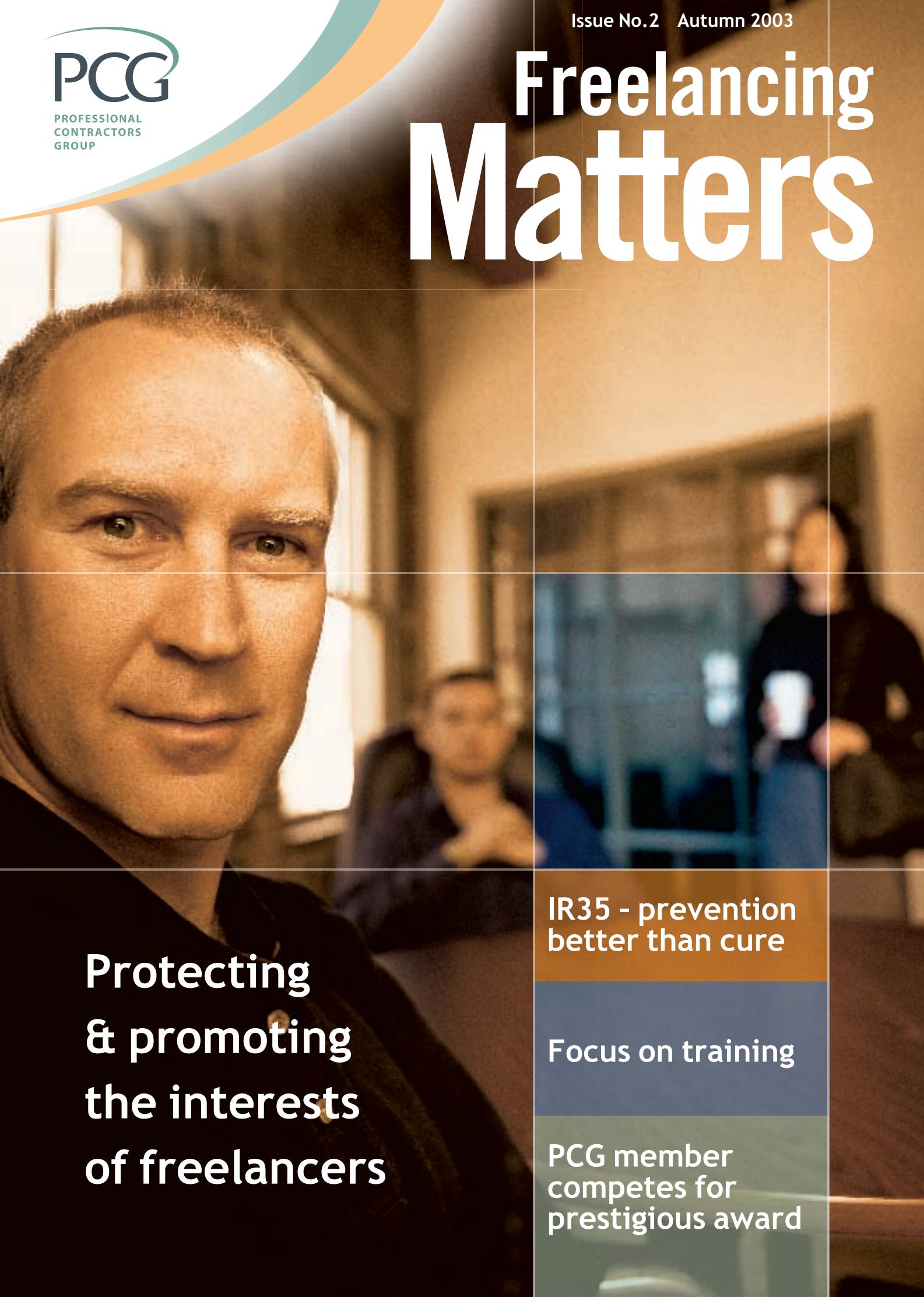


Freelancing Matters



**Protecting
& promoting
the interests
of freelancers**

**IR35 - prevention
better than cure**

Focus on training

**PCG member
competes for
prestigious award**



Simon Griffiths
Chairman

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PCG's transition to a fully-fledged trade association

It is over four years since the PCG was created and now that the transition from a single-issue campaign group to a fully-fledged trade association is complete, our organisation is beginning to take shape. This last year has seen a complete restructure of all the PCG's internal operations and a much needed re-branding of the PCG image. These activities were essential in terms of laying solid foundations for the future, and the PCG now has all the ingredients necessary to deliver an effective, top class service to members. But what exactly is the PCG and what does it do?

The PCG is a community of like-minded businesses and individuals who gather together for the protection and strength that such a community can give. In these days of globalisation, there is a desperate need for the voice of small business to be heard by governments worldwide. It is only when large numbers of small businesses shout in unison that governments are able to hear their messages over the clamour of the immensely powerful and influential multi-national companies. The message that the PCG is committed to delivering is not, however, solely concerned with protecting the interests of freelancers, but also to promoting the value of freelancers to the achievement of a vibrant national economy.

For freelancers in the UK, the PCG provides that community where the messages for the Government can be created, refined, and finally delivered with weight. In many ways, and despite its relative immaturity, the PCG is

gaining a reputation for being an organisation whose opinion is sought and valued. Our press coverage is increasing steadily and we are establishing our position in a number of influential areas - this year, notably, being part of the IT Skills panel for Work Permits and also an official UK Government representative to International Labour Organisation meetings.

As the years progress, we will grow our influence by maintaining a resolute and professional approach. Modern governments react best to a constructive and positive attitude, whereas a confrontational approach invariably results in doors being closed and nothing being achieved.

But lobbying is not enough. The PCG's members expect and deserve more than just another trade association. The challenges facing freelancers today are greater than at any time, and first amongst those challenges is competition from outside the UK. To counter these challenges, the PCG is launching a major initiative that will aid its members in creating new companies and collaborations to compete aggressively for private and public sector business. The first step along this path will be a workshop at the PCG conference where everyone attending will be able to contribute their ideas and define the way forward.

Join us and help create the future of freelancing.



Useful contact numbers

Membership administration	0845 125 9899
General enquiries	0845 125 9899
Tax investigation claim line	01455 850000
Legal helpline	0845 125 9251
Tax helpline	0845 125 9252
Contract review service suppliers	
Accountax	01908 277377
Bond Pearce	023 8082 8807
Egos	01534 729977
Lawspeed	01273 236236
QDOS Consulting	01455 850000
SJD Accountancy	0500 152 500
PI & liability insurance	
Randell Dorling	020 7929 5454

ISO9001 victory for office team

PCG's office team has established a well-earned reputation for running an efficient and friendly membership administration function. Its efforts were rewarded on 27 August, when the PCG passed its ISO9001 assessment with flying colours. According to the official review, "The quality management system operated effectively in a somewhat unusual field of activity. Staff were helpful and receptive to assessment and the system was well-constructed."

Administration manager Kevin Stearns was delighted with the result. "Getting ISO9001 certification was something of a personal triumph for me and the team," he declared "and a wonderful recognition for all the effort we have put into the office and customer

service systems. It was a privilege to work with the board and consultative committee on achieving this, and my special thanks go to Richard Robson."

Director Keith Hogben also gave a vote of thanks to Richard, whose "enthusiasm, energy and determination were the driving force that brought a singularly ambitious objective within reach and delivered a spectacular success."

Mandie Bell's role has recently been confirmed as that of marketing and membership administrator, with the added responsibility of managing Affiliate member communications and service. She has helped implement a Customer Relationship Management (CRM)

system to record and manage contacts with Affiliate members, complementary organisations and potential sponsors. Mandie has also had major involvement in producing this issue of Freelancing Matters, and organising PCG's 2003 AGM and conference.

Jacinta O'Sullivan joined the team three months' ago, and has settled well into her new role.

Members are reminded that the administration team is not qualified to answer specialist legal and tax questions, and that such queries should be made directly via the Legal Helpline on 0845 125 9251 or the Tax Helpline on 0845 125 92 52.

Who are PCG's members?

The PCG has commissioned two member surveys this year and would like to thank the 1,807 respondents who participated in the first survey, and 1,038 who responded to the second. Both surveys were designed to allow only one response per person, and the identities of respondents were not tracked.

Member feedback is extremely important to PCG's management in its quest to continue improving member services and to ensure effective lobbying. Apart from the specific questions addressed in both surveys, analysis of the answers to general questions revealed some interesting statistics:

- ◆ 87% of respondents operate within one or two person limited companies.

- ◆ 71% of respondents' companies started trading in 1998 or earlier.

- ◆ 25% of respondents operated in the IT sector, 23% in financial services, 5% in engineering, over 9% in oil and gas, over 7% in telecommunications and nearly 4% in management consulting. Other sectors represented included design, media, entertainment, pharmaceuticals, publishing, research and marketing communications.

- ◆ Around 43% of respondents were in the 35-44 age group, and nearly 85% were over 35.

This analysis indicates that the membership sample can be characterised by its longevity in business, maturity in age, and the diversity of skills and operational sectors represented.



Missed the last issue of Freelancing Matters? Call Mandie on 0845 125 9899.



Events Diary

During 2003, the PCG has so far attended the following events:

- ◆ The Sunday Times Small Business Week Exhibition held at Earls Court
- ◆ The International Labour Organisation (ILO) conference held in Geneva
- ◆ Association of C&C++ Users Spring Conference
- ◆ Offshore Europe 2003 in Aberdeen
- ◆ Liberal Party Conference in Brighton
- ◆ Labour Party Conference in Bournemouth

The following events are scheduled for the rest of the year:

October 2nd 4th 6th – 9th	E-vent 2.003 (Sheffield) PCG Annual Conference and AGM (London) Conservative Party Conference (Blackpool)	Exhibiting PCG's own conference Attending
November 16th – 18th	CBI Showcase (Birmingham)	Exhibiting

PCG publishes an up to date events diary on the web site www.pcg.org.uk



Profile of a freelancer: Melanie Francis

Melanie Francis has been freelancing for seven years. Her company, Melf Computing, specialises in developing Microsoft Office templates and reporting solutions, and has completed projects for Sainsbury's, Merrill Lynch and a diverse range of creative, consulting, research and manufacturing businesses. She has been a PCG member since June 1999. Here she describes her experience of running her own business and offers advice to those considering freelancing.

The idea of freelancing had always appealed to me, because I wanted to work for myself and be in control of my career. Being made redundant from my permanent job, seven years' ago, presented me with the ideal opportunity to take the plunge and set up my own company.

Freelancing suits me very well. I have the freedom of being able to work when I want to, and thoroughly enjoy the variety of work that I'm commissioned to handle. It allows me to escape the grind of office politics and being asked to undertake mundane tasks such as filing and testing. I can now focus on work that I enjoy doing, and knowing that it's for the benefit of my own business is a very motivating factor.

It concerns me however that the Government does so little to encourage the development of small businesses in the UK, and that we are continually being presented with more

bureaucracy and new obstacles to overcome. All businesses are faced with the increased costs of complying with government legislation, but the effects on small business owners are disproportionately higher. Steering clear of IR35 is very expensive for small businesses like Melf Computing.

The other challenge involves having to compete with cheap labour in other countries. We cannot compete on price. We have to offer added value, better quality or lower risk, and we have to educate our clients not to view price as the most important criterion in their supplier selection process.



Being in business on one's own account is a key factor in not being deemed as a "disguised employee". With this in mind, I developed my own web site, and this is proving more and more successful in bringing me new business opportunities. I have also moved towards taking on fixed price contracts, rather than charging by the day or hour. There are risks associated with that approach, but I enjoy the challenge of completing the work within the budgeted time, and to a certain extent it gives me more freedom about when and where I work. It also makes it easier to service other clients at the same time.

In the early days, I obtained most of my assignments through agencies, but nowadays

all my work is won directly, either through my web site, or through direct marketing campaigns. I am fortunate to have had a variety of projects and my client base includes a range of very different companies. At the larger end of the scale, I have undertaken projects for Sainsbury's and Merrill Lynch, but then I undertook work for a small PR company specialising in the horse-racing industry and a company selling acupuncture patches. My portfolio includes work for construction consultants, marketing and design agencies, research organisations and manufacturing companies. I also enjoyed handling projects for Granada Media and ITV, both of which involved dealing with television schedules and advertising.

If anyone asked my advice about moving into freelancing, I would say that you have got to like working by yourself and be prepared to take sole responsibility for your work and for your decisions. You have to be extremely self-motivated to get on with the work as there will be nobody managing you, encouraging you or nagging you. You also have to accept the need to spend time on non-billable work such as producing quotations, bookkeeping, VAT returns, researching and keeping up to date with your skills, and building relationships with your clients.

Successful freelancing has to be viewed from a long term perspective. It takes time to build relationships with clients, win repeat business, and get to the point where your reputation helps to benefit from referrals. I think that contracting as it used to be - working through agencies, being paid by the hour, and having very low overheads - has all but gone. People should not go into freelancing for the money. By the time you have taken into account the absence of holiday pay, sick pay and other employee benefits, combined with all the costs of being in business, you may not be any better off financially. If however you like the idea of being in charge of your own destiny and want freedom and variety, then freelancing is wonderful.

And finally, your work/life balance is no less important when you are freelancing. In my spare time, I love watching football - and have a season ticket at Arsenal - as well as swimming and skiing.

Melanie Francis is the managing director of Melf Computing www.melfcomputing.com, based in Beckenham, Kent.

10 useful Excel and Word tips

1. Enter fractions in Excel by typing 0 followed by a space and then the fraction (for example, 0 3/8). The cell will show 3/8 but the value of the cell will be the decimal (0.375) thereby allowing you to use the cell in formulas.
2. Use Paste Special options when copying the contents of a cell to add, multiply, subtract or divide the copied values to the destination cell.
3. To create a chart quickly, select the data range and press F11. This will create a chart of your data using Excel's default chart options.
4. Custom Lists can be very useful for quick data entry. If you regularly enter lists of data such as sales areas, products or departments, add the list to the Custom Lists tab from the Tools, Options menu. Then when you type in one of the list members, you can drag the Fill Handle to copy out the rest of the list. You can also use the custom list as a sort key when sorting data, such as weekdays or names. (From the Data, Sort menu press the Options button and select your list.)
5. To quickly see a calculation of a range of cells, without entering a formula, select the cells you want to calculate, then look at the status bar in the bottom right-hand side of the screen. It will show you the sum of the selected cells. You can change the calculation method to Count, Average, Min, Max and Count Nums by hovering the cursor over the result in the status bar and using the right mouse button to display the options.
6. Return to the place where you last were in your document by clicking Shift + F5. Word remembers your last three locations so you can keep pressing it to go back to previous locations.
7. To remove all the manually applied formatting from a section of text, select the text and press Ctrl + Spacebar. The formatting will revert to the formatting set in the paragraph's style.
8. Use the Document Browser to move around the document. The Document Browser is found at the bottom of the vertical scroll bar; it is the button with a ball on between a button with a double up arrow and a button with a double down arrow. The default setting is browse by page so when you press the double down arrows you are taken to the next page in your document, but you can elect to browse the document by tables, fields, headings, footnotes, endnotes, graphics, sections and edits.
9. Go immediately to the halfway point in your document by using the Go To box. Click F5, select Page in the Go To What box then type 50% in the Enter Page Number box. You can use other percentages to go to other points in the document here too.
10. If you have trouble with section breaks, when you first create a document, add a dummy section break at the end of the document. The settings for a section - headers, footers, page orientation - are stored in the section break, therefore your original document settings will be stored in the final dummy section break. When you delete a section break, the newly merged section takes on the settings of the section break at the end.

Courtesy of Melanie Francis, Melf Computing

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Work permits - countering abuse

The greatest challenge that freelancers in the IT industry face today is that of competition from workers from countries outside the UK. The various visa schemes are designed to allow UK businesses to utilise skilled workers from other countries when specific skills are scarce within the UK.

These schemes apply to all industry sectors, not just IT. In sectors such as health and education, they allow workers to be brought in to address genuine skills shortages in essential areas.

There are a number of restrictions on the use of the visa schemes that are intended to prevent UK workers being replaced directly by individuals brought in on a visa. Thanks to the complex contract and corporate structures used in modern-day commerce, these restrictions are however largely ineffective.

A typical situation might involve a UK company with a large IT department comprising a mixture of permanent staff, consultancy staff and freelancers. The restrictions protect only the employees, in that both consultancy staff and freelancers may be replaced by a solution provider based offshore with a UK branch. The latter applies for intra-company transfers from its offshore parent, resulting in the UK workers being replaced.

The PCG believes that many of these ITC visas have been granted to individuals where there is no "specific knowledge of the company". It also believes that many of the individuals brought into this country on visas are not paid the going rate for the job in this country, as

required by the visa scheme. There is also evidence of advertisements being placed at well below the going rate - probably to enable Tier 2 applications.

The result of this is that 40,000 IT workers have arrived on the UK's shores in the last few years. Sadly, many of these people are being exploited in terms of pay rates. Some receive only expenses in this country and thus avoid paying UK tax entirely. It is almost impossible for a UK freelancer, paying full UK taxes, to compete with someone who pays little or no tax at all.

What is the PCG doing?

The PCG has been lobbying hard on this issue, distributing information and case studies proving that abuse is taking place. It also sits on the IT Skills Sector Panel and through this, the PCG achieved its most notable success to date when all IT skills were removed from the list.

The good news is that there is now some light at the end of the tunnel. Recently the DTI announced that it would be conducting research into the impact of these visa schemes on the UK economy and the PCG hopes that this may lead to tighter controls on the issuing of visas.

However, now is not the time for the PCG to be complacent. We will continue to highlight the abuse that is taking place and to exert pressure on Government to prevent our IT service industry suffering the same fate as manufacturing.

TYPES OF VISA

Tier 1 - These allow companies in the UK to bring in workers from overseas via the Skills Register. This is a register of skills that are recognised as being scarce within the UK. When a company wishes to bring in a non-UK national to supply those skills, there is no requirement for that position to be advertised within the UK.

Tier 2 - If a specific position has been advertised for a period of time, and no workers have been identified from within the UK workforce who are able to supply those skills, then the employing company is allowed to look to offshore companies and to apply for a fast track visa.

ITC - Intra-Company Transfers allow a multi-national company to move staff between countries where there is a need for specific knowledge of the company. These were designed to allow the relatively free movement of skilled resource where that skill is company-specific, such as knowledge of a particular in-house software product.



The World Trade Organisation - mode 4 visas

Work Permit abuses and the risk of outsourcing to offshore companies are not the only threat to the livelihoods of UK based contractors, as Ian Durrant, PCG's External Affairs Director explains.

As we go to press, the WTO is discussing a proposal that would allow a non-UK company - that is, one with no presence in the UK whatsoever - to apply for its workers to work in the UK for up to six months. This could result in more IT specialists entering the country in 2004.

Since a similar scheme already exists in the

UK that allows companies to send workers to the UK for a maximum period of three

months, this may seem like a minor change with little effect to the market in the UK. However, the recent experience with the abuse of work permits leads the PCG to have a number of concerns.

We will be working to convince the Government to be extremely cautious in this area and to use its discretionary powers to apply quotas to ensure that there are no negative effects on the UK jobs market and the financial stability of the economy.

"This could result in more IT specialists entering the UK in 2004."

Section 660A - an update

One of the biggest stories this year involved the attempt by Inland Revenue to apply 1930s settlements legislation to a modern-day small service company - a PCG member. The Revenue claims that it has always used the legislation this way, but this seems to be limited to just a few cases - less than 50 a year - and these were all resolved without recourse to the courts, so this application of the legislation has not been tested.

The PCG brought this to the attention of the Revenue in 2002, and after no progress had been made, wrote to the Minister early this year. It quickly became clear that the Revenue was unlikely to change its mind, but it was also very clear that this was not only the PCG's fight and so the PCG looked to raise the issue in a wider forum.

Many family businesses were at risk, as were accountants and company formation agents who had given the initial set up advice to the service companies. Even insurance companies and brokers were concerned as accountants looked to their Professional Indemnity Insurance.

Concerted action by all the relevant bodies culminated in an unprecedented union of the concerned parties in a recent critique of the Revenue's position. Whether the Revenue will heed the calls, only time will tell, but the PCG will continue its steadfast work in this area.

If you are worried whether S660A applies to your company, take a look at www.pcg.org.uk and follow the link to S660 advice, where the issue is described in more detail.

The case for freelancing

The PCG has also been very busy promoting the case for freelance contracting and highlighting the issues to key decision makers. One recent highlight was its involvement with the All Party Parliamentary Small Business Group (APPSBG) where, as one of the key evidence providers, the PCG highlighted many of the main issues, and also expressed deep concern about the overall effect on the future of knowledge skills within the UK. These concerns were fully accepted by the Group, and their published document available from www.smallbusinessgroup.org.uk is arguably the most significant acceptance of the problems facing freelancers.

Another indication of its increased standing was the DTI's acceptance of PCG as an official observer at the International Labour Organisation's meeting in Geneva. An observer actually takes a very active part in the process, including debates, but cannot vote. Freelancing was one of the core issues being discussed, including a proposal concerning dependant workers which, if accepted, could have affected all freelance workers. The proposal was defeated, thanks in no small way

to the excellent representations of our David Ramsden together with Ken Phillips of the Independent Contractors of Australia. The PCG is also actively looking to establish better contacts with freelancer groups outside the UK.

CASE LAW IR35

PCG's biggest success of this year has perhaps been the defence of individual members against IR35 attacks by the Revenue. The current score stands at PCG 170, Inland Revenue 1 - and strictly speaking that was not really an IR35 case at all. All of these cases were settled without needing to go to the Tax Commissioners.

This message is supported by the responses to a recent survey which showed that 83% of PCG members did not feel that IR35 should apply to them. The results suggest that they are right. The PCG will be continuing its work in this area and to support borderline cases where there may be important points of law to establish - currently there are nine cases of this type in progress.

Business expenses - call for a level playing field

The original stated aim of IR35 was to address the so-called "Friday to Monday" problem where an employee ceases work on a Friday and returns to the same company on the Monday, as a "consultant" through a limited company that then can minimise its National Insurance liability through dividend payments.

Whether this is simply a tax avoidance measure or a real change of employment status is always arguable, depending on the facts. However, what is indisputable is that both parties - the client and the consultant - view themselves as separate businesses with a business relationship.

This also applies where, more commonly, an individual decides to supply services through a limited company to a range of clients over time - again all parties view themselves as separate businesses.

Irrespective of the reason for the freelance relationship, the client will invariably use all available measures to avoid any liability for

employment rights, so that the consultant will have:

- ◆ No training
- ◆ No sick pay
- ◆ No maternity benefits
- ◆ No supplied equipment
- ◆ No career development
- ◆ No benefits in kind

Nevertheless, as the recent Stutchbury case showed, even a freelancer with no employment rights whatsoever and with dubious employment credentials can be assessed by the courts as IR35 caught.

The real tragedy is that, of the 100,000 freelancers in the UK, those caught by IR35 are left with no way to fund any career development. Together with the ILA debacle, the Government has created a situation where tens of thousands of knowledge-based

businesses cannot invest in the training and equipment that is essential for their continued existence.

"The Government should allow freelancers to invest in their own competitiveness"

It is time that Government recognised that whatever the IR35 assessment of a limited company, there is a need to invest in the future of that company.

The recent WTO negotiations suggest that freelancers from outside the UK will be allowed to

compete with UK freelancers. If this Government really supports free and open trade on a level playing field, then surely it should allow freelancers to invest in their own competitiveness. One can guess how generous the tax allowances for expenses might be in the countries of our international competitors. Our unequivocal belief is that the UK tax regime should allow UK freelancer businesses to invest in their futures.



Re-evaluating the people model: by Fiona Czerniawska

An extract from The UK Consulting Industry 2002/3 published by PMP and the Management Consultancies Association

Three years' ago, the talk was all about the shortage of suitable recruits into the consulting industry: competing against the astronomical stock-options and new economy culture of the dot.com boom, consulting firms found it hard to attract and retain the people they needed. Times have changed - but perhaps not so much as recent press coverage might suggest.

"As consulting firms grow, they continually adjust their sights in terms of the kind of people they want," Mike Wilson at AMTEC points out. "In the current changing market place, we are constantly re-appraising our clients' business needs and there will always be a demand for excellent consultants that can meet these needs."

"As firms clarify their unique market positioning and capabilities going forward, many firms will need to adjust downwards their cost base to balance decreasing revenues," says Nick Boulter at Hay Group. "Many consulting firms don't have investors who can carry them: maintaining profitability and cash flow is the priority."

"The current climate notwithstanding, consulting firms still have concerns about the overall level of skills in the industry declining," warns Solving aem's Stuart Anderson. "Much of the work we do is repair work - putting right work done by others who were not skilled enough, or took the wrong brief. For the sake of our sector, we need to take our professional code of conduct and/or qualifications for consultants very seriously." "The market for recruitment is still hard, especially if you want to recruit only the very best people," agrees Andrew Stewart at Troika. "As culture becomes the key differentiator between firms, having the right people, with the right skills, attitudes and behaviour, is more important than ever." At m.a.partners, Jon Moore believes that changing the service mix will have a significant impact as well: "high-value assignments often need smarter, more experienced management

consultants," he argues. "The whole notion of leverage - spreading the input of well-qualified partners among a host of junior consultants - is under threat," agrees John Oakland at Oakland Consulting.

Despite recent lay-offs, many potential recruits have high salary expectations. "Many people who are coming out of the big firms are still over-pricing themselves," says Jeff Morris at Mouchel. "We sell experts, and we're finding it a challenge to get high quality people at the right price. Salaries at the top end are coming down." "It remains difficult to find the right people in emerging services and markets," agrees David Barford at Mercer Human Resource Consulting. "There's a general tendency in the consulting industry to hire people ahead of the curve - firms rush into the market, pay high salaries and don't stop to think how these recruits will add value."

However, Barford also thinks that some more fundamental questions need to be asked about the organisational structures of consulting firms in the future. "The employee / associate model has to be more a part of people's thinking," he argues.

"The upcoming generation of potential recruits are much more flexible than their equivalents ten years' ago: no one expects jobs for life, they're more used to networking, they'll want to take career breaks." Cost and flexibility are the crucial issues - many firms, having found themselves with surplus capacity in the last two years, are likely to think twice about taking on permanent staff.

"One of the challenges the industry faces is to ensure that its cost-base is in line with revenues," agrees Bruce Tindale at PA Consulting Group. "High fixed salaries became a problem when revenues started to fall." Nevertheless, he is less happy about the prospect of the industry moving towards the associate model: "The solution should be to have more flexible remuneration - the difficulty with the associate model is that you can't control the quality as easily, and associates' first loyalty is to themselves, not your company."

"Associates can also be high cost," points out Alan Russell at SchlumbergerSema, "and

there's still the problem of how you manage them effectively. Projects can go spectacularly wrong, if you rely on a very small number of full-time employees to manage a large number of contractors. Associates are loyal to themselves, but not to their employer."

"While I accept that keeping a degree of variable costs within a business will be crucial, sustainable client relationships require not just skills, but doing something in the right way with the right values - and that's not easy to nurture in an associate-based structure," agrees Jeremy Anderson at Atos KPMG Consulting.

"Nor are associates motivated to grow a firm: they're primarily self-interested," adds Janice Miller at Partners for Change. But Miller also believes that the consulting industry faces some hard choices in this area. "There's

undoubtedly a need for more flexibility, but the self-managing model, while an attractive one, is difficult to sustain because you need a certain kind of person who can cope with this kind of environment," she says. "You also need to have a critical mass of permanent employees if you're to inculcate the behaviours you need. However, the current

climate has demonstrated how the full-time model finds it hard to refresh itself."

"Troika started out with a planned 50:50 employee-associate split," says Andrew Stewart at Troika, "but we had to abandon it because contractors had a different *raison d'être*: they were less loyal, they were paid differently and it was impossible to build up the kind of culture we wanted. On the other hand, there has to be a more flexible model: this is an issue that isn't going to disappear."

Fiona Czerniawska is one of the world's leading authorities on the consulting industry, and is the Director of the Management Consultancies Association's Think Tank, where she is responsible for research the MCA carries out on trends in the consulting market and on the work that consultants undertake with their clients.

The UK Consulting Industry 2002/3 is available from PMP - telephone 01494 732830 or email reports@pmp.co.uk or visit www.pmp.co.uk/mcareport.asp

Freelancing - the case for change and collaboration

Paul Murphy, principal consultant at Oaksoft Consultancy Limited, proposes major changes to the way in which freelance consultants offer their services to clients through agencies.

According to Paul, the freelance contract market place has suffered a number of setbacks, which in his view need to be addressed if freelance contracting through agencies is to remain viable. He identifies the first major problem as being that agencies look after clients as their first priority, and that individual freelancers are not represented as equal partners in the supplier chain.

"Many freelancers will recall rate cuts being forced upon them without negotiation," he says. "A client generally negotiates the cuts with the agency, which may face the prospect of losing say 20 freelancer placements with the client if it refuses, and so it accepts the cut. The agency then approaches each freelancer individually and effectively offers the choice of accepting a rate cut or terminating the contract. It's quite clear to me that in this process the needs of the

individual freelancer are being treated as secondary."

The next issue that Paul identifies is that of falling rates. "Rates for freelance contractors are now on a par with those of casual manual labourers," he claims, "and the trend is spiralling downwards." A third problem is that the prevalent practice of paying freelance consultants on an hourly rather than fixed price basis can lead to inefficiency and unnecessary costs for the client, in Paul's view.

His recommendation is for a new collaboration model that involves assembling informal teams of between say two and five freelance contractors to undertake an entire mini-project for a client, for a negotiated fixed fee. "This could be realised either by the freelancers creating their own team," he suggests, "and then approaching an agency to find them a suitable project, or by the agency being proactive and helping to form a small team of freelancers to undertake a specific

project. Some freelancers may choose to pursue this route without using agencies at all." Paul concludes that his proposal is likely to be effective because by paying the agency, freelancers will enjoy better representation, and that in exchange for a fixed fee, the agency will not be engaged on an ongoing basis. He acknowledges, however, that the idea of a collaborative business model needs to evolve, and that there are still many questions to answer and prejudices to overcome.

The PCG will be participating in this debate at its conference on 4

October 2003, during an

elective session entitled "Freelancing - the collaboration model", led by chairman Simon Griffiths. His presentation material will be available on the conference web site after the event.

Paul Murphy of Oaksoft Consultancy Ltd is a freelance software engineer and former PCG Consultative Committee member.

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PCG member competes for prestigious award

Colin Butcher, PCG member and technical director of XDelta Limited, has been chosen as one of four finalists in the British Computer Society IT Professional 2003 awards, under the category "IT Consultant of the Year." His selection was in recognition of work done with Hewlett-Packard and OpenVMS Engineering.



Judges said that Colin had helped customer organisations to simplify and understand their main technical areas in relation to business needs. According to them, he actively encouraged knowledge transfer, and acted as a mentor to the different parties involved in the development and implementation of IT systems.

Colin's company, XDelta, provides independent technical advice and project direction for IT infrastructure projects, specialising in mission critical, high availability systems and networks. "Most of my projects are with mission critical and safety critical systems that really have to work - in hospitals, satellite control, air traffic monitoring, banks, financial trading, and the like," he says. "I tend to get involved as an external technical expert to help design, plan and troubleshoot, usually doing a lot of mentoring and teaching as the project progresses."

According to Colin, the positive aspect of working on high availability and safety critical projects is that it makes working on apparently less demanding assignments much easier, because one really understands the underlying principles. "Users are demanding more and more availability from their systems," he says, "and I usually apply the way of thinking and the general rigour of that approach to smaller scale projects. This gives me a distinct advantage."

Colin has a background in Mechanical Engineering which, combined with a wide range of interests, provides him with the ability to empathise with clients and discuss projects in their own terms. He has considerable experience with high availability systems and networks, generally based around OpenVMS systems. He has been responsible for the architectural design and implementation of several major systems, including mission critical control centres for communication satellites.

His main IT systems background is with OpenVMS - first on VAX, then on Alpha, now on Itanium 2 - but he also has a good understanding of networks, storage and application design. He has been a freelance contractor since 1996. "What I like about freelancing," he comments, "is that when you do a good job, it's all yours, and you've earned it. Also, you can decide with whom you want to work, and you can commit design and planning time to ensure that the job is done thoroughly, rather than in a half-hearted or 'quick and dirty' manner."

"Having worked with Colin Butcher on many occasions, I have each time seen his attitude, approach and delivery as that of the professional engineer. His analysis skills are first rate and he is thorough in all things. It is also a pleasure to work with him."

Dave Foddy
Senior UK OpenVMS Ambassador,
Hewlett-Packard

For Colin, administrative and legislative issues represent the most worrying aspects of being a business owner and freelance contractor. "No one can know it all," he says, "so it's easy to trip up through lack of knowledge about some arcane process that you didn't know you had to comply with. Much of it is, frankly, inconsistent, bizarre and labyrinthine." He feels that with the increasing reluctance of clients to spend money unless they have to that work is becoming more intense and 'last minute' in

nature and that it is thus even more important to be well prepared and organised.

Most of XDelta's new business is won through personal contacts, recommendations and the reputation that Colin has built for his company. He regularly presents at master classes and seminars for bodies such as the Hewlett-Packard User Group, and is a speaker at technical sales events organised by various manufacturers, including Digital Networks and Hewlett-Packard. XDelta has a comprehensive web site too, and occasionally invests in advertising.

Colin's advice to new freelancers is not to expect agents to find work for them. "You have to find it for yourself," he says. "That may involve working unpaid up front to secure the work. That's called pre-sales activity. But don't compromise your standards or charges in order to get work at any price, and make sure that you have proper contracts, insurance cover and provision for regular outgoings. Don't expect to 'get rich quick' or earn more than you would in a good permanent job."

Outside work, Colin manages to find time for house renovation, cycling, photography, playing the tuba and enjoying good food and wine. His wife Pauline - also working in IT as a project manager - grows organic vegetables in their allotment, and cooking is a serious interest for both of them, so entertaining friends at home is high on the leisure agenda, as is cycle touring in places like New Zealand, Canada and the UK.

The PCG is delighted with Colin's selection as a finalist for the BCS IT Professional 2003 awards and wishes him well in the final round of judging. He will be presenting his view of the future of freelancing at PCG's conference on 4 October 2003, and details of his presentation will be published on the conference review web site during October.



Lack of training poses real danger to UK's technological skills base

Over the last 100 years or so, businesses in the UK have concentrated on “soft” management, with very little emphasis on technical skills. As a result, technical people in many industries have had to work outside the normal promotion structures that would usually offer them access to management roles.

Another key factor contributing to this issue is the shortsightedness of UK business - often driven by short-term goals and demands of quick returns by UK financial institutions - leading to a gross under-investment in all training by large companies over the last four decades.

For this reason, the 200,000 or so freelancers currently working in UK industry possess a disproportionate percentage of the hard technical skills present within the UK skills market. The flexibility of this technically able workforce has underpinned the very significant success of the knowledge-based sector - especially in IT and engineering.

The UK enjoys a high degree of technical ability through its freelancer community, and it is this pool of technical excellence that is at risk from IR35 and its effects.

The skills requirement in the IT industry moves forward at an alarming rate, and it would appear that this rate of change is still increasing. The skills required to work in IT have fragmented into a huge proliferation of specific and often niche skills unlike anything we have seen before. Even COBOL, the

ubiquitous mainstay of business computing for 20 years, has virtually ceased to be a marketable skill within the last eight years. It has become increasingly difficult for any company to keep the skills of its employees relevant to its own business requirements and especially to take into account the recent drastic shift towards Internet related skills within the last five years. Before IR35, the freelance community was well placed to satisfy this changing requirement. These small, flexible and efficient companies were able to switch skills at short notice. As technically proficient individuals, they had the ability to identify new and upcoming skills, and as the purse-holders of company revenue, they also had the ability to channel investment into training whenever necessary.

The nature of the training commitment was not as simple as undertaking regular training courses, but a more complex mix of various training options. These self-starting freelancers, usually already experienced technicians, found training to be most cost-effective when it was practical and computer based. Traditional training courses were often too expensive, aimed at people new to IT, and often far from leading edge. Thus, much of it was self-training, using capital investment in the company to purchase training books, training software and essential hardware. Often the investment would also include hardware and software for the worker to build experience in specific software packages.

In the main, large UK companies have been slow to update the skills of their technical staff to address the new requirements of IT - especially the skills and expertise to implement effective Internet and e-commerce solutions. However, these new skills are of just the type that can be acquired effectively through computer-based and Internet supported training. They are often open standards based, and sometimes open-source related, and are the skills in which many freelancers have been investing heavily.

However, there is a very real and significant risk that IR35 will change this situation dramatically. Freelancers who fall within IR35 have to assign 95% of their incomes to personal salary, with the other 5% covering only essential company costs. There is no scope for the freelancer to buy equipment, software, training or educational materials,

or even to pay for Internet costs from company revenue before tax is deducted.

The effect of IR35 is to increase the cost of training to 200,000 small UK businesses by a factor of at least 100%.

Viewed in isolation, these facts give cause for concern, but other factors magnify the problem. The reality is that the affected freelancers will suffer a reduction in their household income of up to 20% directly because of IR35. In the wake of recent problems within the equity markets, many companies have cut their usage of freelance contractors - which is, after all, one of key benefits in having a freelance market. However, the resulting oversupply in the marketplace has resulted in rates dropping by an average of 25% - further exacerbating the negative effects on disposable income.

The only way in which the UK can continue to compete in the global market is by leveraging the technical skills and knowledge built up over the last 100 years. However, a significant proportion of the knowledge store resides in the freelance sector, which is under threat from increased training costs and abuse of the various visa schemes.

I see a very bleak future for technology knowledge within the UK. The very nature of these fast-moving industries means that whereas the skills and knowledge are difficult to build, the rate of change makes it all too easy to lose them.

The result of the economic downturn is that perhaps as many as 30% of the freelancers in the knowledge-based sector are not currently utilised. Their skills are becoming increasingly out-of-date as each day passes, and even those that do have freelance work are substantially discouraged from investment in training by a punitive and unfair tax system.

There is a very significant risk that the UK will become de-skilled in key technological areas by the end of this decade. For a country whose only real offering in the global market is its wealth of technical ideas, skills and knowledge, then this poses a very real danger to the long-term future of the UK.

*Edited from a discussion paper
by Simon Griffiths, PCG Chairman*

Why is training so important to freelancers?

PCG recently conducted a survey about training and development, in which 1,038 unique and anonymous respondents from within its membership participated. According to the survey, this sub-set of PCG's membership comprises a highly trained set of individuals of whom 83% already have specialist training, and 65% a university degree. Some 66% of respondents considered training and development to be either "very important" or "essential", with 82% believing that it would help them to get work and wishing they could undertake more training.

A freelancer's marketability may be related directly to his skills and competence, gained by experience on projects and from more academic routes such as courses, books and professional exams - to name but a few. If his skills are not kept up-to-date or relevant to the market, then over time his pool of available opportunities may evaporate.

Thanks to increased competition and the commoditisation of certain technical skills, some skill areas are oversupplied. In this climate, training and certification (such as ISO9001, CEng, and MCSE, for example) can be a key differentiator - or indeed a barrier to entry - for many opportunities.

It is incumbent upon the freelancer to plan, arrange and fund his own training path, since his clients are unlikely to pay for training courses, or tolerate any significant on-the-job training within the scope of their projects. After all, part of the clients' rationale for engaging the services of a freelancer is to acquire immediate access to a competent, trained resource.

"47% of respondents said that the fact that training was not an allowable expense under IR35 affected their training decisions."

The following pointers may assist when embarking upon a training plan:

- ◆ Set a timescale or key dates to give a time context to the plan.
- ◆ Be realistic in setting training objectives:
Can the barriers to entry in a particular market actually be crossed?

Can the skills be learned in a reasonable time?

You cannot buy experience for yourself, but you can build on existing skills
Is the training relevant to your market sector?
- ◆ Remember supply and demand. You can sometimes exploit short-term skills imbalances, but these will tend to correct themselves in the longer term as others acquire the necessary skills.
- ◆ Do you already have the skills, and simply need to re-label them to reflect current terminology? (This may apply especially to your non-technical skills).
- ◆ Which training delivery mechanism will work best for you?

Classroom courses

Workshops

Self-teach books

Computer-based training (CBT)
- ◆ Some skills certification options are compulsory or must be renewed or supported by Continuing Professional Development (CPD).
- ◆ What is the opportunity cost of undertaking training?
- ◆ Are there government grants available to you to assist with training costs? (Many non-technical distance-learning courses can be funded in this way).

If a freelancer is outside IR35, then he is likely to make his training and development decisions based on business reasons, such as a cost/benefit analysis or strategic

medium/long-term business planning goals. Training and development costs are also tax-deductible expenses in this case.

For freelancers deemed within IR35, the picture is somewhat different. Whilst the business decision criteria are similar, the tax treatment of the costs differs. This is because those freelancers within IR35 are allowed only a flat deduction of 5% of turnover to allow for all business expenses, regardless of actual expenditure incurred - training and development are not specifically tax-deductible. Therefore, any training and development costs that fall outside this 5% allowance have to be paid from post-tax income, effectively grossing up its cost by the marginal tax rate of the individual.

The Inland Revenue decrees that since those under IR35 are "disguised employees", they fall under the same Schedule E tax regulations as permanent salaried employees, for whom training is not a tax-deductible expense.

Unfortunately, this ignores the fact that business-related training for employees would be funded by the employer anyway, without being classed as a benefit-in-kind to the employee. This has obvious implications for those caught by IR35, and potentially a competitive advantage for those outside it. In the PCG survey, 47% of respondents said that the fact that training was not an allowable expense under IR35 affected their training decisions.

Training and development are a significant part of the package that makes a complete, marketable freelancer, but do not form the complete picture. No matter how many letters he has after his name, or certifications listed on his CV, it is the freelancer's ability to implement the project to the client's satisfaction that counts. This is particularly true in the current market, where corporate budgets are over-stretched, and the competition for assignments is fierce.

Steve Knowles is MD of Sky Consulting.

Training survey highlights

Key facts from a recent survey on training and development conducted with members:

- ◆ 66% said that training and development was very important and essential to their business.
- ◆ 76% undertook training in some form.

- ◆ 61% said that they would invest more in training if they could afford it.
- ◆ 47% said that the fact that training was not an allowable business expense under IR35 rules affected their investment decisions.

Source: PCG survey August 2003, base 1,038

Facing the authorities - how the PCG can help

Two groups of freelancers are currently the chief targets for Inland Revenue IR35 investigations. The first group comprises those who - contrary to PCG advice - have used the Revenue's contract opinion service. The second encompasses freelancers picked at random, possibly by SIC code, and possibly those conforming to the low salary-high dividend profile.

Since the PCG successfully argued for changes to the Revenue's internal manuals, the quality of the Revenue's IR35 opinions seem to have improved, but in many cases its interpretations of law could be described as something between "imaginative" and "wishful".

Thus, it is crucial that freelancers should involve professionals whenever they are under investigation. These are the common pitfalls to avoid:

- ◆ Representation by the wrong person
- ◆ Turning too late to the professionals
- ◆ Letting the Revenue panic one into paying
- ◆ Not having one's business records sufficiently well organised

Many freelancers are - quite understandably - accustomed to depending on advice from their accountants for all tax matters. IR35, however, relies not only on tax law but also on some fairly subtle and intricate elements of employment law, outside the scope of most accountants' knowledge and practical experience.

Some accountants offer an excellent IR35 service. PCG's advice is that one should ascertain details of their track record - losses as well as wins, based on actual numbers - before deciding whether to use them for IR35 advice. A good specialist IR35 practitioner will have a record of tens or hundreds of wins against a mere handful of losses, and one should be wary of practitioners who proclaim expertise but have not taken or won many cases. Details of experienced and successful IR35 practitioners are listed on PCG's web site.

Professional advice should be sought from the very start of an investigation. The Synapteck case, which PCG took to the High Court, illustrated the importance of this. The freelancer, a former policeman, had represented himself for a long part of the investigation, and had in the process done so much damage to his case that even the very

highest level of representation in the High Court could not salvage it. However, the Revenue recently found another freelancer, with identical terms, outside IR35. The difference was that this second freelancer engaged experienced professionals at the outset.

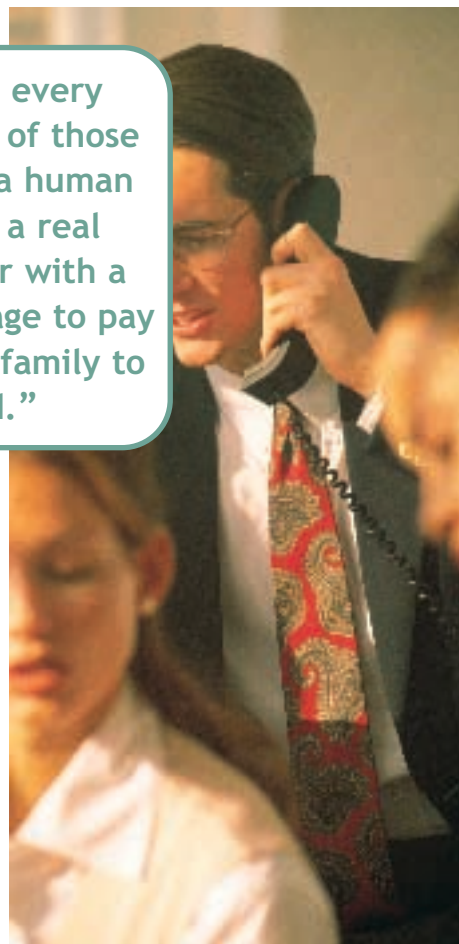
An important point is that one may not actually be aware of an investigation. The most common Revenue approach to an IR35 investigation is through a seemingly unrelated PAYE review. PCG's advice is that any PAYE review should be conducted with representation by an IR35 professional, which in most cases will discourage an IR35 investigation ensuing. Without representation, a freelancer could inadvertently cause himself problems later on by innocently answering leading or tendentiously phrased questions in an inappropriate way. A recent survey showed that 6.7% of PCG members had had a PAYE review in the last twelve months, some 40% of whom went on to be investigated for IR35. PCG's Route35 insurance, available to PCG members only, is unique in offering professional representation for all cases at the PAYE review stage.

The receipt of a PAYE review letter can be quite intimidating, and the freelancer's instinctive reaction may be one of acceptance and resignation. How can a freelancer hope to take on the massive machinery of Government and win?

The answer is that any freelancer with effective professional representation stands an extremely good chance of being found outside IR35. PCG's affiliates between them have a success rate of over 99% in contested cases. The Revenue's pronouncements on IR35 cases are often simply wrong. In the main, if an expert points out what might be simple human errors, the Revenue withdraws. Very seldom, it is necessary to go to court. The PCG's bundled tax investigation insurance includes representation by expert IR35 practitioners throughout an investigation to the Commissioners.

Moral support is no less important. It is easy when looking at PCG's hundreds of IR35 wins to become blasé. Behind every single one of those results is a human story of a real freelancer with a real mortgage to pay and a

"Behind every single one of those results is a human story of a real freelancer with a real mortgage to pay and a real family to feed."



real family to feed. One of the best ways in which PCG can and does help is through peer support and advice on its online members' forums. Facing the authorities can be frightening, and PCG is there to help its members every step of the way.

Maintaining records and internal paperwork is an important discipline too, not just for IR35 purposes. PCG's comprehensive "Guide to IR35", available on its web site, outlines the records that all freelancers are recommended to keep for IR35 purposes. Every time a salary is paid it should be accounted for properly through the PAYE system, and every time a dividend is declared, the vote should be recorded in the company's minute book and proper dividend vouchers issued. Trying to backfill absent records during an investigation - and in a rush - is not only bad practice and likely to result in errors but also in some cases illegal.

In summary, PCG's advice is to be prepared, use the right advisers right from the start and, above all, do not panic!

Simon Juden is an experienced freelancer and PCG board member. He led the original team in negotiations with the Inland Revenue on IR35.

A review of PCG's achievements

Since the PCG was formed in 1999, it has evolved to become the freelancers' champion, campaigning on issues that matter to the freelance community, irrespective of industry focus. It is committed to promoting members commercially and supporting their development.

TAXATION

- ◆ PCG offers the most comprehensive source of IR35 advice, guidance and tools.
- ◆ PCG Tax Expense Insurance cover has saved members an estimated £4 million in professional charges and taxes since its inception.
- ◆ Over 300 members have had cases handled under the scheme. Well over 100 have been concluded - almost all successfully.
- ◆ Route35 underwrites members' costs in conducting their IR35 cases. Now in its second year, over 3,000 members have joined to date.
- ◆ PCG has separately underwritten the legal costs of nine members, whose cases have particular interest in establishing favourable case law.
- ◆ PCG advice has led to significant improvement in Inland Revenue employment status manuals (ESM).
- ◆ Ongoing implementation consultation with Inland Revenue.
- ◆ Opportunity for implementation discussions with the HM Paymaster General.
- ◆ A wealth of advice and guidance for members.
- ◆ PCG precautionary advice regarding tax avoidance/evasion schemes ensured that only one member was amongst the 700 contractors affected by the collapse of the CFP/Dignatio "Employee Benefit Trust".

CAMPAIGNS

- ◆ IT Skills Shortage list cleared
- ◆ Agencies refused permission to issue work permits.
- ◆ Advising Work Permits UK how to counter Intra-Company Transfer (ICT) abuses.
- ◆ Agency Regulations submission.
- ◆ E-Commerce Regulation representations.
- ◆ Regulation of Investigatory Powers (RIP) Bill submission.
- ◆ Security Clearances representations.
- ◆ Advised members and assisted the Serious Fraud Office in its investigation of the CFT PI insurance collapse.

COMMERCIAL PROMOTION

- ◆ Regular discussions with ATSCo representatives, who now recommend PCG standard contracts to their member agencies.
- ◆ Membership numbers have been used to gain access to substantial discounts to PCG members on insurance, accountancy, books, office support and hotel accommodation.
- ◆ Forthcoming affinity deals will deliver further important member services at massive discounts.
- ◆ PCG brand developing as a kite mark for integrity, quality and value for money.

IR35 - prevention better than cure

Freelancers wanting to operate outside IR35 have typically chosen one of three strategies: hoping for the best and relying on a cure, which involves doing very little but still declaring that income is outside IR35; the snake oil strategy, entering a scheme of one description or another; prevention, taking appropriate steps to ensure that contracts and arrangements fall outside the scope of IR35.

Anyone adopting the 'hoping for the best' approach may be relying on a supposed IR35 friendly contract, tax insurance or on tackling the problem only if the Inland Revenue investigates. However, the Revenue has six years in which to decide to review your working arrangements. If you choose to ignore the legislation, you should be aware of the possible consequences - according to the Revenue, if you have incorrectly operated PAYE and/or NI you will be asked to pay back tax, NI, interest and potentially penalties (starting at 100%) where appropriate.

One of the incentives for adopting the 'relying on a cure' strategy is based on the IR35 friendly assurances from an agency. However, a recent Lawspeed survey of 120 technology recruitment agency contracts revealed that 55% contained terms that, in our opinion, were sufficiently akin to employment to place the freelancer within the scope of IR35, even if the freelancer's actual working practices could potentially be structured outside IR35. Be wary of an agency claiming its contract is outside IR35 unless a recognised IR35 legal specialist has drafted it. If in doubt, have the contract reviewed and, if necessary, negotiate with the agency to include appropriate terms. With the right approach, many agencies will agree to terms that indicate a business-to-business relationship.

Another perceived incentive for adopting the 'relying on the cure' strategy is based on insurance. Whilst some policies are robust, others contain 'get-outs' for the insurers in a range of circumstances, including if the insurer forms the opinion that the case has low 'prospects of success'.

As for the snake oil strategy, various schemes purport to offer a cure to IR35, for example composites, offshore options, benefit trusts, currency loans from Argentina, and so on. Many of these schemes should be regarded with considerable caution. If it all goes wrong suddenly, you could find that others have your hard-earned money. In the case of composites, you could find that the company folds because of another freelancer's arrangements, even if yours are outside IR35. Where is your cure?

The advantage of the prevention strategy is that it has been tried and tested in court. In the Lime-IT case - the only Special Commissioners case to date that has been won by a freelancer - the 'prevention' strategy was implemented in the form of (a) the freelancer working on specific projects using a freelancer-owned laptop, (b) the relevant terms (drafted by Lawspeed) being set out in the contract schedule and (c) the freelancer operating as a business. Contrast this with the three cases that have gone in favour of the Revenue. Although in some cases the freelancer was professionally represented and had a genuine business, the contract terms and supporting evidence were not properly in place from the outset. Relying on the 'cure' did not work - with expensive repercussions.

"The advantage of the prevention strategy is that it has been tried and tested in court."



Whilst the prevention strategy will involve some upfront cost, the rewards could be significant tax savings, a real sense that you have protected yourself, no time wasted in worrying over your tax return, sleep-filled nights, freedom to plan financially and so on. This works well with PCG TII (included in your membership) as that extra back up in case the Revenue decides to investigate you. Compare that to hoping for the best, which may involve running up legal and accounting bills, wasting your own valuable time, the stress of fighting the Revenue and the worry of having to pay additional tax, bills and penalties and/or arguing with your insurer. You may conclude that prevention really is the best medicine.

Adrian Marlowe is Managing Director of Lawspeed www.lawspeed.com, a niche legal consultancy specialising in IR35, contract and employment law for the recruitment and contracting industries.

Route35 provides additional support

Route35 cover complements the tax investigation insurance provided to PCG members as part of their annual membership package, and is available as an additional option. It guarantees expert advice and support throughout the whole process of an IR35 investigation and uniquely includes expert professional support throughout a PAYE compliance enquiry. PCG has recently secured price improvements for the benefit of members purchasing or renewing Route35 cover. The annual cost for Route35 depends on the number of employees in the business,

including the PCG member, at the time of purchasing the cover.

Route35 has also been converted to provide fully insured cover. Its changed status means that it is now zero rated for VAT purposes. IPT, which is not reclaimable, is however applicable, but is included in the prices quoted.

Included within Route35 is the option to hold the compliance visit at the offices of Qdos Consulting, with an IR35 expert present

throughout, thus guaranteeing the very best support and advice at this crucial stage. Anyone who joins the scheme will be covered all the way to the Commissioners regardless of the conventional merits of their case.

With the increasing prevalence of PAYE compliance investigations and the improvements described above, the case for buying or renewing Route35 has never been more compelling.

For more details, visit www.pcgroute35.org.uk

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Quality matters - from crisis to confidence in less than a year

As the representative body for freelancers, the PCG's most important asset is its integrity. Without it, the organisation would lose the very power that makes it a community force. The PCG and its administrators are subject to severe public scrutiny, making it crucial to avoid both the fact and the appearance of incompetence, partiality or dishonesty.

When it elected to bring the administration in house towards the end of 2002, PCG's board contracted the services of a highly experienced and independent quality management consultancy. New processes were to be designed from first principles to avoid the "fact" of incompetence, partiality and dishonesty and the entire restructured organisation would be able to the most stringent of external audits, thus addressing the "appearance" issue.

Recognising the urgent need to provide a completely new operating model for PCG, PCG's board took an early decision to develop the new systems around the requirements of ISO9001:2000. This provided both a structure and a goal.

From November 2002, facilities were procured, freelance administration staff engaged - PCG practices what it preaches - and new processes introduced. During this phase, the external consultant worked closely with the team to document everything that mattered and to ensure that the organisation would eventually be in good shape for audit.

As PCG director Richard Robson explains, "We were determined not to skimp on the audit either. ISO standards don't always enjoy a favourable press and there are undoubtedly a few easy options that can be taken by unscrupulous organisations looking for easy marketing collateral.

"We preferred to take the harder, honest route that would bear any scrutiny. We elected to use BVQI, a subsidiary of Bureau Veritas, founded in 1828 and the most widely recognised accreditation bureau in the world.

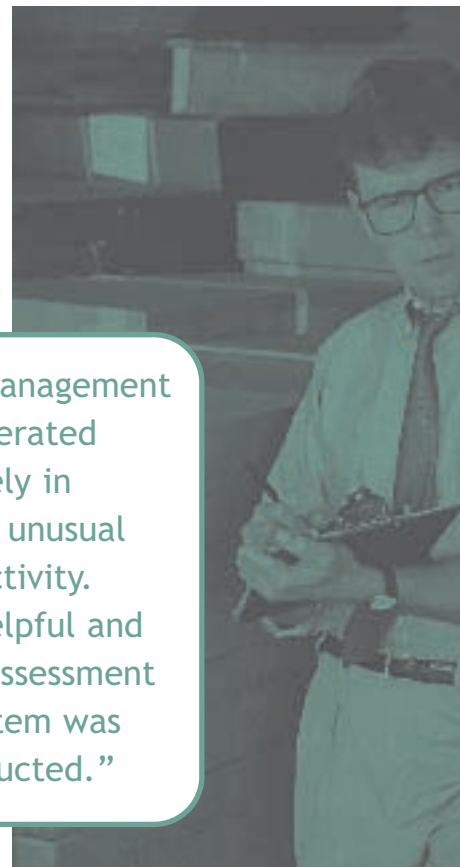
"Our audit took place less than nine months after we had reorganised the PCG starting with little more than a website and backup tape of the membership database. The auditor was tough but fair, and on 27 August 2003 we passed our audit with no reservations on his part despite the uniqueness of our business model."

The auditor's formal assessment was that "The quality management system operated effectively in a somewhat unusual field of activity. Staff were helpful and receptive to assessment and the system was well-constructed."

In summary, PCG has completed a root and branch reorganisation, built new systems with competence and integrity, and secured confirmation of this from the most stringent auditors in the world, who will be back again next year and every year thereafter to ensure that PCG maintains its quality standards.

As an organisation run by its members for its members, PCG can now move on to greater things, confident that its foundations are built on solid principles.

"The quality management system operated effectively in a somewhat unusual field of activity. Staff were helpful and receptive to assessment and the system was well-constructed."



Top 10 networking tips

1. There are many networking events available - make sure you spend time selecting which ones are most relevant for you and plan to attend them.
2. Make sure you always have a good supply of business cards - and that you are happy with the impression of you that they create.
3. Try to understand whatever constraints prevent you from becoming a good networker - be brave, face up to them and work hard at eliminating them.
4. There is no perfect way of networking. It is important that you develop your own style and are comfortable with it - people will notice if you are not.
5. First impressions count - try to understand how and where your network contacts will first encounter you.
6. The "in your face selling" approach is not networking.
7. Develop your own "elevator pitch" - a brief, succinct description of what you do and who you are.
8. One of the biggest hurdles in networking is to maintain it in the long term - develop a plan to stay in touch with people.
9. Your network contact details should be stored in a contact database, which you should manage and nurture - this requires long-term commitment.
10. Go the extra mile to stay in touch with your network - it is this that often makes you stand out from the crowd.

*Courtesy of Diana Watson,
Bespoke Marketing & Consulting*

Training services for members

In response to member feedback about training requirements, the PCG has negotiated training courses for its members from two suppliers.

Maven Training

Maven Training recently joined PCG as an Affiliate member, and is a specialist PRINCE2 accredited training organisation, based in London with a nationwide presence. It employs accredited trainers who are reassessed every three years. They are all experienced project managers, and therefore able to relate accredited material to real life situations.

On the Foundation course, Maven Training claims a 100% success rate for its candidates, compared with a national average of 97%, and a success rate of 88% on its Practitioner course, compared with a 64% national average.

According to Maven Training, 25% of project manager positions advertised on Jobserve require PRINCE2 accreditation, and Government departments are specifying this as a mandatory qualification for project management roles. PRINCE2 provides a benchmark for contractor experience that can be translated into a recognised professional qualification, ensuring transferability of skill sets between contractor markets.

Over half of the delegates attending Maven courses are freelance contractors, and a dedicated customer contact is available for PCG members, who enjoy a discount of 15% off the standard course costs. Fees include exams, material, trainer support and catering. Courses are designed to be non-residential, in order to minimise the cost to the delegate. Maven's web site provides further support for individuals using PRINCE2 projects, with practical downloads, a Frequently Asked Questions section, and an email helpline facility.

Creating Careers

Creating Careers Ltd is at the forefront of personal development skills provision on a distance-learning basis with its vision2learn. Students can learn via the Internet and a PC, at home or at work, by themselves or interacting with fellow students in their study group. All its courses are interactive and user-friendly, with lots of colour and images. Students can test their progress with activities and quizzes, and online support is available from college tutors.

Creating Careers specialises in qualifications that are Government funded in England, and supported by a network of Further Education Colleges. Funded by the Learning and Skills Council, these courses are normally free of charge to anyone over the age of 16 who has been ordinarily resident in England for over three years other than for full-time study.

Subjects on offer include "Advancing your Career with Emotional Intelligence", "Maximise your Money Management", "First Steps in IT", "Next Steps in IT", "Wizard on the Web", "Essential Sports Coaching Skills", "Healthy Living" and "Entrepreneurship". Courses are available to PCG members and to their partners.

For further information, see www.maventraining.co.uk and www.creatingcareers.net

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Member services update

The PCG is pleased to announce that its free legal helpline facility for members is now being managed by Law Express, a company specialising in the provision of telephone legal advice. Law Express is a leading player in this market, providing services to such companies as Marks and Spencer and the Institute of Directors.

Every freelancing professional is likely to need company or commercial legal advice at some stage, irrespective of business size or type. Issues need to be addressed, problems resolved and grievances handled quickly and confidentially.

All its solicitors are employed by Law Express and offer advice covering a wide range of areas including:

- ◆ Agency and distributorship
- ◆ Board and shareholder disputes
- ◆ Company secretarial practice
- ◆ Trademarks, patents and copyright

- ◆ Contracts
- ◆ Debt collection
- ◆ Directors' responsibilities and liabilities
- ◆ Employment contracts
- ◆ Insolvency
- ◆ Shareholders' rights
- ◆ Taxation information

PCG members may access these services free of charge. The helpline is available from Monday through Friday from 08:00 to 18:00 via a dedicated telephone number. If the appropriate solicitor is not available immediately, Law Express will return the call within the hour or at a pre-arranged time.

For more details of this service, please visit the members' area of the PCG web site.

As a representative body, the PCG's purchasing power is increasing, and it continues to source high quality services and

tools that are relevant and beneficial to its members, and to negotiate preferential terms where possible. Members are reminded of some benefits that have been mentioned previously:

- ◆ Hiscox for home insurance policies designed specifically to meet the needs of freelancers working from home.
- ◆ SJD Accountancy for specialist tax and accountancy advice to freelancers operating through their own limited companies.
- ◆ Regus for preferential office space rates and free membership.
- ◆ Trinatours for preferential travel and accommodation rates.
- ◆ Intuit for discounted QuickBooks Pro and QuickBooks Premier business software.
- ◆ Randell Dorling for preferential rates on Public Liability, Employer's Liability and PI Insurance.

Real life meetings

Hundreds of PCG members get involved in local real life meetings - known as "RLM's" - to socialise, network and discuss PCG issues, proving that they are not just an online community. These meetings are open to everybody, and new members are welcome to come along.

The August meeting of the Maidenhead chapter saw a record turnout of 16 PCG members, thanks to the attendance of Dave Smith and Matt Boddington from Accountax. Dave opened proceedings with an overview of the IR35 landscape in the wake of the Stutchbury verdict. He was generally optimistic, describing the Inland Revenue's current approach to status cases as a war of attrition. He also amused the audience with some anecdotes about "interesting statements" from Revenue inspectors.

Accountax has a reputation for vigorously pursuing its cases and Dave indicated that this was unlikely to change.

There was a brief discussion about Section 660, which Dave described as a very unusual application of the law, although this could be confirmed only by taking a case through the legal system. Dave and Matt answered a few questions before the meeting assumed its usual informal atmosphere; they

had to leave early but the rest of the crowd kept the barman busy until closing time before enjoying a fine meal at a local curry house.

Active regions for real life meetings are Aberdeen, Yorkshire/Lancashire, Milton Keynes, Thames Valley (Reading, Maidenhead, Slough, Marlow, Windsor), Gloucestershire/Wiltshire/Cheltenham, Abingdon/Oxford, Cambridge and central London.

Meetings are held reasonably regularly in Basel and Brussels, and other areas where the occasional meetings have taken place include Bristol, Dorset, Chester, Glasgow, Newcastle, Kingston, Winchester, Maidstone and Windsor.

Announcements about forthcoming meetings are published in PCG's weekly newsletters, together with the appropriate contact details, and there is also a dedicated Real Life Meetings forum for members.

"The PCG membership is not just an online community."



Freelancing - the future for communications and marketing

According to research undertaken by London Business School (LBS) this summer, the future of the communications and marketing sectors will be based on flexible hiring, following the trend set by IT and publishing. They share similar dynamics:

- ◆ A highly mobile workforce - average tenure of people being two years
- ◆ Work is increasingly project based
- ◆ The work is creative and knowledge based
- ◆ Employees value flexible working practices and dislike formal hierarchies
- ◆ Staff are over 50% of agencies' running costs so variable costs make sense

Furthermore, there are wider macroeconomic trends driving the freelance marketplace, such as downsizing and corporate restructuring, economic uncertainty and demographic and socio-cultural shifts.

The LBS research recommends that all organisations should have flexible hiring as a key part of their HR strategy, rather than taking an ad hoc approach. It also explodes the myth that hiring freelance consultants is an expensive option. Permanent staff salaries represent only one component of actual employee costs, and total costs can mean an increase of 31% to 56% over salary costs for a permanent employee compared to just 12.5% to 17.8% for a freelancer. There are also capacity considerations - corporates respond to volatility by over-staffing, and so agency staff are typically 20% underutilised.

"The future of communications and marketing will be based on flexible hiring."
Emma Brierley, CEO,
Xchangeteam

The LBS research was commissioned by freelance matchmaking service, Xchangeteam, which sponsored another survey in 2001, conducted by UMIST School of Business Psychology and Leeds Business School. Using both qualitative and quantitative data to

analyse freelance trends and working practices along lifestyle and psychological factors, in a sample size of 259, it found that 45% had left permanent employment in the last three years, 50% were relatively new to freelancing, and that 55% planned to continue freelancing or set up on their own.

Both freelance consultants and clients rated positive attitude and integrity as important factors in defining a good freelancer, with consultants citing flexibility as being essential too, whereas clients also valued hard workers, quick learners and experience.

In 2000, 33% predicted that they would be using more freelancers in 2000, and this translated into 51% who actually used more freelancers in 2001.

According to Emma Brierley, CEO of Xchangeteam, "The future of communications and marketing will be based on flexible hiring. Its inherent creative and knowledge based nature, along with it becoming more project led, means it is ideally suited. Organisations need access to talent rather than infrastructure, they want to be able to tailor expertise to suit their requirements and pay for performance rather than tenure. Ultimately if they want the best, then they will need to go to the independent sector, because people are voting with their feet and increasingly choosing to go freelance."



PCG membership

Freelance contractors may join the PCG as full members, for an annual fee of just £100 plus VAT, which buys:

- ◆ Tax investigation insurance
- ◆ Access to free tax and legal help lines
- ◆ IR35 analysis and manuals
- ◆ Standard contract templates

- ◆ Access to a wealth of technical and commercial advice via the forums
- ◆ A comprehensive range of member services and preferential rates from suppliers

Affiliate Membership

PCG recognises the contribution of a wide range of stakeholders in the freelance

marketplace, and invites them to join the PCG as Affiliate members for an annual fee of £250 plus VAT. PCG publishes news and analysis covering all relevant legal, accounting and other areas. Affiliates can communicate with members using the online discussion forums.

Applications for both types of membership are available on the web site at www.pcg.org.uk



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