

Advisory for accountants

A Senta guide

by Della Hudson.

“Compliance is dead” we’re told as we sit looking at a screen full of tax returns still to be completed. “Accountants need to offer advisory services instead” we’re encouraged. But what is advisory and how do you go about it?

In this Senta guide, Della Hudson examines the ways your practice can begin offering advisory services. Plus Della offers advice on how to frame solutions for your businesses, based on their financial performance.

A bit about Senta

Senta is a sublime, cloud-based practice management tool for accountants and bookkeepers. We promise easy-to-configure CRM, powerful workflow, integrations with your favourite apps, and a user-friendly client portal. All for just £29/user/month. And you can sign up for a 30 day free trial via www.senta.co/signup

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1.

What is advisory?

Compliance work is about measuring historic numbers and putting them into a statutory format, primarily for the benefit of HMRC. Advisory is about changing those numbers in the future and presenting them in a way that is useful to those managing the business.

In practice, business goals usually fall into three categories:

- Making more profits
- Having a better work-life balance
- Growing a business to sell

Advisory is the practice of accountants using finance and business skills to help businesses and individuals operate more efficiently, improve available cash, minimise unnecessary costs and set the right prices.

If clients have more ambitious plans they may need external finance. We can introduce them to our network of financiers as well as helping produce the plans to help them acquire that finance.

Compliance or advisory?

Some accountants will only be interested in compliance work and others are focused primarily on advisory work. But there's a whole spectrum in between and you - the practice owner - can choose where you want your firm to sit on that spectrum.

Most accountants already offer some sort of advice even though they don't necessarily charge extra for it.

Using software to automatically forecast cashflow based on historic numbers is another area that falls between compliance and advisory. Do we just report the forecast based on doing the same things as before, or do we suggest how to improve debtor days with a tighter credit control procedure and some templated or scripted reminders?

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2.

What do you need to do before offering advisory services?

Before starting with advisory services you need a good, solid bookkeeping foundation that is kept up to date and is reliable for making decisions. Modern cloud software means that this can be maintained by the client, the accountant, or an independent bookkeeper. The work can be split in any way that suits all parties.

Keeping bookkeeping up to date is easier with a proper workflow programme of scheduled reminders and sequential actions so that nothing is missed. A decent practice management system can automate a lot of this.

It's your role to help your clients understand what they can manage in house, and where it helps to have external support. You should ensure that you have the knowledge and experience to offer advice and at what level. This can come from business studies qualifications and reading as well as from practical knowledge of your own and clients' businesses. You may need a network of experts to refer to for more in-depth advice. Ethically we should only offer services that we are suitably qualified to perform.

Start with your own business, gradually improving each area with the advice and techniques that you will share with your clients.

“Automating your admin and compliance work will free up time that can be invested in your advisory work.”



For the purposes of this guide, we're assuming that your clients are paying fixed fees for a certain level of output rather than an hourly rate for your input. If you're not already charging fixed fees for compliance, then you may need to look at this first.

3.

Reactive business advice

Every so often a client will approach us with dramatic plans for business growth that require finance. In this scenario, you could provide them with a three-way business plan with a forecast for profit and loss, balance sheet, and cash flow. This will show how much they need to borrow, over what timescale and it will show the bank or financiers how and when they can expect to be repaid.

With modern software, we can easily tweak that forecast to show best and worst case scenarios as well as experimenting with "what if we do X".

Clients may usually come to us for help with the numbers, but won't necessarily ask for help with the action plan. But there are a couple of things you could suggest they consider. For example, if they acquire a new division they need would benefit from:

- HR advice on how they can best integrate the new team members.
- Property advice on what to do with two lots of premises.
- Advice on migrating to a single software solution for running the accounts and the business.

You may need to provide this advice yourself, but you may need to call on your network of experts as referrals, associates, or consultants. Being able to make appropriate introductions to experts, will elevate your status as a trusted advisor.

Businesses often refer to their accountants when they have a problem. But this is often too late in the process. You should be on the lookout for small issues before they become major problems.



4.

Using Senta to start the advisory conversation

How can we help clients to make the incremental improvements that will help them to achieve their dream business?

You need some way of triaging your clients to see who you can help and how. This is where Senta's advisory feature comes in!

Simply connect Senta* to your bookkeeping/sales ledger software and it will pull through key figures from your clients' accounts.

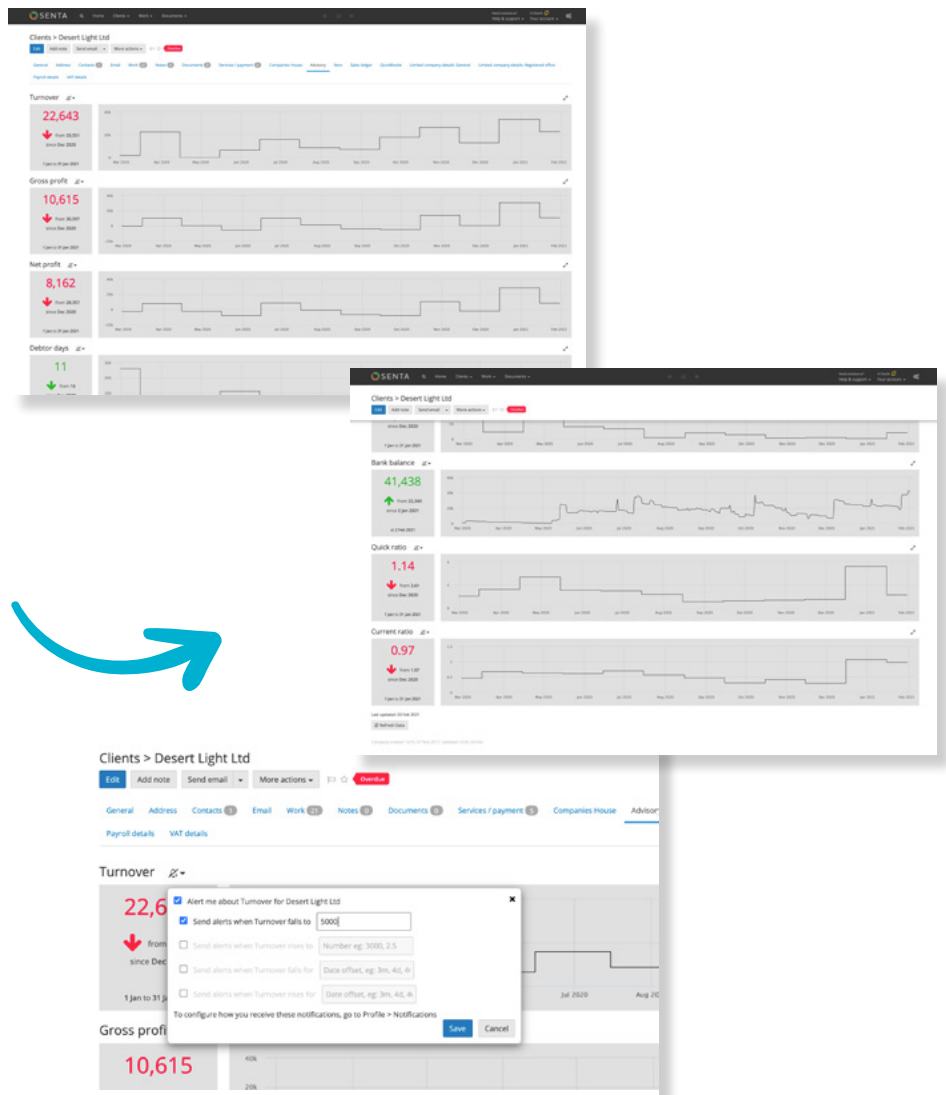
There is also an advisory report that is updated overnight showing six important KPIs:

- Gross profit
- Net profit
- Debtor days (this year vs last year)
- Creditor days
- Bank balance live
- Quick ratio and current ratio

These KPIs can show at a glance where there may be opportunities for clients to increase profitability, cash flow and liquidity. These are the clients where you can make a difference so they should be first on your list.

Notifications

You can set notifications to be alerted when one of these indicators passes a predefined maximum or minimum, or if there is a sustained period where one of these indicators rises or falls.



*Senta Advisory works by linking to Senta's existing Xero and Quickbooks Online integrations, so you need to have at least one of these client level integrations switched on in order for Senta advisory to work.

5.

What to say and how to say it

Your 'typical' advisor conversation might run along the lines of:

Notification was triggered

"We've noticed that your debtor days [KPI] have been increasing for the last X days and this is causing your bank balance [KPI] to fall below a comfortable level of £Y"

Identified a short term solution for this month

"Would you like us to prepare a cash flow to check that you have enough cash to pay your salary bill or whether you need to arrange an overdraft?"

Many accountants claim to be proactive but identifying a problem early on AND offering a solution is true proactivity.

Senta can literally identify advisory opportunities while you sleep. Even those who don't need advisory services now will be flagged as notifications go off at some future date.



Proactively identified a potential problem

"We know that your salaries are due at the end of the month and cash will be tight."

Identified a longer-term solution to prevent it recurring

"We can then look at your credit control function and identify ways of improving your debtor days."

6.

Advanced advisory: Changing the numbers

Advisory is not just about identifying the numbers that indicate a problem but about changing those numbers.

First, understand the numbers. The debtor days may have gone up as a result of a single big job with longer payment terms planned into the contract. Just asking the client for more information will make you look proactive.

Asking the right questions and listening to the answers is the most important part of advisory work.

If there is something wrong with the numbers, then we need to offer solutions for how to improve the situation. This information can be gleaned from any number of textbooks as well as your personal knowledge of numerous businesses.

Here are some quick solutions.

Indicators	Possible solutions
Gross profit	Increase prices. Identify profitable/unprofitable clients. Identify profitable/unprofitable products or services. Renegotiate purchase prices. Bulk purchase stock for discounts.
Net profit	Review overhead expenditure. Systemise for efficiency. HR appraisals to encourage good staff and identify training needs for underperforming staff.
Debtor days	Review terms and conditions. Credit check customers before selling. Put in a credit control system of emails /letters and phone calls. Identify any quality issues delaying payment.
Creditor days	Renegotiate payment terms. Consider alternative suppliers.
Bank balance	Regular cashflows to identify future shortfalls. Help to obtain finance. Improve debtor/creditor days as above.
Quick and current ratios	Improve debtor/creditor days as above. Assess optimum stock levels so that cash is not tied up unnecessarily. Assess level of directors' own debt and whether this can be reclassified as long term debt. Take on longer terms finance to replace expensive short term overdrafts.

7.

Selling advisory

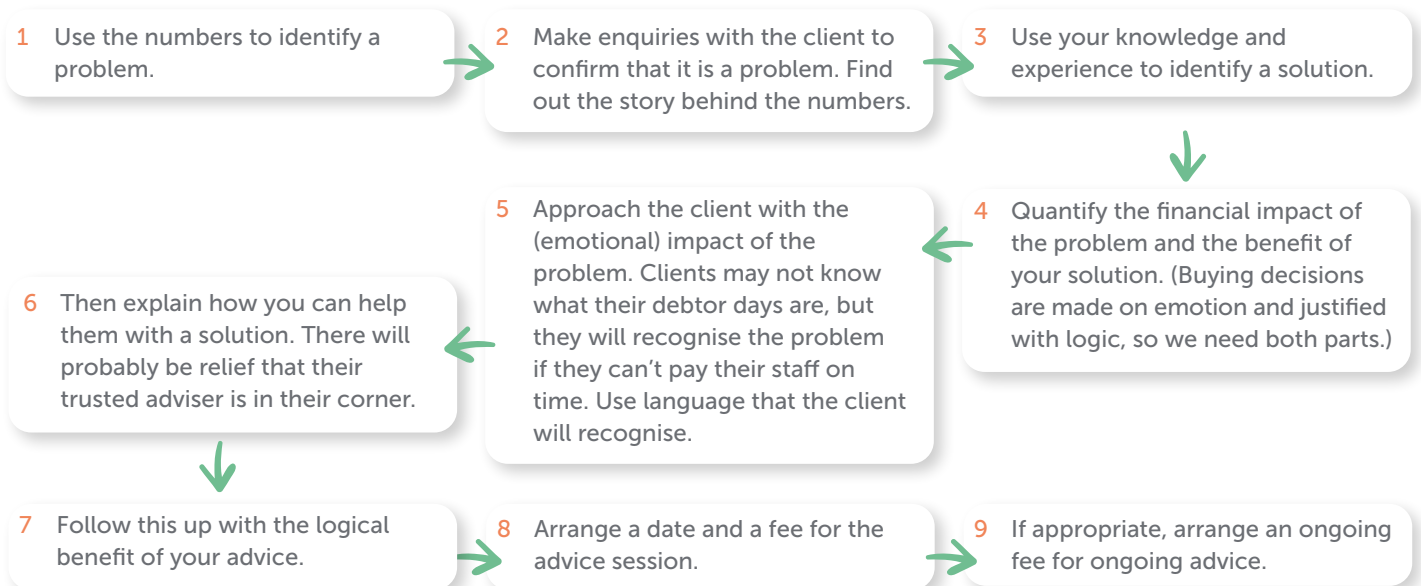
It's no good starting to offer an advisory service without marketing it. Just because you build it, doesn't mean that they will come. Don't worry, you don't have to become a salesperson overnight!

Accountants can use advisory to identify problems and offer solutions. If we truly believe that our service can help our clients then we are credible experts.

There is a misconception that you need to be pushy to be a good salesperson but it is really just a question of pointing out the advantages of your services and ensuring that they are a good fit for the client.



Here's some advice on selling your advisory services:



8.

Chargeable and non-chargeable advice

Not all of your advice will be chargeable, it may be a quick suggestion that earns us goodwill. But, you have still provided value and proved that you're an important member of their business team. This should ultimately be reflected in client loyalty and higher fees.

“There are many ways to offer and charge for advisory services but it all starts with identifying the opportunities in the story that the numbers are telling us. We can then tell that story to our clients with a happier ending.”

Keep a note of these small wins for when you are negotiating fee increases. They will give you confidence that you are worth the new fee and can also be provided as evidence to the client.

It's important that you have a process for identifying the value of your advice in order to decide whether it should be charged separately or incorporated into a higher fee.

Want to know more about how Senta can help you offer advisory services to your clients? Take a look at our website [senta.co](https://www.senta.co)

30 day free trial

30 days is all it takes to love us. You can sign up for a 30 day free trial today. No credit cards or commitment required. And we'll give you all the help you need to get up and running, quickly.

