

# Inside<sup>+</sup>OUTSOURCING

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## A balancing act

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# Time to hand it over

With such complexities that come with running an accountancy practice, the option is always there to outsource some elements. But as Kevin Reed finds, what works for one practitioner might not for another.

The running of an accountancy practice, like any type of business, can be frustrating. Trying to offer your core, valuable, services to a client at an optimal level feels impossible as administration, production work and of course red tape, bog you down.

Having all that 'just dealt with', leaving practice owners to get on with the job, is the ideal scenario for many.

What, then, can be outsourced... handed to someone else to deal with? Are there any limits? If so, how are they defined?

What can be outsourced – and how – requires practitioners to step back and think about the way their business operates.

For instance, there are administrative responsibilities for a practice to consider. These can include HR, health & safety, technology – and their own Companies House filing requirements. As with any deep back-office responsibilities, they will not bring fee income into the practice. Practitioners would be strongly advised to use outside help on these matters.

Making the right choice, or choices, as to who helps you manage the back office is important, but doesn't need a grand strategy. Other outsourcing decisions, however, require practitioners to really think deeply about how their practice makes money, and how it wants to achieve that in the longer term.

There are two other key areas in which outsourcing can be leveraged. The first is in the production and management of compliance and accounting information on behalf of their clients. This could include calculating and filing

of tax returns, formulating annual accounts, or other types of reporting.

Second, there is an option to outsource front-line services and management to other providers (see blue box). For example, this could include wealth management services or complex tax advice such as R&D claims.

For Della Hudson, a business consultant who recently sold her eight-staff accounting firm, her efforts at outsourcing met with mixed results. She envisaged a practice, aimed at corporate services, where customer service would be retained in-house, while everything else was outsourced.

"The idea was around having a one-man band, but with hundreds of clients," says Hudson.

In reality, she was already down the track with her practice, but that didn't mean maintaining the status quo. First, Hudson tried out a virtual PA, but found the role was too complex for it to be managed out-of-house. "That process gave me a good understanding of what could, and couldn't, be outsourced," says Hudson. "Standard, repetitive things can, but anything that requires deeper thinking cannot."

She then outsourced some accounting work to another practice. It "wasn't a money-saving exercise" in itself, but enabled her and her staff to concentrate on higher-value advisory work for clients.

## Going deeper

Other practices have moved much more deeply into the outsourcing of compliance work. And as previously stated, such a move requires careful thinking.

For Brendon Howlett, operations director at practice Wood & Disney, the last 18 months have seen outsourcing become key to its business – while also witnessing it impacting other practices, "and we see that trend continuing".

From a strategic point of view, the practice is aligning towards high-value advisory services. The outsourcing of compliance work has enabled team members to take a more consultative approach with clients.

"As well as an improvement in our own numbers, outsourcing has had a positive impact in freeing up capacity in the team, allowing them to provide advice and assistance our clients really value," says Howlett.

## Keep your clients close, keep other service providers closer

Referring clients to other service providers is a path well-trodden by advisers, but it is often handled by practices in an opportunistic, ad-hoc, and 'arms-length' manner. But thinking about a strategy where clients receive high-level business advice from their accountant fits with 'holding their hand' for other types of business support they require – even if outside the practice's comfort zone.

However, 'outsourcing' front-end services to other professionals requires processes and strategy, much like outsourcing compliance services or back-office functions.

"Clients value having a business partner on their journey; one who can assist them in negotiating the twists and turns of their business



Outsourcing doesn't abdicate a practitioners' responsibility for the work undertaken, or how it is managed. Another practitioner we spoke to said that it is vital that your own processes and approach to work is systemised. "This gives you a platform to work with an outsourcing provider – but at this point it's crucial that a good workflow will be set up between the two parties, or any value from the project will be eroded," says the practitioner.

Again, how the re-engineered processes will work is crucial. For Wood & Disney, the practice is exploring outsourcing more tax compliance work in light of the extra strain it will face with Making Tax Digital's (MTD) requirements for more client information. But a lack of clarity in MTD's workings means Howlett is circumspect: "Until the government provides more clarity about the mechanics of MTD, where the devil will inevitably be in the detail, we remain unsure of exactly how any outsourcing will work."

A key concern voiced about the direction of the accounting profession is that automation and artificial intelligence will render accountants useless.

This doesn't mean the end of the accounting practice. It actually aligns with shifting process-oriented tasks away from the key advisers, and enabling them to provide the more valuable service.

The problem comes when the makeup of these 'key advisers' is considered. Do they need to have the technical accounting and finance skills

to back up their communication and analysis abilities? And if so, how will they attain them if the work is dealt with by outsourcers?

This is a concern for Della Hudson. In her former practice she considered the impact of outsourcing all the 'straightforward' accounts work, keeping more problematic client returns in-house. This model would have made it difficult for apprentices to see a cross-section of work, she feels. "I hadn't got my head around that," Hudson admits.

Wood & Disney's Howlett says: "Technical skills will still be relevant, and you will need to be good with the numbers as we will be acting as a conduit for the financial information." The next generation of accountants will need to develop that broad skillset from the get-go, he believes.

"In the past it may have been enough for an accountant to be a technical guru but AI has this side of things sewn up. Accountants will need to be much more 'agile' in terms of business advice and focused on people."



Kevin Reed is a freelance journalist and former editor of *Accountancy Age*

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life as they strive to achieve their goals and who can empathise with them," says Wood & Disney's Brendon Howlett. "While we can outsource a substantial amount of the 'doing', we can't outsource this relationship building and we wouldn't want to. After all, people do business with people."

One practitioner told us that their approach was to act as a "go-between" for clients and the third-party service provider – an arrangement that suits all involved.

Working with third parties requires research: find out about them from other practices they've worked with; learn if your goals and culture is aligned with theirs; and discuss how the relationship will work with them. Finally, start working with them in a strategic way that truly tests the service before rolling it out.

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