bonds issued by the bank may be difficult to release.

Bank rates, for guarantees, may be impacted by other bank debt. With increasing regulatory pressure, banks are becoming more restrictive in their acceptance of new facilities. In contrast, the surety market is vibrant and dynamic, with a growing appetite.

Standards

DRS utilises sureties with investment grade ratings (minimum 'A-' Standard & Poor's or equivalent). This negates counter party risk for project funders. DRS has developed its own tailored software platform within Blueprint OneWorld, the world's leading solution for global entity management and corporate governance software. DRS' objective is to make this the industry standard for efficiently processing surety bonds. All security documentation is accompanied by an executive summary prepared by Irwin Mitchell, a top 20 legal firm.

Communications

Historically, surety has been sold through the insurance market. This causes confusion and misunderstanding as there is no risk transfer. DRS listen closely to their clients and regularly hold events for leaders of British industry. DRS publishes guides on bonding, finance and governance best practice. This supports stable surety facilities.

AT A GLANCE

» Contract value advised on: £10 billion+

» Bonds sourced without cash collateral: £1 billion+

» 75 years of surety experience on the board

» FY17 revenue growth: 40%

» CASE STUDY: PAVING THE WAY FOR A BETTER USE OF BANKING

A specialist contractor wanted to borrow £1 million from their bank.

Their bank said no because they had £1 million in bonds swallowing up their facility.

DRS transferred the £1 million of bonds to surety, releasing the bank to lend the £1 million at much better rates for the bank than those achieved by providing performance bonds. A positive outcome for all parties.

» CASE STUDY: NO MORE TIME WASTED

A Fortune 500 company required a bond to ship waste from Brazil to Denmark.

The bond had an open-ended expiry and no bank would issue it.

The waste was sitting at the port for two years whilst a solution was sought.

DRS did the deal in one day, at a fraction of the cost.

What is a surety bond?

- A contract guarantee
- A contract guarantee can be provided by banks and sureties
- Surety is an alternative to bank guarantees

When might a surety bond typically be needed?

- Council wants new school built – £5 million contract sum
- Council needs protection against contractor failure to perform or insolvency
- Council request performance bond – 10% of the contract sum – £500,000 bond

What are the contractor's options?

- Allow council to hold £500,000 for duration of works, OK for one job not several
- Guarantee bond from bank who typically require 100% cash collateral i.e. £500,000 held for duration of works
- Obtain surety bond from DRS, without cash collateral, subject to balance sheet strength

DRS invests heavily in marketing, to maintain growth and give surety the widest possible audience.

Organisational methods

Surety broking has previously suffered from a lack of an established process. DRS has built and digitised a process which enables accurate data recording, efficient processing and robust reporting.

DRS is often called upon to negotiate with employers on bond wordings and DRS' expertise enables the delivery of bonds that are equitable to all parties, do not preclude SMEs from bidding for work and ensure pre-contract budget certainty.

Financial challenges

DRS is regulated to maintain a satisfactory level of working capital to ensure compliance with the Financial Conduct Authority's capital requirements threshold. This is similar to a guarantee. This allows the board to fully understand how guarantees drive investment at both micro and macro level.

HM Government's research and development tax credits scheme provided financial recognition for the challenges overcome in developing the DRS process and digitising it.

Challenges faced and overcome

Historically, there has been no structured or recognised training programme for surety practitioners. In conjunction with the Institute of Chartered Secretaries and Administrators (ICSA): The Governance Institute and the Association of Corporate Treasures (ACT), DRS has developed a chartered training programme. Both associations are internationally valued and recognised. This is run simultaneously with a professional development programme.

Educational

DRS is commited to unravelling misinformation around surety, allowing clients, banks, employers and their agents to become more aware of the benefits of surety. DRS is prominent in identifying the rising stars of industry, both within and outside our organisation, to drive up standards of expertise.

Culture

The overarching culture of DRS is precision. Through rigorous management training and a dedication to professional development, DRS is committed to the exponential growth and application of surety. Our team undertake a detailed discovery of clients' past, current and future requirements and apply that knowledge through a thorough examination of the surety market, before arranging bonds in an accurate and timely manner.

We ensure that our clients avoid disruption to the stability of their surety facilities and discuss all options to enhance this stability where further capacity is required.

DRS works closely with:

- Investment grade sureties
- Ayming: an R&D Tax Credit consultant, that specialises in the construction industry
- URICA: a supply chain finance provider (a British Business Bank initiative), that does not require security or seek recourse for non-payment by debtors.

All partners deliver enhanced cash flow, critical for companies with a growth mindset.

Strategy

DRS is committed to growth, not only of our top and bottom line but that of the wider UK economy. We will make surety accessible to all of the UK. As thought leaders, DRS are focused on widening the application of surety, to tackle topical issues such as, deficits for legacy defined benefit pension schemes. DRS supports the delivery of strong and sustainable growth in the UK economy.

Savernake Capital

Artificial Intelligence (AI) may be finance's current buzzword, but despite its popularity it is *not* the answer to all its problems. Much like its bed-fellow, Big Data, there is a tendency for many to identify AI as the solution before they know what the problem is.

Sam Barry, Chief Executive Office and Co-Founder of Savernake Capital

Latest research shows the number of AI companies founded in the UK doubled in 2014–16 compared with 2011–13, with a new AI company launching almost every week. In an information-rich age where data is power, it can be tempting for companies to consider whether they *can* use AI, over whether they *should*.

Savernake Capital is a fund management company where trading is done systematically by computers rather than humans. Its sister tech company is dedicated to managing its underlying infrastructure and architecture.

We fully embrace AI and machine-learning concepts in several of the key components of our trading architecture – but only where these techniques are the best way to solve particular problems.

Understanding and interpreting the data

When we started designing trading systems over 10 years ago, our core focus was the adaptability of our systems to ever-changing market conditions. The ability to evolve and advance is critical in today's markets. Information has become so vast and readily available that understanding the data can have incredibly wide-ranging interpretations and outcomes.

It had become a challenge that was far beyond what existing technology could achieve, requiring more innovative ways of processing that data. This is where AI becomes an essential part of our research and development.

The Savernake tech team has been working with AI concepts for several years, and we break their application down into three core areas:

» *Finding solutions and patterns in vast informational spaces.* AI can help identify patterns in what would otherwise be considered 'noise'.

» *Adapting systems.* We use key AI techniques to change our systems dynamically and decide where we focus our time and allocate risk, identifying the greatest potential future return.

» *Helping us build components and functions.* We utilise machine-learning techniques to improve our own methods within the system. This helps us make accurate predictions, estimates and calculations.

Asking the right questions

The perpetual challenge with using AI techniques is that the answers they provide are intrinsically linked to how they are used, trained and developed into solutions, and therefore can result in seemingly useful but irrelevant answers.

AT A GLANCE

» Savernake Capital is based in Guernsey and was founded in 2016. Its dedicated tech company, Savernake Technology, operates in Cambridge

» Savernake's trading systems manage risk by aggressively cutting losing trades and letting winners run. This leads to positive skew; a founding principle of the trading methodology

» Savernake uses AI to combine trading strategies and concepts into one portfolio, where the focus is on limiting downside exposure

» Long-term returns are negatively-correlated to US equity markets, yet performance is in line with overall market volatility (VIX), resulting in strong performance in volatile and uncertain markets

> "The innovation does not lie in simply using AI but in how to direct it, to teach it, to enable it to learn and to provide it with the information it requires"

Understanding, interpreting and applying these techniques becomes the key to obtaining any useful information from them.

Many problems we see in processing and understanding data do not require the use of AI. In many cases, more conventional statistical methods provide better solutions.

For the innovation does not lie in simply using AI but in how to direct it, to teach it, to enable it to learn and to provide it with the information it requires. In other words, what is it looking to achieve and how does it know if it is right or wrong?

It is more important to understand the question you need answered and what information will lead you to that answer. If these are well understood then the right algorithm, solution or model is typically available.

At Savernake, we spend most of our research and development (R&D) time focusing on how we break down problems into smaller questions, then identifying the information required to answer them.

As an example, the question 'what statistical models are likely to perform well over the next six months given market conditions?' would become:

» What are the current market conditions?

» Do the current market conditions have any correlation to market conditions for the next six months?

» What indicators correlate to how markets will most likely behave over the next six months?

» What is the correlation between statistical model performance now as compared with six months' time?

» What scoring functions offer the best correlation to future returns?

Redefining this problem allows us to apply various AI and conventional techniques to solve the smaller challenges. These allow us to build a far more dynamic and better view of the problem and understand how it changes over time; it also allows us to target specific techniques to the different questions.

Just as important, it allows us to define where existing techniques will prove much simpler and just as successful as AI.

Maintaining a human touch

The human element in this process should not be overlooked. For it is in these tasks that our innovative tech team proves integral in breaking the problem down, defining the questions, deciding whether AI can and should be used, and then interpreting the answers.

The renowned cognitive scientist Marvin Minsky, who co-founded the Massachusetts Institute of Technology's AI laboratory, believed that 'the power of intelligence stems from our vast diversity, not from any single, perfect principle'.[1]

Here at Savernake Capital we embrace that diversity, and acknowledge that the use of Artificial Intelligence will only ever succeed when it has the best human minds employing it.

[1] Marvin Minsky, The Society of Mind, Simon and Schuster, New York. 1986

» WHAT IS ARTIFICIAL INTELLIGENCE?

» Artificial Intelligence (AI) describes the theory and development of computer systems able to perform tasks that normally require human intelligence.

» AI is not a new concept, though the arrival of 'robo' apps has brought it to the fore of public awareness. This means that many people instinctively link AI with robotics.

» In fact, AI can simulate many human traits, such as knowledge, perception, reasoning, learning, planning and problem solving.

» At Savernake Capital we use machine-learning technology; a type of AI that provides computers with the ability to learn, solve problems and take actions without being explicitly programmed.

» This ability to use learnt behaviours on new problems is what separates AI from traditional complex processes and statistics.

N+1 Singer

Tim Cockroft, CEO and Founder

Equity finance is the life blood of business. Debt-usually seen as the way to finance companies – is not permanent finance: equity once paid into the company is effectively there forever.

We are lucky in the UK to have equity finance expertise allied to a key position in the global economy. We have access to abundant capital through private investment and the stock market, which makes it all the more bizarre that the number of listed companies in the UK has shrunk by almost 50% in a decade. This seems somewhat out of kilter with the entrepreneurial spirit which has spread like wildfire through the UK with the number of VCT and EIS funded companies growing hugely. EIS was launched in 1994 and has seen over £16 billion invested in over 26,000 start up companies by the end of 2015.

We see this first hand as a specialist in raising finance for SMEs in the UK.N+1 Singer was founded in 2006 with backing from Singer & Friedlander and based in the City, is now one of the leading corporate broking firms. Employees conducted an MBO in 2008 and by bringing in outside shareholders made a number of acquisitions. We are still 65% owned by employees and run a partnership style structure. We totally support the recent public endorsements of partnership structures where all employees share the success or failure of the business. Partnership and Equity are, in my view, essential ingredients to make a successful business.

Our partnership involves nearly all our employees (not just the senior level) and we have a salary cap of £100,000. After all these years some might view my salary as a poor return for effort but it already puts me in a very privileged position and the Partnership means that everyone shares the success or failure. When combined with ownership this breeds a 'can do' attitude which, in these ever-challenging times, is our greatest asset. All entrepreneurs need to be encouraged to grow their businesses and I believe that equity as a source of permanent capital should be used more often.

At N+1 Singer we specialise in providing equity finance and liquidity to mid and small cap companies with either an AIM or full listing in London. When I started work on the Stock Exchange floor in 1986, Brian Winterflood was already pioneering the USM market which went on to spawn the AIM market. Later I was lucky enough to help found Peel Hunt with Charles Peel and Christopher Holdsworth Hunt where we saw the business opportunity in funding smaller companies. Latterly I founded N+1 Singer Capital Markets. Thanks to this personal experience of start-ups our team tends to view management and companies in a different light. We understand that life cannot always be a bed of roses, that success takes a bit of luck and that an even bigger pinch of determination is required to build the entities that create the wealth of tomorrow. We believe these entrepreneurial entities need to be supported and that is where equity finance fulfils a role.

We spend a huge amount of time meeting companies looking not only for those that are successful today but for the success stories of tomorrow. Having been in equity

AT A GLANCE

- » Raised over £1billion in IPOs over the last 4 years
- » Raised £2.4 billion in Equity Growth capital over same period
- » Acting for 95 corporate clients

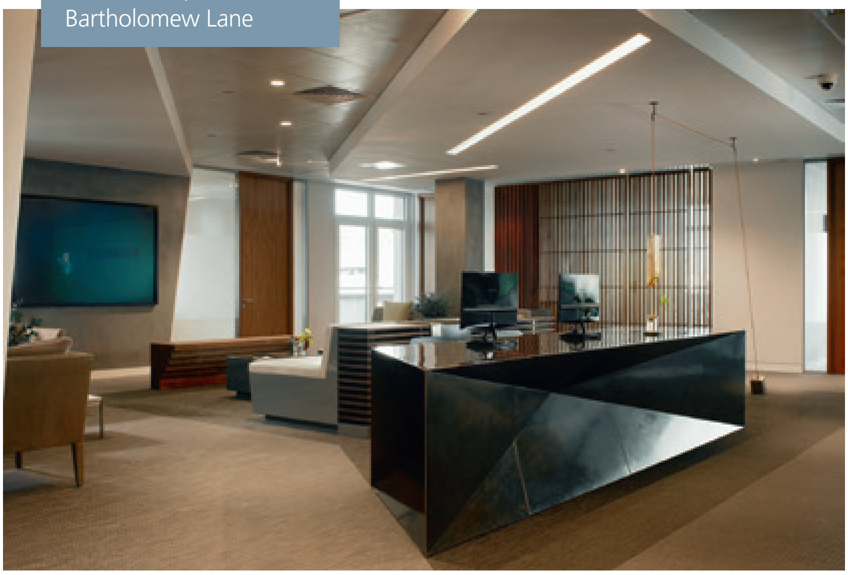
> "Following the deal, the share price has nearly doubled and Skyepharma has increased its mainstream institutional share base from sub 10% to over 60%. The board of Skyepharma were very pleased with the efforts of Singers on its behalf"
>
> Peter Grant, CEO

capital markets for 30 years I've learnt 'that everything changes yet nothing changes'. Good managers can make great companies and bad managers can ruin great companies! There is still the same excitement in finding a fantastic company and there are still the same pitfalls and challenges.

The London market is able to provide equity to companies of any size from any sector, which on its own is great achievement. Now we need to advertise to the business community the long term nature of the funding from institutions and private clients so our budding companies come to markets looking to expand their businesses into genuine global entities.

Deals are regularly done providing anything from £1million up to £250million and, of course, far more for the global mega cap businesses. On a recent funding round we at N+1 Singer saw 125 different teams managing funds, each with their own individual mandates and views on the world of investing. The advantage of raising money in the public markets is that it is efficient, transparent and leaves management in control of its business. Rarely does an investor ever place a representative onto a company board; in fact they generally shy aware from activism or involvement. In the public markets investors only have to see the accounts when audited and all that is demanded is performance and the right balance of governance. The governance imposed is there to protect all shareholders which, of course, includes those entrepreneurs that float their companies (and need some guidance on how to perform in a public forum).

Head Office, Bartholomew Lane



The other great play about equity capital is that, apart from exceptional circumstances, it is permanent capital not short term. Stock markets generally give that capital to two types of companies: those that produce income or those that grow their capital,or ideally both. Income-producing shares are perfect for pension funds needing regular income to support their policy holders, whereas growth stocks are for those looking for longer term capital appreciation and a protection against inflation.

We have very efficient and long standing capital markets that should be used even more to expand businesses, although we do need to challenge certain fixed views people hold so we can grow these markets. We at N+1 Singer are also looking at funding for companies at even earlier stages. Given the rise of early stage funding through Crowdfunding or EIS incentives, there are now literally thousands of young companies looking to grow. We are seeing great initiatives such as the Business Growth Fund, run by Stephen Welton, deploying over £1 billion of growth capital and we, too, are aiming to help fund early stage companies. We also need to create a mechanism for owners to trade their illiquid private shareholdings and re-invest that capital elsewhere. That is the ultimate cycle of capital-out of the mature back into the early stage.

Everything *may* change but the UK has been funding businesses for hundreds of years and that expertise is ready to fund the future UK business growth.

Hallbrook Partners

Hallbrook Partners began life in Nottingham in 2008 as an information service for people receiving cold approaches from firms inviting them to invest. We provided unbiased information about the regulatory status and validity of any approaches made and we helped identify and prevent the investor falling foul of unscrupulous sales practices and/or investment scams.

Matthew Hall, co-founder and Managing Director

We genuinely believed that the greatest risk to our clients would be unregulated businesses operating illegally by promoting investments direct to UK residents. To our surprise we also found that the sales practices of many authorised businesses also fell short of their regulatory requirements. The breaches we were identifying and cataloguing, along with the losses which they provoked, were so serious that we began to refocus our efforts by representing clients in their campaign for financial compensation.

We were acquiring detailed knowledge of certain firms and their practices and, in many cases, we had identified systemic negligence in addition to sub-standard and unethical sales practices, from which our clients had suffered losses that we estimated could add up to hundreds of millions of pounds.

Many of the firms were no longer trading and any claim would ultimately be presented to and assessed by the Financial Services Compensation Scheme (FSCS).

Through consistent client testimonies and from the documentary evidence our clients had retained, we knew that we could demonstrate regulatory rule breaches. In order for any claim to be successful with the FSCS, not only did we have to analyse and evidence the circumstances of each case but also get to grips with the Financial Conduct Authority (FCA) Rulebook applicable at the time of each transaction and the rules by which the FSCS were governed.

We support our clients by taking cases on a 'No win. No fee' model and set about the problem with extensive in-house research and also pay for the advice of regulatory solicitors, various barristers and fraud experts.

As it was not unusual for the initial claims against a firm to be fully or partially rejected by the FSCS, each case required an almost continuous investment of time and resources to solve. We approach each firm and its practices on a case-by-case basis, review countless testimonies and individual documents in line with legal opinions. We can then challenge any previous rejections with confidence, demonstrate that not only did a civil liability exist but in many cases that it was systemic. This paves the way for other clients of the firm also to seek redress.

Many of the firms we identified had stopped trading by the time of the financial crisis, either through regulatory intervention or because they had pre-emptively closed rather than adapt to what was now a more robustly regulated environment.

AT A GLANCE

- » Industry Sector Specialists
- » Established in 2008
- » Client compensation awards in excess of £50 Million
- » More than 4,000 successful cases to date
- » 2016 Turnover: £2.6 Million

Scott Manifold, Head of Operations

“To date we have recovered in excess of £50 million for clients and last year’s turnover was £2.6 million”

The Hallbrook Team

Many were most prolific during the dot com boom era and this meant that our typical client was now most likely retired and, due to previous experience, were carrying a malign distrust of the financial services industry as a whole.

As clients had been approached for the most part through unsolicited mail or by cold call, they can be difficult to reach and very cynical of any recovery proposal no matter how confident we are of seeking recompense for their losses.

As a business we took the decision not to cold call and we feel that the reputation of the claims management sector has suffered by the marketing activities of a few, particularly those operating within the Payment Protection Insurance (PPI) sector – practices which, I am pleased to say, are being tackled by the Claims Management Regulator and Information Commissioner’s Office (ICO).

Through trial and error, we have found that both television and internet campaigns are largely ineffective in our niche and that our potential clients are best reached through personalised and informative direct mail. This approach is not perfect and still presents its challenges. Regulations such as the Mailing Preference Service, a service consumers sign up to in order to prevent unwanted direct mail, may not have been applicable or adhered to by the firm promoting investments and can now prevent us from reaching clients who have been affected.

We have always provided free initial advice to anyone who contacts us and strongly believe this open approach is one of the reasons why we receive inbound calls from the friends and acquaintances of people to whom we have previously spoken. We are obviously thinking commercially, but it does not always need to yield immediate revenues; we believe that by investing in and putting the customer first and communicating with honesty and openness, our business will have the greatest chance of success and longevity.

No business process is perfect and by requesting feedback from your clients you can adapt and refine your approach. Feedback from those people who do not ultimately engage your services is more difficult to obtain but it is just as important, as this will tell you where you need to improve your external message, the explanation of your services and/or your product offering.

Our quality assurance approach to all non-conformances, followed by root cause analysis has helped us to refine our systems quickly and, more importantly, understand how effective any changes have been.

Successes are to be shared and built upon and any failing should not be unnecessarily punished but properly managed to allow every member of the team to learn from it thus preventing any reoccurrence. Actively engaging with third parties and sharing the best common practices helps remove duplication, reduce costs and significantly improve your clients’ experience.

Every member of our staff is proud of what we have achieved to date and has a determination to strive for a greater success in the future. Our team is ready to face new challenges head on and whilst improvements to financial regulation have thankfully eliminated many of the legacy problems with which we currently assist our clients, as new problems are identified, we will approach them with the same methodology.

ICON Corporate Finance

Alan Bristow, Chief Executive Officer

ICON Corporate Finance was set up in 1999 with the objective of becoming one of the leading Mergers and Acquisitions (M&A) advisers to companies and entrepreneurs in the tech sector. Since then, the world of tech has undergone significant transformation with the pace of innovation accelerating at a speed few would have thought possible. We have all lived through the tech revolution with the digital transformation and seen it change all aspects of our lives. This transformation has disrupted all sectors of industry and business.

Tech transformation provides opportunities

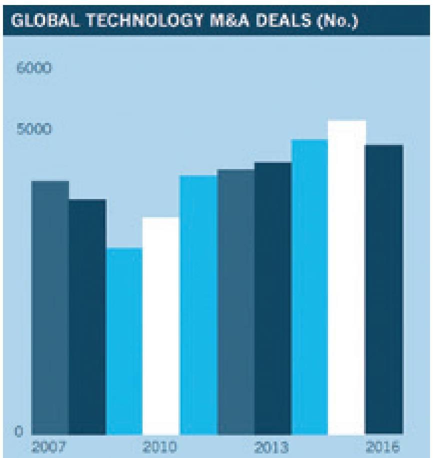
This disruption provides massive opportunities for those innovative entrepreneurs and tech companies to change and question the status quo. No governments or major corporates are immune from the disruption that is happening and, in a very short period, we have seen new challengers emerging providing alternative ways of doing things – and of doing business – and in so many ways impacting on how we run our everyday lives.

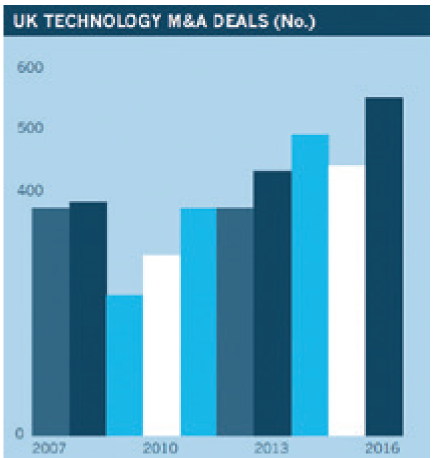
The smart phone revolution and the communication technologies that underpin it have arguably been the main driver to so much innovation. Whole new economies are emerging, such as the sharing economy, social media, e-commerce, cleantech and cyber. With these come immense opportunities for dealing with vast amounts of data, cyber threats, financial payments, IT security, cloud, work and leisure environments, analytics, marketing, logistics, internet of things (IoT) both consumer and industrial, education, digital healthcare and probably every sector imaginable.

> “ICON sit right in the beating heart of tech M&A”

At ICON we sit right in the beating heart of all this activity as entrepreneurs and shareholders who seek to deliver on their ambitions whether it’s by raising investment and growth finance to maximise market opportunities for their business, or by coming to the decision to sell their company to the international acquirers who are seeking to buy in innovative growth companies.

Many of these companies are not the billion dollar unicorns that make the headlines but, quite simply, very successful tech businesses created out of nothing. They have carved out success, created significant employment and gone unnoticed by most. They are invariably doing something extraordinary in their market so they get noticed and become sought after by the bigger boys who need what they have. Exceptional businesses are created by exceptional people.





AT A GLANCE

- Founded in 1999 by Alan Bristow
- Completed over 250 M&A and investment capital transactions
- From start up to a market leader in global M&A
- Office in Mayfair, London with global networks
- Experts in international M&A – over 70% of companies sold to international corporations

"UK Tech companies are highly sought after by corporate and financial acquirers and investors worldwide"

Innovative and creative tech sector

The UK is very fortunate to have a highly innovative and creative tech sector with excellent entrepreneurs and management teams which make our tech companies highly sought after by corporate and financial acquirers and investors worldwide. The UK also sits in a great time zone hub between the USA and AsiaPac which fits well for the global economy and the world of M&A.

The M&A markets for tech companies are truly global and at ICON, with our extensive expertise, experience and networks, we know how to get the tech companies we act for noticed on a very competitive global stage.

The core tech sectors on which we focus all have one thing in common – they are going through major disruption. Typically these comprise:

- Communication technologies
- Enterprise software and services
- Digital transformation:
  - E-commerce
  - HealthTech
  - MediaTech
  - CleanTech
  - FinTech
- Industrial internet of things (IIoT)
- Cyber and IT security

For most companies the options to advance to the next level generally comprise securing investment to do it yourself or selling to an existing larger corporation who already has the organisation capabilities to deliver the growth.

» M & A HIGHLIGHTS

- UK Tech M&A activity hit record highs in 2016
- Valuations have increased to near record levels as investors are acquiring high-growth assets in social media, IoT, cloud software, e-commerce and artificial intelligence
- In the past 12 months we have seen the largest ever sale of a UK tech business, ARM for £24 billion and the largest funding of a UK private tech company, Improbable with a £390 million investment.

Finding these strategic buyers is not easy. Strategic will usually mean you have something they haven't got. This can be: intellectual property and know how; products; customers; employee talent; or geographic markets. If you have a strong combination of these features, a buyer will pay a significant strategic premium and shareholders will maximise value when the company is sold.

At ICON we work with our clients to get this positioning right. In some situations this can mean over many years, in other circumstances the requirement can be immediate. Since we started ICON we have worked with many entrepreneurs and management teams on assisting them raise investment capital and then, years later, acting for them on the sale of their company.

We get tremendous satisfaction from seeing these companies building from their embryonic stages to very successful businesses which are sought after by the global tech giants.

Creating a new tech company has got to be one of the hardest things to achieve in business. The next hardest is finding a buyer – that's where we come in and over the years we have helped clients sell to buyers such as NTT, Reuters, Accenture, RWE Npower, Trelleborg, Aberdeen Asset Management, Telstra and many others in countries across the globe.

This adds up to a consistent track record of success built on M&A know how, tech-sector focus, negotiation skills and on providing the best advice and outcomes possible to our clients in turning technology into wealth.

As a business, our desire is to be the best possible not the biggest. ICON works with amazing people and achieves exceptional success.

Innego

Edward Schneider,
Managing Director

Innego? The name stands for **In**ternational **nego**tiation or **In**novative **nego**tiation which is at the heart of Innego's business. Innego advises and assists large corporations, very often listed, on their mid-market acquisitions or divestments, most often cross-border. The main area of operations for Innego is Western Europe where it has advised on transactions in the UK, France, Germany, Belgium, the Netherlands and Spain.

Innego was founded in 1999 on the realisation that the market for advice on middle-sized cross-border transactions was extremely badly served. Most corporate finance boutiques, at the time and arguably still today, were not able to advise adequately on international transactions. Large investment banks were increasing the minimum size of transactions on which they were prepared to act. Whenever large investment banks stray from their mega deals and accept a small assignment as a 'favour' to their clients, they provide a second-rate service, resulting in regrets and tensions between client and bank. The corporate finance divisions of the large accountancy firms lacked proper coordination and collaboration between their practices in different countries. Corporate finance departments of large commercial banks seemed unable to step outside their own market, even when their parent had international activities. International mergers and acquisitions (M&A) networks did not appear to be functioning very efficiently or offer a quality integrated service.

Innego was established to provide corporate finance advice of at least the same standard as that provided by large investment banks but with the flexibility of servicing smaller transactions, thanks to a far lower cost base. In the world of corporate finance, real international multilingual talent with the experience of having lived in different countries usually seems to remain with the large investment banking houses. Innego's ability to deal with clients or their counterparties in their own language is invaluable in establishing a favourable negotiating framework, in grasping local nuances and avoiding misunderstanding. The actual, hands-on, personalised advice is provided at director level rather than mostly at a far more junior level, as is so often the case in larger organisations.

Critical to Innego's business approach is an alignment of Innego's own interests with those of its clients. Innego has a clear rule only to act for a single client in any industry. Innego has no service to offer other than corporate finance advice and it therefore has the independence to assist clients in finding other services or sources of finance. Even fee structures are designed, as much as possible, to align with the client's interests. Sale mandates are always based on a percentage of the consideration. By contrast, in for buy mandates a fixed fee is agreed as soon as possible after a target is identified in order to have the freedom to advise the client to pay a higher price without benefiting financially from such advice. By the same token, Innego always charges retainer fees on active mandates. This insures that it can advise against a proposed transaction if that becomes necessary and it is also an excellent way of selecting clients.

AT A GLANCE

- » Managing Director: Edward Schneider
- » Directors: Herve Gourio (French), Holger Karsten (German), Iain Mackinnon (British)
- » www.innego.eu

"In order to strengthen the quality, depth and breadth of its advice, Innego has developed international relationships with like-minded independent advisory firms in a number of countries"

Clients who really mean business are prepared to pay what, in any event, is a fraction of the price for a good service, whereas clients who resist retainers are often just gathering marketing intelligence for free and do not end up by completing transactions.

Past transactions have included:

- » several acquisitions and divestment mandates for Carlson Wagonlit Travel (the largest business travel company in the world) in different countries including Spain and France
- » advising Celesio (Headquartered in Germany, second largest pharmaceutical wholesaler and retailer in Europe after Boots) on an acquisition in Belgium
- » advice to Accor Services (now Edenred, the leading international corporate prepaid services company, quoted on Euronext) on the acquisition of an incentive services company in the UK
- » advising Koppers (the world's largest coal tar refiner – New York Stock Exchange (NYSE) listed) on the acquisition on a company in the Netherlands.

One of the major challenges for a small organisation, is that it does not have the name recognition of much larger organisations, so that it has to demonstrate quality and reliability of service. This is often made worse by the tendency of large organisations to deal with well-known brand names in a misguided observance of 'compliance' and 'governance'. It is a bit like trying to sell top-quality chocolates without a recognised brand. Clients only buy it once they have tasted the chocolates, but they have to taste it first. After that they usually come back for more. Innego was started thanks to contacts at CEO or chairman levels that were established prior to the foundation of the firm and who valued know how, quality and service more than a nice calling card with a well-known name on it. Innego was able to expand its circle of clients by using such contacts and also, sometimes, through the migration of senior executives from one company to another who, confronted by the need to make divestments or acquisitions, returned to Innego where they knew they would receive the service they expected. On more than one occasion people who had been on the opposite side of the negotiating table in a transaction subsequently became clients. In one instance, even a proactive approach with no previous background led to a close client relationship and a successful transaction.

In order to strengthen the quality, depth and breadth of its advice, Innego has developed international relationship with like-minded independent advisory firms in a number of countries. This provides a presence on the ground and often local knowledge and connections that can prove invaluable in giving the best possible service to clients. In some cases, these corresponding partners have specific industry expertise, in others they are more general corporate finance advisors but, in all cases, they share Innego's culture of excellence and client respect. The collaboration is always based on a strong personal relationship nurtured by regular contacts, dialogues and meetings.

The development of Innego will see an increasing collaboration with international correspondents and also involve taking on experienced new shareholder-directors in the company which will result, over time, in the hiring of more junior, but nevertheless experienced, team members. A working relationship with a large investment bank to carry out the smaller transactions of their clients is also a possibility.

Brexit has unfortunately recently resulted in the probable loss of a major international transaction but, on the other hand, can be expected to generate new opportunities as UK companies wish to establish or reinforce a presence in the European market or European companies wish to strengthen their presence in the UK.

» INNEGO'S INTERNATIONAL PARTNERS

- » **Mackinnon & Co:** UK-based regulated corporate finance advisory firm with which Innego particularly works on any transactions that require finding finance or fund raising
- » **CORFINA**: A German corporate finance firm based in Frankfurt
- » **Finater**: Based in Paris, specialises in consultancy and corporate advice in the energy sector
- » **Paris M&A**: In addition to European corporate transaction advice, considerable experience in developing countries
- » **Fox Finance**: Corporate finance advice with a strong track record in the luxury sector and retail as well as private equity, based in Geneva
- » **Socios Financieros**: One of the largest independent corporate advisory firms in Spain
- » **Bruderman Brothers**: New York-based, family owned, corporate advisory firm
- » **Melcofin**: A corporate finance advisory firm, specialises in Africa, with particularly strong connections in South Africa
- » **Asia-Euro Consultancy**: founder-owned strategy and corporate finance advisory firm based in Hong Kong

Singla & Co

Surjit Singla, Founder of Singla & Co

Singla & Co is a small, specialist chartered accountancy firm, however, we make a big impact. Operating in central London with a dedicated, experienced team and support from insolvency lawyers, we specialise in restructuring companies and recovering assets for creditors, shareholders, employees and others with a financial claim.

When I started the business in 1974, it was as a general accountancy firm providing auditing and taxation services for clients running small or medium sized companies. Many of my friends thought it was a crazy idea and that I must be mad to give up a well paid job in a large City firm to take the risk of becoming self employed in the middle of the worst recession since the War.

They also warned that I would have no clients needing my services who could provide the regular income required to survive. But I was young, single and determined, with few worries or responsibilities. When I discussed the proposition with my kindly bank manager, he was very supportive and encouraged me by providing an unsecured overdraft of the grand sum of £1,000 (in those days it was a substantial sum!). Any lingering doubts I might have had disappeared and, soon afterwards, I went ahead and left my job. Fortune, as the proverb says, favours the brave, and within a few weeks I picked up several good clients – who were working in retailing, wholesaling clothing and jewellery. In time, more clients came and, within a few months of becoming self employed, I was earning more than my previous salary. To my great relief, my gamble had paid off.

1974 was a strange year for many reasons: the country was experiencing severe recession and rising inflation caused by the Three-Day Week – imposed to counter power shortages during the miners' strike; there seemed to be constant strikes called by the trade unions in other sectors too; and oil prices had quadrupled in the previous year. Many well-established and profitable businesses suddenly found themselves caught during a hurricane of recession which nobody had foreseen or predicted. There was a crisis of confidence in the banking sector as several secondary banks exposed to property had failed, causing a domino effect on their customers. The City was rife with rumours of a major clearing bank being rescued by the Bank of England. Ted Heath's Conservative government was replaced by Labour's Harold Wilson and high inflation ensued, causing additional difficulties for companies. Viable businesses were closing almost daily.

It was a few months later that I was dragged back into the little-understood world of insolvency, as some of my clients' customers started going bankrupt and I was asked for advice. In those days, there were only a handful of accountancy firms who specialised in the insolvency business. Soon I got involved in the rescue of businesses and recovery, as instructions more common than general accountancy work. It was also financially advantageous, as clients were required to pay fees in advance, which they did unlike general accountancy work where payment was nearly always in arrears. Looking back now, this was probably the perfect time to start a venture of this type, as many of the firm's clients in the hotel, restaurant, clothing, fashion and

AT A GLANCE

- Founded by Surjit Singla in 1974
- Insolvency Practitioners based in Central London
- Our experienced and dedicated team would continue to assist and advise individuals and businesses to reorganise and restructure their financial affairs whenever required
- My team consists of five people inc myself and number of clients varies but on average deal with appx 30 clients a year.

property-related sectors were struggling to survive. To most entrepreneurs today, of course, that period is ancient history and hard to imagine.

Due to my previous experience in rescue and recovery work while working in a large City firm, I decided to provide this service, first to our own clients then to others, as suddenly there was a huge demand for advice. Our strong links with banks and other lending institutions proved to be extremely useful and valuable for our clients. Further expansion soon followed and, in due course, general accountancy and taxation work was abandoned to avoid conflict of interest issues and to concentrate solely on rescue and recovery work. Restructuring and insolvency is full of pitfalls and all possible conflicts need be avoided: our decision was based solely on the need to ensure this independence so that our clients could feel comfortable when dealing with us.

> “In summary, I think we can fairly claim that our firm has saved numerous businesses and hundreds of jobs”

As well as our work for small and medium sized firms, the firm has also acted, over the years, for many high net worth individuals who unfortunately got into financial difficulties. We have advised barristers, solicitors, accountants, financial advisors and other professionals – to help them restructure their financial affairs and save them from bankruptcy.


Our offices on Temple Avenue

Virtually all potential clients approached us through recommendations and it was not unusual to find that many could not afford to pay us but needed help desperately. We could help these individuals so it was decided that we should also give something back to the community by undertaking voluntary, pro bono, work to assist such people in reorganising their financial affairs. We successfully negotiated settlements with credit card companies and their other creditors, which helped to ensure they avoided going bankrupt. Our links with lending organisations enabled us to formulate plans to repay over a period as much as the individual could easily pay without defaulting or losing their home. This part of our work is extremely satisfying.

In summary, I think we can fairly claim that our firm has saved numerous businesses and hundreds of jobs in the wholesale business, manufacturing, fashion, entertainment, restaurants, hotels and property development, among others. Apart from work in the UK, the firm has dealt with businesses overseas. We look back with pride that many of the businesses saved by our efforts continue to prosper following restructuring, and are still trading profitably to this day, to the benefit of all those with a financial stake in the business.

Saving a company facing insolvency – sometimes due to actions beyond its control – is far from straightforward and can be highly complex, as there are many parties involved, such as creditors, shareholders, employees and customers. It is a huge challenge because the parties involved often have very conflicting interests which must be balanced carefully and handled delicately in order not to be unfair. In addition, strict legal and professional rules must be complied with. Sadly, not every business can be saved or restructured due to many factors – principally, viability and lack of available finance. In the last decade or so the government has talked about saving businesses but nothing has yet been done. It would be desirable to put measures in place to save any business facing difficulties by introducing compulsory moratoriums for a limited period of, say, three months to allow time for the business to reorganise. Such measures should also be accompanied by provision of temporary finance to meet the costs of the moratorium period as, without finance, no business could survive.

Even in this period when interest rates are extraordinarily low, there have been and will be businesses facing challenges. As we exit the European Union by 2019, many commentators are predicting difficult times ahead for our business community. It is therefore essential that measures to protect businesses are introduced.

The Carrington Dean Group

We are one of the UK's longest-established professional debt advice and solutions businesses. As Chief Executive, I am proud of our staff who have helped more than 20,000 people to resolve their debt problems since I founded the business in 2001.

Peter Dean, Carrington Dean's Chief Executive

We are an Financial Conduct Authority (FCA) authorised company, headquartered in Glasgow and operating throughout the UK and in Ireland. In Scotland, we are a leading provider of Protected Trust Deeds in Scotland and Individual Voluntary Arrangements throughout the rest of the UK. We are also the largest Payment Distributor for the Debt Arrangement Scheme (DAS) – a Scottish statutory debt solution viewed as a best practice solution where consumers repay their debts over a longer period.

We operate in a highly-competitive sector which has undergone a squeeze on margins and a progressive shift to digital case management. We have maintained a leading position due to major investment in innovative case management systems including a secure client portal providing real-time updates via smartphones etc. It represents a quantum leap in case administration and frees staff to handle more complex cases in person. This investment has upheld our reputation as clients can trust us always to act in their best interest and to provide high-quality advice and service.

We were the first full service debt advice and solutions company in Scotland – and among the first in the UK – to receive FCA authorisation. It was a landmark achievement that capped a year of acquisition and diversification as well as the establishment of Council Tax Advisors (CTA), a not-for-profit organisation providing free advice to people with serious Council Tax arrears, an issue affecting one 10 UK households.

The FCA assumed responsibility for regulation of consumer credit (including debt advice and debt management) in 2014 and found serious failings among many firms with a hard-sell culture that failed to act in clients' best interests. A regulatory crackdown resulted in thousands of unethical firms leaving the sector.

Achieving FCA authorisation provided independent verification of our commitment to maintaining the highest operating and service standards. It followed a rigorous 18 month review of our entire operations, encompassing compliance, systems, risk management and training.

Debt is a complex and emotive issue and people with problem debt are vulnerable to aggressive sales tactics and poor advice. Jargon and low levels of financial literacy result in confusion on key issues such as how interest accrues, the difference between secured and unsecured debt and the consequences of missed payments. We focus on education and rehabilitation as well as advising on appropriate solutions.

AT A GLANCE

- » The FCA-authorised business was founded by Peter Dean to provide trusted professional advice on problem debt
- » Serves clients throughout the UK from offices in Glasgow, Gloucester and Dublin
- » Leading provider of Protected Trust Deeds in Scotland and the largest payment distributor for the Debt Arrangement Scheme
- » Advises on individual voluntary arrangements in England and Wales
- » Provides all statutory debt solutions in Ireland
- » Established not-for-profit organisation Council Tax Advisors to provide free expert help to people in crisis over council tax arrears

AT A GLANCE

Debt Arrangement Scheme (DAS)

» Launched in Scotland in 2004
» Provides a 'breathing space' for debtors
» Interest, fees and charges are frozen
» Debtor can repay debts over a longer period
» Reduced arrangement fees
» No upper limit on unsecured debt
» Creditors receive 90 pence for every £1 owed
» Financial skills training for debtors.

"Private sector expertise will be pivotal in implementing a new UK-wide statutory debt solution"

A high degree of professional expertise and empathetic staff are fundamental to ensuring clients fully understand their situation, including their rights and obligations. Continued investment in systems is also vital to ensure proper administration of debt solutions, efficient record-keeping and payment distribution.

Many people initially seek free-at-source advice from the third sector. However, a sharp rise in debt cases has severely stretched their resources. Families with problem debt commonly also require support with health, housing and welfare. Charities estimate that the cost to the UK state of problem debt is £8.3 billion – in this context, well-resourced private sector companies play an important role. A holistic approach is needed in order to tackle debt in a sustainable way that considers the public purse as well as protecting the interests of creditors and debtors.

Our decision to fund CTA is an example of this as we saw a strong correlation between families facing a debt crisis and aggressive debt recovery tactics for council tax arrears. Independent research shows that enforcement action on council tax debt is largely ineffective, with 80% of liability orders returned unpaid. By contrast, CTA's approach is very effective – helping to structure affordable sustainable repayment plans based on a comprehensive assessment of clients' finances. We are currently in talks with several councils on a new partnership approach to introduce CTA as a source of help early in the debt recovery process to minimise arrears and maximise income collection.

There is political support for a new breathing space statutory debt solution for citizens in England, Wales and Northern Ireland, based on Scotland's DAS. We fully endorse this proposal as it would have beneficial consequences for both debtors and for creditors, a view shared by The Financial Inclusion Commission.

A key feature of Scotland's DAS is that interest, fees and charges on debt are frozen when a debtor applies for a DAS Debt Payment Programme (DPP) and their home and car are protected (providing payments are maintained). It generally covers unsecured debt such as bank loans and overdrafts and there is no upper limit on the amount covered. Also, creditors are guaranteed to receive at least 90p of every £1 owed under a DAS.

Private sector expertise will be pivotal in any successful implementation of a new UK statutory debt solution. When DAS launched in 2004 in Scotland it had very low take-up as only the public sector could advise on the solution. Private sector companies were only permitted to participate in 2008, a development that achieved far wider adoption. The private sector also influenced reforms that helped DAS gain recognition as a model debt solution.

We have been involved with DAS for more than a decade, helping educate the public, free advice sector and financial community on its benefits. Our experience of successfully handling thousands of DAS cases means we are well placed to support any new UK-wide DAS launch.

Our strategy is to increase our share of the UK debt solutions market, to expand our financial services offering and to develop CTA as the primary source of free help with council tax debt. We also want to foster a more enlightened approach to debt in which creditors' rights are upheld but at the same time there is greater emphasis on debtor rehabilitation.

No1 CopperPot Credit Union

Caroline Domanski is Chief Executive Officer of No1 CopperPot Credit Union, a financial mutual for the police family. She believes that credit unions offer an alternative to other financial institutions for anyone looking for saving and borrowing options.

Caroline Domanski (far left) with the marketing team at the annual Police Federation Conference

'We were established by a group of officers from Greater Manchester Police in 1986 and have since grown into the UK's largest police credit union. We are part of the credit union movement which continues to grow steadily in membership. We have seen some consolidation within the sector as credit unions merge to be able to make better offerings to their members which leads to a slightly misleading fall in the figures for the overall numbers of credit unions,' Caroline says.

Saving and borrowing through a credit union

Caroline emphasises the mutual difference, 'What is important to us is that we provide a very attractive alternative to traditional high street banks with a focus on our members, through our mutual model. The members drive everything we do. We have lending rates that are often very favourable for them, with savings products generally offering better rates than our members can achieve with a bank or a building society. The savings route is so popular among No1 CopperPot members that we have to limit how much they can deposit each month.'

When offering loans many community credit unions have emerged as strong and ethical alternatives to controversial payday lenders. No1 CopperPot's membership base within the police family allows it to offer loan rates that compete with mainstream lenders and it is the only credit union in England and Wales that offers its members mortgages. While loans and other borrowing needs have an element of auto approval for those members with the highest credit ratings all loans are considered by a dedicated underwriting team, adding a layer of empathy and personal contact not associated with mainstream banks. On the rare occasions when members run into difficulty with a loan the credit union prides itself on being able to help them achieve a fair and appropriate resolution through personal contact and support.

No1 CopperPot also follows the credit union objective of offering financial education, particularly to younger members inexperienced in such matters. This sees the staff talking to members about how to improve their credit scores, understanding realistic budgeting and the importance of saving money for later in life.

Caroline also points out another credit union difference, 'If a member unfortunately passes away our board of volunteer directors have the discretion to write off loans of up to £25,000 and double a member's savings, up to £40,000. That can make a massive difference at a time of need and something I have never heard of anywhere other than within the credit union movement.'

> "We are part of the credit union movement which continues to grow steadily in membership"

AT A GLANCE

- Largest police credit union in the UK with over £138 million assets
- Employs 31 staff
- Has more than 31,000 members
- The only credit union in England and Wales offering mortgages.

No1 CopperPot has over 31,000 members

Growing in numbers

No1 CopperPot is comprised solely of members from the police family which means they are working within a profession with a lot of financial choice. The credit union's assets currently stand at around £138 million, larger than some of the smaller building societies, something of which Caroline is very proud, 'It shows our members have complete trust in us and the services we provide them.'

No1 CopperPot, in common with all credit unions, is governed by legislation framed in a quite prescriptive and restrictive manner. The Credit Unions Act 1979, regulates the sector but it has not been subject to any substantial changes. Change would allow more flexibility to provide better services to members.

> "The credit union's assets currently stand at around £138 million, larger than some of the smaller building societies"

Credit union legislation: ripe for reform?

The most recent amendments to the Credit Union Act came into effect in early 2012, making some positive changes to the original 1979 legislation such as enabling credit unions to offer interest on savings instead of a dividend once certain criteria had been met and following Prudential Regulation Authority approval. This allowed credit unions to offer saving accounts in line with other financial providers.

All credit unions have to draw their membership from a 'common bond'. No1 CopperPot's common bond means that members have to derive remuneration from police activity in some way, whether that be as an officer, staff or in retirement. Family members are also able to join, under the condition that they live at the same address as their relative in the original common bond. This restriction was suitable for credit unions in 1979 which offered their services to those living in a certain geographical area. This does not work for those based on occupation and, in particular, in many family situations. Examples of this are where a child has matured and moved out of the family home. They can no longer join just at a time when the credit union could offer them a great deal of financial support. Caroline adds that 'While it is understandable why this was written into the statute in 1979, this now goes against the credit union ethos for employment-based credit unions like ours, excluding potential members from joining us when they have seen their relatives and role models use the credit unions services all their lives and have a strong affinity to it.'

There are also other restrictions associated with common bonds. No1 CopperPot with its employer-related membership is referred to as an industrial credit union but the vast majority of credit unions are geographical. These credit unions can only have a common bond with a potential membership, of two million. In cities such as London, credit unions cannot offer their services to the whole of the city as they would breach this rule.

No1 CopperPot would like to see these and other key issues addressed for the benefit of credit union members.

Raising No1 CopperPot's profile

With varying levels of penetration across different police forces within the UK, a long-term goal is to raise the profile across all forces. Membership is popular within Greater Manchester Police, Leicestershire Police, Cheshire Police and Lincolnshire Police but it would still be beneficial to members, and potential members, if these forces were to gain more awareness about what the credit union can offer them. No1 CopperPot also actively looks to help other credit unions in becoming self-sustaining and grow as professional financial service providers.

A snap election

Prime Minister Theresa May sought to strengthen her position before negotiations with the EU began

On the 19th April 2017, having repeatedly insisted that she had no intention of calling a snap election, Prime Minister Theresa May sprung a complete surprise when she summoned the press to Downing Street to announce she would seek a Commons vote to go to the country on June 8th 2017.

The announcement, made as Parliament returned from its Easter break, had the force of a thunderclap in Westminster. Quite unexpectedly, MPs and parties were plunged into election mode.

The immediate effect was to turn what were now the two remaining Prime Minister's Question Times of the Parliament into de facto leader's debates – especially since it was made clear that Theresa May would not take part in the kind of televised debates held in the 2010 and 2015 elections.

The Prime Minister stated her case: 'There are three things that a country needs: a strong economy, strong defence and strong, stable leadership. That is what our plans for Brexit and our plans for a stronger Britain will deliver... The Right Hon. Member for Islington North (The Labour Leader, Jeremy Corbyn) would bankrupt our economy and weaken our defences and is simply not fit to lead.'

To Conservative jeers, Mr Corbyn counter-attacked: 'She says that it is about leadership, yet she refuses to defend her record in television debates. It is not hard to see why. The Prime Minister says that we have a stronger economy, yet she cannot explain why people's wages are lower today than they were 10 years ago or why more households are in debt. Six million people are earning less than the living wage, child poverty is up, and pensioner poverty is up.'

The two leaders traded more accusations with Theresa May warning that ordinary working people would face higher taxes and lost jobs under Labour while Mr Corbyn claimed the Prime Minister's priority was 'tax giveaways to the richest corporations while our children's schools are starved of the resources they need to educate our children for the future'.

Brexit emerged as one of the Prime Minister's main campaign themes: 'every vote for the Conservatives will make me stronger when I negotiate for Britain with the European Union. And every vote for the Conservatives will mean we can stick to our plan for a stronger Britain and take the right long-term decisions for a more secure future for this country.'

Later that afternoon, the Commons voted to call an early election, by 522 votes to 13.

The Queen's Speech

What a difference. Theresa May and Jeremy Corbyn's final Commons confrontation before the election had seen the Conservatives limbering up for a triumphal campaign which would culminate in the inevitable smashing of their Labour opponents. When the diminished, battered band of Conservative MPs reassembled, minus their parliamentary majority, for the state opening of Parliament on June 21st, they were chastened and uncertain, while euphoria gripped the occupants of the Labour benches.

When they came to speak in the traditional debate on an address thanking Her Majesty for the Queen's Speech – the new Government's legislative programme – the dynamic between the two main figures had changed completely. Mr Corbyn seemed a far more confident, assertive parliamentary performer, relishing the opportunity to throw back the taunts that had been hurled at him during the campaign.

A Government which had warned that he could only gain power in a 'coalition of chaos' with the SNP and the Lib Dems had been forced to negotiate for the support of the Northern Ireland Democratic Unionists ... and as the first debate of this new Parliament began, that support had not been secured. Mr Corbyn could not resist the open goal. To triumphant Labour laughter he noted that 'the latest coalition may already be in some chaos'.

'Nothing could emphasise that chaos more than the Queen's Speech we have just heard: a threadbare legislative programme from a Government who have lost their majority and apparently run out of

The Queen's Speech announced the government's legislative plan for the coming Parliament

ideas altogether. This would be a thin legislative programme even if it was for one year, but for two years – two years? There is not enough in it to fill up one year.'

That was a reference to the Government's decision to declare a two-year Parliamentary Session – a procedural move intended to ensure ministers could push through vital Brexit legislation in time for the exit date in March 2019. Mr Corbyn mocked the Prime Minister for dropping a series of election promises that had not found favour with the voters: means-testing the winter fuel allowance and replacing the triple lock on pensions among others.

On Brexit, Mr Corbyn stuck to Labour's careful positioning in favour of a deal with the EU 'that puts jobs and the economy first'. He called for full access to the single market and a customs arrangement that provided Britain with the 'exact same benefits' as now. And in his final flourish he warned the Prime Minister that Labour were now 'not merely an Opposition; we are a Government in waiting, with a policy programme that enthused and engaged millions of people in this election, many for the first time in their political lives. We are ready to offer real strong and stable leadership in the interests of the many, not the few.'

Grenfell Tower


Tributes for the Grenfell victims came from across the country

The fire that destroyed Grenfell Tower, a social housing block in the London Borough of Kensington and Chelsea, seemed to some to crystallise the issues that had driven the 'Corbyn Surge' in the General Election just days earlier.

Accusations about the neglect of social housing tenants, chronic under-investment and official incompetence were flying, even while the pall of smoke still hovered over the capital and the horrific images of the blaze were replayed on TV.

So potent was the symbolism that it became intertwined in the debates on the post-election Queen's Speech - but the Government also committed to keep MPs informed about the aftermath, the efforts to identify casualties in the wreckage of the tower, to re-house and assist those who had lost their homes, and to set up a public inquiry.

So it was that the Communities Secretary, Sajid Javid, came to the Commons on July 3rd to announce £2.5 million had been distributed from the special £5 million fund set up to help the residents. Mr Javid said the public inquiry and the criminal investigation had to be allowed the space to follow the evidence wherever it took them, and everyone should be careful not to prejudice their work. Responding to the Labour MP, David Lammy, who had lost a family friend in the fire, he added that although it was for the judge to determine the scope of the inquiry, he expected it to be 'as broad and wide-ranging as possible'.

Mr Javid also dealt with the key issue of the authorities' inability to say exactly how many people had died: 'There has been much speculation about who was in Grenfell Tower on the night of the fire, and it is vital that we find out. The Director of Public Prosecutions has made it clear that there will be no prosecution of tenants ... who may have been illegally sub-letting their property, ... There may have been people living in flats that were illegally sub-let who had no idea about the true status of their tenancy. Their families want to know if they perished in the fire. These are their sons, their daughters, their brothers and their sisters. They need closure, and that is the least that they deserve.'

The Government was also taking urgent action to avoid another tragedy in buildings with architectural cladding similar to that which appeared to have been a factor in the Grenfell fire.

Last rites on the Brexit Bill

Back in March, when an election seemed a distant prospect, parliament's main focus was on the European Union (Notification of Withdrawal) Bill. This Bill, which would give Theresa May the authority to begin the UK's divorce from the European Union, was forced on the Government after a Supreme Court ruling that Parliamentary approval was required to begin the process.

Despite fears that the Bill could be watered down or even reshaped to reverse the Referendum verdict, it passed through the Commons unscathed. All attempts to amend, or add, to its 136 words were voted down. Predictions of a major rebellion of up to 50 Conservative Remainers proved unfounded, and only a handful defied the party whip.

But when it moved on to the House of Lords, where there is no Government majority and a large concentration of pro-EU peers, the Bill was amended twice.

One change guaranteed the rights of EU citizens living in the UK, and the second promised Parliament a 'meaningful vote' on the final Brexit deal. That meant the Bill had to return to the Commons because both Houses of Parliament must agree on the final wording of legislation.

After much debate, MPs rejected both Lords' amendments, the Bill was sent back for immediate consideration in the House of Lords, where David Davis came to watch his Junior Minister, Lord Bridges, call on Peers to drop their opposition. And while the Liberal Democrat, Lord Oates, did urge Peers to continue defying the Government, support for the amendment melted away, and the attempt to throw it back to MPs was once more rejected, as was the attempt to keep the 'meaningful vote'. The final form of the Bill was settled – and it was sent off for the Royal Assent, un-amended.

David Davis, Secretary of State for Exiting the European Union since July 2016

Article 50 is triggered

The passage of the European Union (Notification of Withdrawal) Act cleared the way for the Prime Minister to act on the Referendum verdict and formally trigger Britain's departure talks with the EU.

She was greeted by cheering Conservative MPs when she announced, on the 29th March, that the process had begun: 'A few minutes ago, in Brussels, the United Kingdom's permanent representative to the EU handed a letter to the President of the European Council on my behalf confirming the Government's decision to invoke Article 50 of the treaty on European Union. The Article 50 process is now under way and, in accordance with the wishes of the British people, the United Kingdom is leaving the European Union.'

Theresa May meets with European Council President Donald Tusk in Downing Street

She added that she wanted to build a close partnership with the EU: 'We want to continue to buy goods and services from the EU, and sell it ours... Indeed, in an increasingly unstable world, we must continue to forge the closest possible security co-operation to keep our people safe. We face the same global threats from terrorism and extremism.'

Jeremy Corbyn warned against leaving without a trade agreement: 'the Prime Minister says that no deal is better than a bad deal, but the reality is that no deal is a bad deal'.

He said the debate had now moved on to what a post-Brexit Britain would be like: 'There are Conservatives who want to use Brexit to turn this country into a low-wage tax haven. Labour is determined to invest in a high-skill, high-tech, high-wage future ... Labour will not give this Government a free hand to use Brexit to attack rights and protections and to cut services, or to create a tax dodger's paradise.'

The eurosceptic Conservative, Jacob Rees-Mogg, quoted the Elizabethan hero Sir Francis Drake: ''There must be a begynnyng of any great matter, but the contenewing unto the end untyll it be thoroughly ffynyshed yeldes the trew glory' ... I wish my Right Hon. Friend good luck and good fortune in her negotiations until she comes to true glory and is welcomed back to this House as a 21st century Gloriana.'

A terrorist attack on Parliament

The attack on Westminster was one of several terrorist attacks in the UK during the year

On the afternoon of March 22nd, as MPs were engaged in a routine vote of the Pensions Bill, a man drove his car into pedestrians just outside, killing two people and injuring dozens more, before stabbing to death a police officer who was guarding the gates to the Houses of Parliament, and he was then shot dead himself.

The sitting of the Commons was suspended and MPs were held in their Chamber for several hours, before being escorted away. When they returned the next day, they began with a minute of silence. Then the Speaker opened proceedings by expressing 'our heartfelt condolences to the families and friends of the victims of this outrage. A police officer, PC Keith Palmer, was killed defending us, defending Parliament and defending parliamentary democracy.'

The Prime Minister was heard in silence as she updated MPs: 'Yesterday, an act of terrorism tried to silence our democracy, but today we meet as normal, as generations have done before us and as future generations will continue to do, to deliver a simple message: we are not afraid, and our resolve will never waver in the face of terrorism. We meet here, in the oldest of all Parliaments, because we know that democracy, and the values that it entails, will always prevail.'

PC Keith Palmer, who died trying to stop the attacker, was given a full police service funeral, and praised for his heroism

She gave an account of the previous day's events and ended by declaring that the best response to terrorism was to act normally: 'As I speak, millions will be boarding trains and aeroplanes to travel to London and to see for themselves the greatest city on Earth. It is in these actions – millions of acts of normality – that we find the best response to terrorism: a response that denies our enemies their victory, that refuses to let them win, that shows we will never give in; a response driven by that same spirit that drove a husband and father to put himself between us and our attacker, and to pay the ultimate price; a response that says to the men and women who propagate this hate and evil, "You will not defeat us." Mr Speaker, let this be the message from this House and this nation today: our values will prevail.'

The Labour Leader, Jeremy Corbyn, said people should not allow the voices of hatred to divide or cower them – adding that PC Keith Palmer had given his life defending the public and democracy.

Watching impassively in the crowd of MPs standing at the Bar of the House, in the area across the Chamber facing the Speaker's Chair, was the Foreign Office Minister, Tobias Ellwood. He had tried to save PC Palmer's life by giving him mouth-to-mouth resuscitation. Many MPs took a moment to exchange a word with him as they passed or pat him on the arm. And many of those who spoke over the next hour praised his actions.

Tributes and thanks came from all the Party Leaders – the SNP's Westminster Leader, Angus Robertson, the Liberal Democrats, Tim Farron, and the DUP's, Nigel Dodds.

The Conservative MP, James Cleverly, had served with PC Palmer in the army spoke movingly and implored the Prime Minister to 'posthumously recognise his gallantry and sacrifice formally.' Theresa May promised that she would.

President Trump

This year more than most, US politics had a bearing on our own. Not only were many MPs looking across the Atlantic for a trade deal and an enhancement of the 'special relationship', following the decision to leave the EU. But the American people themselves had managed to outdo the British electorate when it came to delivering the most surprising democratic decision of 2016.

As recently as January 2016, a small number of MPs had gathered in Westminster Hall to debate whether or not Donald Trump should be banned

Nadhim Zahawi MP strongly criticised the Trump administration's travel ban on certain Muslim countries

from entering the UK altogether. His comments about Muslims, among others, had led to an online petition for him to be considered a 'hate preacher' and therefore banned from British soil. Even those who supported the motion knew there was little chance of such a ban being implemented. But few would have suspected that, just 13 months later, Parliament would be discussing the appropriateness of a state visit from President Donald Trump.

One of the first acts of the new US President was to order a blanket ban on people from a list of Middle Eastern countries travelling to the US. In the Commons, the former Labour Leader, Ed Miliband, and the Conservative, Nadhim Zahawi, joined forces to ask the Speaker for an emergency debate – and it was held that day.

Mr Zahawi, born in Iraq to Kurdish parents, arrived in the UK as a nine-year-old refugee from Saddam Hussein's regime. He is now a British citizen, but because he was born in Iraq, he believed he came under the Trump ban.

He told MPs his place of birth already meant he had been required to go through an interview at the US embassy, to secure the right to travel to America, under rules imposed by President Obama. But the new restrictions were much tougher.

The US Government has since clarified that people with British passports will not be affected by the ban, whatever the country of their birth, but Mr Zahawi still thought the ban was 'wholly counterproductive'. He described how it was already being used by pro-Islamic State social media accounts as 'clear evidence that the USA is seeking to destroy Islam. They have even called it the "blessed ban"'.

Labour's Yvette Cooper, who chairs the Home Affairs Select Committee, was 'deeply worried' that the Government had already invited the new President to make a state visit to Britain: 'It will look like an endorsement of a ban that is so morally wrong and that we should be standing against.'

The Conservative, Sir Simon Burns, disagreed: 'I think it is absolutely right that the British Government continue the work of the Prime Minister to build bridges with President Trump so that we can, through engagement, seek to persuade him and to minimise or reduce the danger of his more outrageous policies ... I believe that very little would be achieved by cancelling a state visit to which the invitation has already been extended and accepted.'

The emergency debate was on a formal motion that MPs had 'considered' Donald Trump's travel ban, so no call for a policy change was voted on.

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