

OUTSOURCING YOUR ACCOUNTS

KEY QUESTIONS
ANSWERED

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Chartered Accountants
Chartered Tax Advisers

Outsourcing the accounts function in UK companies is becoming an increasingly popular option for many. The benefits over retaining and building an in-house accounts team are plentiful, but is it right for you and your business?

This guide has been put together by the business accounting specialists at Haggards Crowther to help you understand if outsourcing is right for you and what the benefits may be.

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Is outsourcing for everyone?

It certainly can be, yes. The scale, timing and method of outsourcing is down to each individual business to determine its requirements and it's fair to say that companies that choose to outsource do not fit a specific mould. However, experience suggests that companies that have chosen to outsource their accounts to us are typically:

- Larger companies with a turnover in excess of £1m
- Owner managed or have a small senior leadership team
- In need of good financial management and data to support their growth plans
- Keen to avoid the risk of single point of failure i.e. a one person accounts team

If you're reading this, you are probably in the research phase and are likely to be weighing up the options of building an internal team or working with an external firm like ours. This would further suggest that your business currently falls in to one of three categories:

1. You are needing to downsize or want to reduce your cost base
2. You are experiencing rapid growth and need to upscale resource/skillset whilst avoiding increased headcount
3. You've currently got/previously tried to build an internal team and it's not working for you

As noted, there is no one size fits all approach or a particular size or sector of business which is best suited to an outsourcing arrangement. However, if your situation links to one of those above, then it is more than likely that outsourcing will work for you and deliver rapid benefits.

Is it easy to outsource my accounts?

This is a big question and the simple answer is yes – but with a caveat that it relies on finding the right accounting partner first. It is relatively easy to find someone to do your accounts for you but finding a company that will work in your best interests is harder. Choosing who to work with is a significant decision and not one taken lightly or quickly.

Firms like ours act on behalf of a growing number of businesses looking for scalable access to a broad skillset of qualified accounting specialists. We have worked with all our outsourcing clients for many years in one guise or another, or they have been referred to us by other satisfied clients where that trust and capability is established.

So, if you are thinking about outsourcing, the first step is to find a firm that offers one of the following traits:

- Has a proven track record in handling the entire accounts function for other, similar sized companies
- Comes highly recommended – via someone you trust that has direct experience of their service
- Is local to you – overseas outsourcing is definitely cost effective, but where's the data, who's processing your figures, are they regulated and what recourse do you have?

It's worth bearing in mind that good providers will build a bespoke, flexible solution for you, and it is relatively easy to layer in additional services as the relationship develops.

Outsourcing benefits - Reduce headcount and payroll costs

As the table below demonstrates, building an internal team can come with a cost of more than £250k per annum. When you consider that we can provide the same or even an enhanced range of services for between one-third and half of the typical costs, you can see why outsourcing makes good financial sense.

In one recent example, a client was able to more than halve their costs when their Finance Director left and they chose to outsource to us. Having a sole finance director, on a salary in excess of £150,000 delivering the entire accounting function, was not financially viable. By outsourcing the accounts function to us, we have been able to expand the remit, provide the appropriately skilled staff for each aspect of the role and reduce their costs to just £6,000 per month. They also now have the added benefit of a scalable team at their disposal.

Job Title	Salary	Total Cost
Financial Controller	£70,100	£84,120
Accounts Receivable	£25,641	£30,769
Accounts Payable	£26,627	£31,952
Payroll	£44,061	£52,873
Credit Controller	£25,679	£30,814
Accounts Administrator	£19,147	£22,976
Total	£211,255	£253,506

*This example shows a typical in-house accounts team. Salaries taken from Glassdoor, Nov 2020, and are average level for the role. The total cost includes Employers National Insurance, current minimum pension contributions, employee's gross pay and expenses.

Aside from reducing headcount and overhead costs, outsourcing also offers many of the less tangible benefits such as no holidays, no sick days and crucially, no training and personal development costs.

Outsourcing benefits - Access to a broader range of skills

As shown in the table on the previous page, a typical internal accounts team of around six employees provides a one-for-one resource for each function of the process. By outsourcing, one phone call or email gives you access to everyone from a bookkeeper to a fully qualified management accountant or virtual FD, and in a good-sized firm like ours, you will have access to more than one of each of these too. As the earlier example showed, in smaller internal teams it is not unusual to end up with one FD or FC delivering a range of tasks which makes the administrative aspects very expensive, if you are paying £70k+ for someone to be handling bookkeeping or credit control.

Unlike an in-house team, accountancy firms are also scalable, at speed. You want to add on payroll – easy. You have peak seasonality, no problems. You merge or enjoy rapid growth, the team is on hand to pick up the extra work, without the cost or delay of further recruitment. And of course, those working within a professional services firm will be fully qualified, subject to regular CPD and have experience gained from working with multiple businesses and alongside other professionals.

To outsource or not to outsource?

You can see that outsourcing can be hugely valuable in terms of giving you access to a broader range of skills at a considerably lower cost to your firm. But as you will also have read, it is not something to be undertaken lightly or on a whim. We would strongly recommend seeking references from any potential firm you are thinking of working with.

We have a number of clients willing to attest to their experience of outsourcing and share with you their thoughts on how best to undertake the switch from in-house to external. If you'd like to speak to one of them or a member of our team, please contact us on 0207 384 0920