

November 2020

Issue

11

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# A template for the future

Setting out a strategy for clients, processes  
and people in a post-Covid world

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# Emerging from the storm

While living in a Covid world has been turbulent for people and their businesses, it has also provided an opportunity for accountants to get closer to clients. Phil Shohet reveals how accountancy partners and owners must now take steps to improve their service offering, be more efficient and better manage their operations to take advantage of this once-in-a-lifetime opportunity



**F**or many practice owners and partners, this period of time is crystallising their future plans, ambitions and prosperity. But they may not be controlling their destiny.

While Covid-19 and its huge impact is key to this disruption, it piggybacks other big changes in recent months and years: HMRC's digitisation project through Making Tax Digital; the huge increase in automation of accounting, tax and client data collection tasks; and online/digital-focused accountancy practices have all made changes to the landscape.

Practice owners and partners, certainly in firms focused on compliance services, can find themselves in a quandary about adapting and evolving. Their vision only reaches out to the next wave of tax return and accounting deadlines – setting out a path for future prosperity and the impact on services and your people can be hard to undertake when the day job is of comfort. Covid has, understandably, seen practitioners undertaking emergency support for their client base but spending even less time on their practice's own direction.

So, this is a starting point for what accountants must focus on to service their client base, how that will impact on a practice's structure and then expectations upon partners and owners to deliver.



## What your clients want from you

Fundamentally, there are five key areas that clients seek support on from their accountant:

- Compliance services;
- Wealth management/protection;
- Tax mitigation/planning;
- Consultancy/business advisory services; and
- An opportunity to have access to virtual information and forecasting.

This can be distilled even further. Ultimately, you're helping people and their companies make (more) money, keeping tax liabilities to a legal minimum and protecting their gained wealth – whether for the business or family.

Unfortunately, there is historically a dramatic underservicing of clients. And this is not just in the so-called 'valued-added' services, but more generally. Why? Because so few practitioners actively ask their clients how they are and what they might be able to do to help.

Correspondingly there is an over-servicing of compliance technical processing, for example on small audits where the external reviews often praise the compliance detail and box ticking, but ignore the additional advisory level services.

There is not an overly-complicated way in which to bill more advisory fees compared with compliance. The compliance services themselves often create an opportunity to provide advisory – unfortunately, so often the tail wags the dog.

Self-assessment is a perfect example. Practices receive SA-related information so late from clients that it creates the huge overload of work in December and January. This creates a vicious, not

virtuous, circle. It means there isn't time to then get to know clients better.

So, the cycle needs to be broken: How do you get information in earlier? Rather than send passive emails to clients asking them to file earlier (which doesn't work), instead call or email them personally and ask what they are doing, and how that impacts the direction of travel for their income and subsequent tax bill. This may give an opportunity to provide them with extra support – but on the proviso that their income information comes in earlier for processing. The practice should be looking at a real-time information flow between itself and clients and encourage the use of apps for client data delivery. You may then be able to bill more for supplementary tax support, mitigate their tax bill further, and all the while reduce your January workload.

The beauty of working this way is that you are

using your combined technical knowledge and experience to better help your clients. It doesn't need to be something you feel is out of your comfort zone.

Crucially, success in this area will be conditional on outsourcing some of your work to create a lower cost base and a more efficient processing system. MTD is pushing the need for a more regular flow of information between yourself and the client. A combination of automation and a dedicated third party managing/checking the flow of data is now crucial for the survival of a profitable and sustainable accounting practice. However, outsourcing doesn't mean losing control of your clients; on the contrary, outsourced processes should help you better understand and communicate more frequently with clients.

So, think about the systems you and your clients use. Uniformity and ease of flow of accurate



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data are key. And while accountants are ruled by deadlines set by lawmakers and enforcement agencies, they should work with clients towards the practice's own, most optimal, timescale.

### Creating a firm of the future

While calling more clients more often is, in itself, relatively simple to conceive, there are broader considerations about how a practice will operate in the future. In essence:

- Fees will be earned on the basis of value for money;
- Firms will be organised into specialist departments along service lines;
- Statutory requirements will become a 'smaller' part of the firm's work;
- More competition will come from outside the profession; and
- The firm will be, in essence, a provider of business services.

Practices that are more proactive with clients, use technology to automate input-heavy processes and look to support clients across a broad range of needs will need to take the above points into account.

There are a large number of diversification opportunities that exist for accountancy firms, for which the level and extent is driven by the market the firm wishes to service, but more importantly the business development acumen of the partners and their desire to operate in a structure as suggested above.

Making such considerations is crucial. For example, is audit a viable service for smaller

firms? There's no longevity necessarily there: audit thresholds creep up and clients will inevitably move to bigger auditors when they seek funding and grow in scale.

Entrepreneurs can be a difficult client base to handle: they often make excessive demands. But if satisfied they will be lucrative in terms of both direct fee income and their willingness to promote your firm through referrals.

But it is no good understanding who you want to serve – and how – if your partners are unable to help adequately support existing clients and bring new ones on board.

### Leading in a new direction

Partners must want to develop business, and that must sit alongside their desire to steer current clients. On the latter, too many partners spend too much time processing compliance work rather than understanding the client to drive more fees.

Small teams, or units, must support the partner in providing the client service. The partner can remain close, but not undertake the grunt work themselves.

For many firms it is a lot of change, whether measured by client service provision, processes or operational management.

But while accountants are good technicians, the owner/s and partners have to improve their focus on running a business and supporting clients; moving away from the coal-face of computations.

Over the last six months, Covid-19 management has, for many practices, required

flexibility and swift decision-making to adapt workflows, processes and communications. It is essential that pragmatism is carried forward in the future to encourage questioning of the status quo, provide channels for new ideas from internal and external sources and take action to change where deemed justified. An ongoing questioning of comfort zones by all partners and a commitment to adopt change agreed.



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This is, in some ways, the toughest aspect of change – where practices and their people have operated in a certain way for a long period of time. But leaders must lead, using their gravitas and persuasion to bring partners on board to start turning the ship. This means the most senior people must be flexible: client-facing but not number-crunching, and playing a part in setting a strategy or plan to drive up profits.

Covid has driven clients into the arms of their accountant, but if these closer relationships fail to be nurtured then other providers will come in to fill the gap: be they accountants or broader business support organisations.

You may be left with just compliance work, in a world where that offering will be commoditised and the price driven down. And, as such, you make your own retirement or exit route a more difficult and certainly less profitable one to tread.

## The hallmarks of a model firm

What does Foulger Underwood senior consultant Phil Shohet FCA see as hallmarks of a firm that is structured in a modern, fit and efficient way?

- In excess of 50% of its work is 'advisory', and includes financial services/wealth management.
- Some 20% of clients produce in excess of 70% of fees.
- Some audit work – but not dominating the practice.
- Business services and non-complex tax work

is outsourced, with exacting IT and processing specification determined by the practice. Client contact and relationship will stay with the practice.

- More complex tax and payroll work managed in-house. This also includes audit.
- Close relationship with clients and family members.

Even if this model isn't suitable for all firms, there is always an argument to make advisory services a significant proportion of the overall practice.

Have you the vision, ownership and responsibility for the changed model?

Ultimately, an efficient practice with strong processes, using technology to automate and support your people, with partners closely aligned with the needs of clients, improves its value.

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