

accounting**WEB**

Alternative guide to solving your skills crunch

Practical strategies and real-life examples for recruitment, retention and using outsourcing and automation as alternative solutions.

In association with:



Editor's foreword

In my 20 plus years as a business journalist, the topic of skills shortages has been a constant theme across almost all sectors.

However, the issues seems to have accelerated dramatically for the accountancy profession in particular in recent years. Thi has been driven by a number of converging factors, including the post Covid great resignation, increasing numbers of people setting up their own practices earlier in their careers, and fewer young people choosing to train as accountants.

In this special report we take an in-depth look at practical ways accountants can solve the challenge though better recruitment strategies and practices and improving retention, as well exploring how alternatives such as outsourcing and automation can alleviate the burden on internal resources and allow accountants to focus on higher-value tasks and how leveraging automation can streamline repetitive processes, enhancing efficiency and accuracy.

Of course, it is important to strike a balance, recognising the value of human judgment and expertise that machines cannot fully replicate. And this report demonstrates that the answer to the skills crunch lies in utilising a mixture of all four solutions.

Each deep-dive chapters includes real-life examples, practical steps and strategies from experts.

Thank you to the contributors who have shared their insights and expertise for this report, including Blair Palmer, Lucy Cohen, Della Hudson, Rachel Harris, Bev Flannagan and Alistair Barlow, as well as featured such as Bishop Fleming, FD Works, PJCO Accountants, Raedan, Albert Goodman and the many other voices. It is through their collective wisdom that we can chart a path forward on this important issue.



Joanne Birtwistle
Editor in Chief, AccountingWEB

Sponsor's foreword

It is widely recognised within our industry that there exists a significant shortage of skilled professionals, and this talent gap poses a challenge to our ability to maintain optimal performance.

Recent [studies](#) found **49%** of accountancy firms are struggling to meet growth targets, and the [ICAEW](#) cited a **36%** drop in the number of applicants year-on-year.

In my experience as a practising accountant and outsourcing customer, I can testify that outsourcing increases the speed you grow and improves your day-to-day productivity.

Many of our customers happily utilise outsourcing alongside their normal practice operations. They delegate the repetitive (and sometimes tedious!) tasks to our team so their staff can focus on higher-value work.

Outsourcing is particularly advantageous for handling everyday tasks in most practices. Tasks that are repetitive, repeatable, or easily documentable are ideal candidates for outsourcing, as they form the core operations that can be effectively delegated to external resources.

Outsourcing represents a shift from the traditional model, paving the way for professional accountants to transform into valued business advisors in the future. By delegating routine tasks to external resources, accountants can focus their expertise and efforts on providing strategic guidance and advisory services, adding significant value to businesses.

As the [Official Supporter of Accountants](#), IRIS is always working to make things quicker and easier so you can spend more time on higher-value work.



Eva Mrazikova
Senior Manager, Product Marketing
& independent practice owner

The number of new small accountancy firms and bookkeepers in the UK has boomed since 2018 despite there being fewer qualified accountants joining the industry than since 2016.

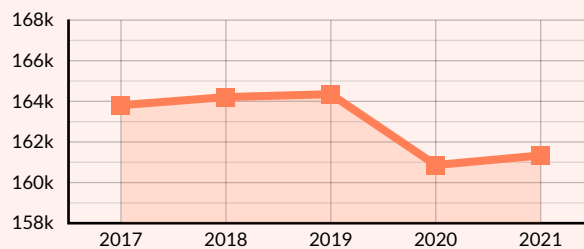
940,000

Accountancy firms in the UK

With growth largely driven by the rise of owner-managed firms and bookkeepers.

Source: IRIS

Change in accountancy students per year

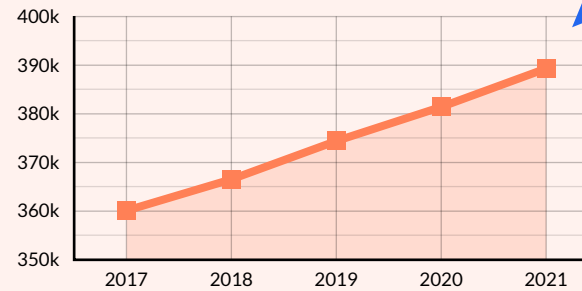


Source: FRC Key Facts and Trends 2022 Report

The percentage growth of students in the UK and ROI declined by 2.1% in 2019-20 and 2.2% overall from 2016 to 2020.

Source: FRC Key Facts and Trends 2022 Report

Change in accountancy body members per year



Source: FRC Key Facts and Trends 2022 Report

The percentage growth of qualified members in the UK and ROI increased by only 1.9% in 2019-20.

Source: FRC Key Facts and Trends 2022 Report

40%

Increase in small practices and bookkeepers

The number of student and qualified members joining established industry bodies like ACCA, ICAEW and ICB is in decline

Source: IRIS



Increasing from around 55,000 to nearly 77,000 since 2018

Source: IRIS



The most important employee benefits to finance and HR professionals



Source: Wade Macdonald Salary Guide 2023 surveyed 1,100 finance and HR professionals.

Chapter 04:

Outsourcing for increased capacity

Outsourcing is no longer a dirty word. It is seeing huge growth across all sectors because it can help solve staff shortages, give flexibility for peak periods and allows for growth.



John Stokdyk
Editor at Large, AccountingWEB



One of the great lessons learned during the Covid pandemic was that accountants and many other knowledge workers could work remotely. To go a step further, once staff are working away from the office, is there any difference whether they are three miles or 3,000 miles away?

According to AdvanceTrack founder and veteran outsourcing provider Vipul Sheth, the guiding principles are the same. The technology that made it possible for practices to survive during Covid lockdowns is now feeding a boom in outsourced accounting and offshoring that is helping firms grow and thrive during a time of acute skills shortages.

“Mid-tier firms have been shrinking during this period and a lot of skilled people have walked out and set up on their own. They’re increasing the talent crisis for mid-size firms.”



Steve Cox
Head of Insight, IRIS

Accounting workloads have increased post-Covid. Many firms are reaping record revenues, but are struggling to keep up with demand. “Accountants are almost

scared to go and see clients because they know they’ll come away with work they can’t service because they don’t have internal staff to cope,” said Sheth.

A large number of experienced accountants have left the profession since 2021/22, adding to a skills vacuum that was already growing before the pandemic struck. Regional and local firms are losing talent to larger firms that can lure people away with the promise of higher salaries.

IRIS, too, has seen outsourcing increase over the past year or so. “Not just short-term contracts to get them over tax returns, but taking on longer contracts, because it’s going to be much longer term,” said IRIS head of insight Steve Cox, who has been studying the profession’s demographic trends.

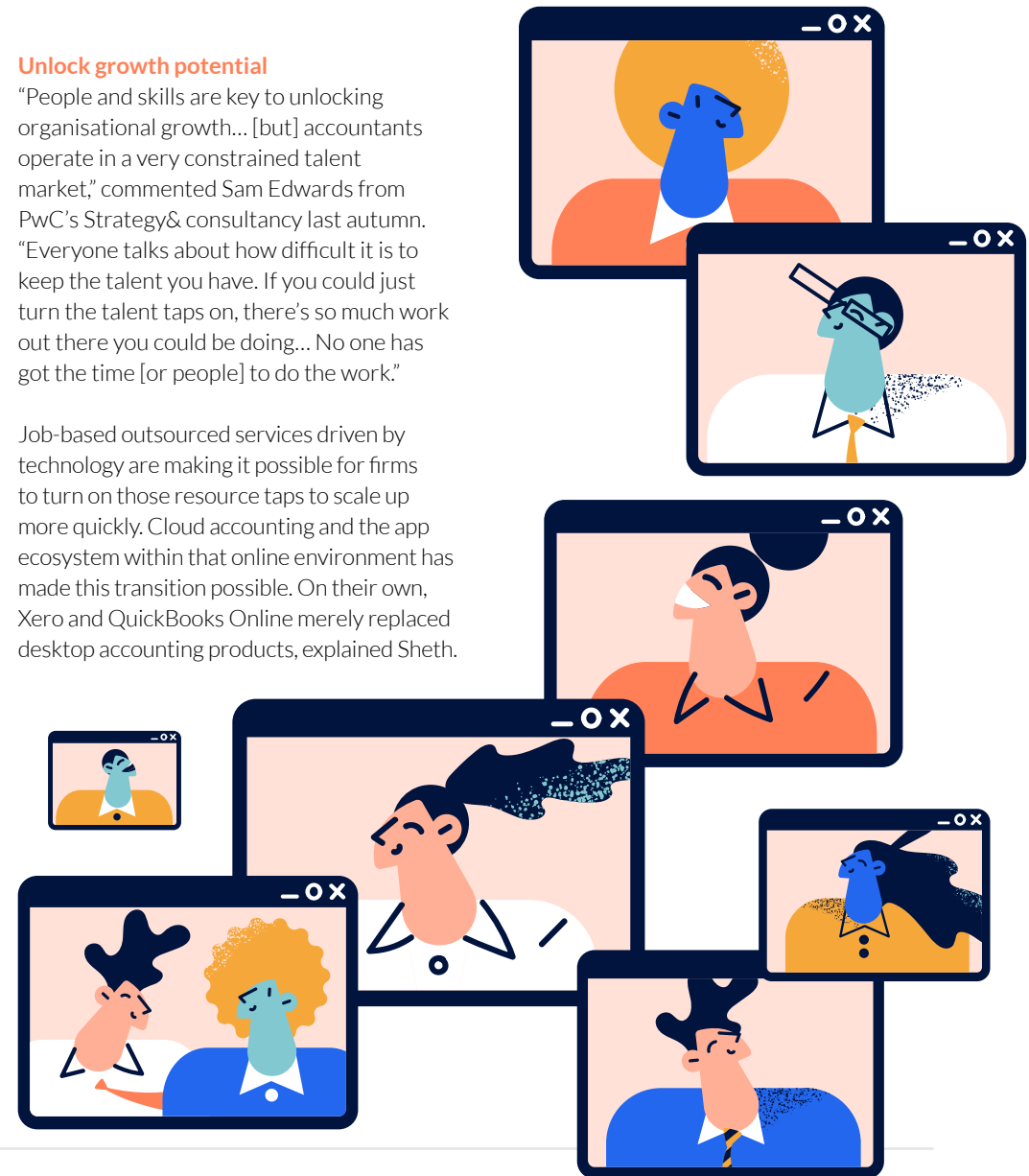
“Mid-tier firms have been shrinking during this period and a lot of skilled people have walked out and set up on their own. They’re increasing the talent crisis for mid-size firms because they’re competing for the same people too.”

These factors are all feeding into the talent crisis that firms are experiencing. The outsourcing option that used to be denigrated among accountants has taken on new life as a positive route that can help firms achieve the growth they want.

Unlock growth potential

“People and skills are key to unlocking organisational growth... [but] accountants operate in a very constrained talent market,” commented Sam Edwards from PwC’s Strategy& consultancy last autumn. “Everyone talks about how difficult it is to keep the talent you have. If you could just turn the talent taps on, there’s so much work out there you could be doing... No one has got the time [or people] to do the work.”

Job-based outsourced services driven by technology are making it possible for firms to turn on those resource taps to scale up more quickly. Cloud accounting and the app ecosystem within that online environment has made this transition possible. On their own, Xero and QuickBooks Online merely replaced desktop accounting products, explained Sheth.





“What you’ve now got is invoice capture, invoice chasing and a multitude of different products that make the outputs from cloud accounting much more meaningful. By capturing transaction data at source you’re able to process it more accurately and on a real-time basis. That plays really well to outsourcing,” he said.

Better use of staff

With recruitment clearly topping the list of practitioner headaches, outsourcing offers a way to increase their capacity. Firms that need help now can get access to the people who can help them cope with growth and rising demand, without going through the heartache and frustrations of the recruitment process.

Outsourcing, or offshoring, where an intermediary effectively takes on accounting

staff for its customers, allows firms to defer employment decisions until they have a clearer idea of their long-term workload requirements. And in most instances, the outsourcing partner can usually flex their service to adjust to the client’s evolving resource requirements.

From the practice’s point of view, tapping into external talent lets them make better use of their existing team members. While the external accountants concentrate on the more predictable back-office accounts prep and compliance work, your local team members should have more time to spend on higher-value work with clients and developing new business.

In a recent TaxCalc webinar on outsourcing, Eriona Bajrakurtaj from Major’s Accounts

explained how she had turned to outsourcing after the pandemic with this advisory model in mind. While some of her team did initially feel threatened and resist the change, those who made the transition to the new-style roles enjoyed being able to spend more time interpreting the numbers and working directly with clients. “They’re loving it,” she said.

Marketing consultant Kaz Driver (a veteran of the industry with QX Global) explained that outsourcing didn’t have to be viewed as an emergency safety button that could be activated if practitioners were struggling to cope. It actually gives accountants a chance to overhaul how they operate. For example, she said: “A lot of practices don’t do bookkeeping – but you can offer that service and outsource it.”

Take a long-term, holistic view

Many of the lessons learned from outsourcing have grown out of the experiences of larger practices that pioneered accounting outsourcing and offshoring over the past two decades.

“They tend to be more rigorous about standardised processes, so outsourcing works really well for them and we are able to scale with them,” explained Sheth.

The latest wave of growth is coming

from smaller firms who are beginning to appreciate how outsourcing can help them expand in the face of recruitment blocks. Making that step requires them to get their own processes in order, but to really get value out of outsourcing, he advises taking a more rounded approach.

“All any business can do is look at a 2–3 year horizon and set reasonable expectations that they might get close to,” he said. “So use the opportunity to think holistically about all the issues – where you are as a firm now and where you want to be.”

“If you could just turn the talent taps on, there’s so much work out there you could be doing... No one has got the time.”



Sam Edwards
Senior Manager, Strategy&

If outsourcing is the answer, what are the questions?

Are you successfully retaining staff? Struggling to recruit? Looking to reduce overheads? Trying to grow your practice?

Written by:
IRIS

Our industry is grappling with a shortage of skilled professionals, making it increasingly difficult for firms to meet client demands.

It's proven outsourcing enables firms to streamline their operations, increase productivity and provide better value-added services to clients.

By entrusting routine and time-consuming tasks – such as bookkeeping, payroll processing and tax preparation – to outsourcing solutions, firms can free up their in-house resources to focus on strategic initiatives.

The extra resources you need - when you need them

Outsourcing is a flexible and cost-effective way of completing routine accounts and payroll work without the costly overheads associated with hiring additional staff.

You gain access to an extended team of experts, offering benefits such as:

- **Save Time**
Spend less time and money on admin, hiring and training, and more time focussing on the areas of your business that drive improvement and profit.
- **Improve Productivity**
Peace of mind knowing your accounting and financial responsibilities are all taken care of, freeing up your staff to concentrate on advisory and client care.
- **Scale Up**
You're able to take on additional work, offer new services and reduce the turnaround time of jobs.
- **Access to Experts**
A large team of qualified specialists will always ensure your tasks are completed on time, accurately and compliantly.
- **Attract and Retain Talent**
By giving routine admin tasks to your outsourcing team, you're in a better position to retain talent as they focus on more meaningful work.

Introducing outsourcing with IRIS

Our dedicated outsourcing operation, IRIS Outsourcing, has been operating

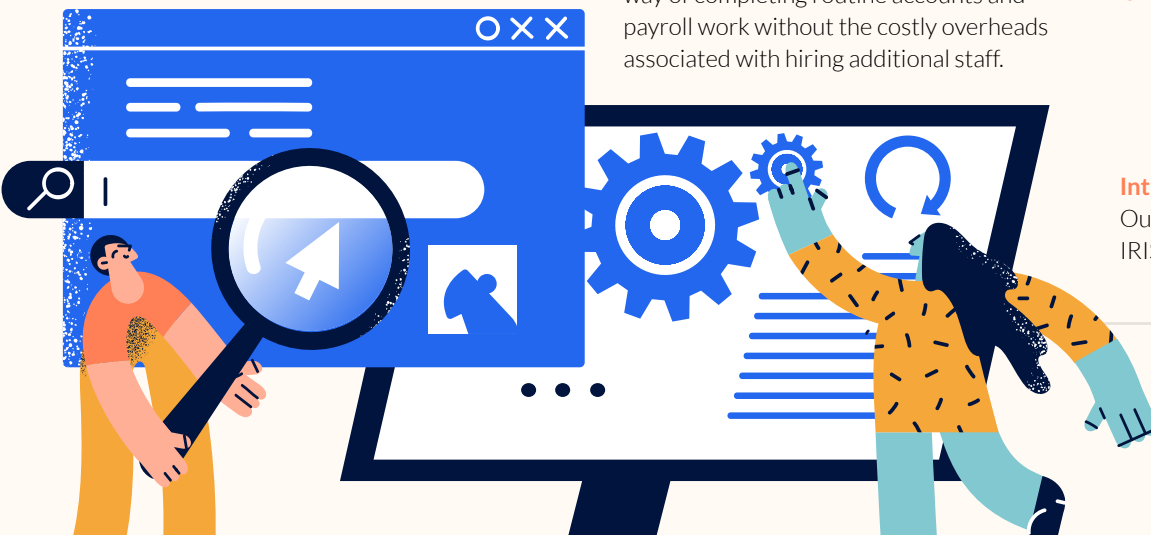
for over 20 years.

We offer a pool of highly qualified and experienced accounting experts; our team possess a diverse skill set and in-depth industry knowledge, enabling them to handle even the most complex accounting tasks with precision and speed.

By tapping into IRIS Outsourcing's talent pool, firms can bridge the expertise gap and ensure the delivery of top-quality services.

Why UK accountants choose IRIS Outsourcing:

- All our accounting professionals are qualified and have at least 5 years' accounting experience
- Clients have a dedicated CRO (client relationship officer) working with them
- We can provide accounting software for you, or work with any accounting software you have, including non-IRIS products (e.g. Sage, FreeAgent, CCH, TaxCalc, Xero, etc.)
- Customers have 24-hour access via IRIS Outsourcing's secure UK web portal, enabling them to check on the status of each individual job at any time, so they always know where they are and can inform clients of progress at any time.



Guaranteed security at every stage

Concerns about data security and confidentiality are paramount in the accounting industry.

IRIS Outsourcing recognises the importance of safeguarding client information and has implemented stringent security measures.

With state-of-the-art data encryption protocols, secure file transfer mechanisms and strict access controls, IRIS Outsourcing ensures the protection of sensitive financial data.

Compliance with industry regulations and adherence to strict confidentiality agreements further reinforces our commitment to data security.

IRIS Outsourcing is also ISO9001 and 27001 certified, and we work to very stringent quality, IT and security processes, ensuring your confidential data is protected and kept secure.

A simple 4-step process to get up and running with IRIS Outsourcing

For those who want to give outsourcing a try, it's a painless introduction – just 4 steps to trial outsourcing:

1. Introduction

A video or phone call to get started, discussing how our team can help.

2. Access the secure portal

Upload your data in any format (Word, Excel, PDF, image file, etc.) and monitor live progress 24/7.

3. Quality control

Review the job in your software, give feedback and approve the final job.

4. Submission

The completed job is handed back to you for submission.

Today, IRIS Outsourcing is one of our fastest-growing services, with more and more UK accountants recognising its value.

Of the accountants who choose IRIS Outsourcing, more than 93% say they will renew their contract.

A new way of working

For many top UK firms, outsourcing is already the norm – more and more firms are switching to a similar model.

If you're interested in trialling outsourcing, make sure you choose a reliable supplier. For more details visit: www.iris.co.uk/outourcing

Get an extra pair of hands at your practice

IRIS is partnering with an increasing number of firms to start their outsourcing journey



We start by reviewing your current processes and services to understand the tasks that are:

1. Repetitive (or time consuming)
2. Repeatable
3. And can be documented

It's these tasks that are perfect for outsourcing

To find out how outsourcing with IRIS could benefit your practice, visit www.iris.co.uk/iris-outsourcing

Deliver a consistent experience

Historically, outsourcing was haunted by the stigma of failed engagements, loss of control over client data and poor communication that soured relationships with clients.

But things don't have to be that way and those horror stories are less prevalent in the new era of outsourcing. Here are some suggestions from outsourcing accountants and providers to help firms maintain the quality, timeliness and management oversight of accounting work delivered by external specialists.

Online working has blurred the differences between in-house and outsourced labour to the extent that management and quality issues are much the same, according to our outsourcing experts. A firm that lacks standardised, documented processes and has poor visibility on execution and quality control will struggle to be productive and profitable in either environment.

Do your due diligence and don't choose a supplier based on price alone. Selecting an outsourcing provider is like choosing a new employee, but on a much higher order of magnitude.

Outsourcing is a long-term relationship, so get to know who's doing the work and bring them fully into your processes and culture to ensure they understand your expectations, standards and preferred ways of working.

Make sure your existing team is informed and involved in the relationship to minimise friction.

Check the provider's HR policies, staff retention and career development prospects. Sometimes you can be pleasantly surprised by the quality and expertise of professionals working offshore.

As well as establishing good working relationships with your provider, pay close attention to the commitments you both set out in the service level agreement (SLA) to ensure the work is done accurately and on time.

The prevailing advice on maintaining quality is to view the outsourced service as though a semi-senior has done the work – so make sure to review it internally.



Ensure letters of engagement are updated to indicate that clients' data may be accessed by subcontractors working with you.

Professional qualifications and certification for software, information security and quality assurance won't guarantee the quality of the services provided, but are a good indication that the provider is committed to delivering a competent service and is willing to invest in gaining these credentials.

Larger firms that have relied on outsourcing more regularly tend to have standard processes in place. Rather than being driven by individual client demands, smaller firms considering outsourcing need to implement more systematic processes and train clients to comply with them.

Test system compatibility during negotiations with outsourcers to ensure they deliver a seamless service, preferably with electronic workflows and oversight tools in place.

Cloud-based systems should give you the same access and data security controls you use with in-house people. If the technology infrastructure requires you to make any significant changes, ensure that you do not have to compromise your data protection obligations, for example by allowing clients' personal data to be processed in a non-compliant GDPR location.



John Stokdyk
Editor at Large, AccountingWEB

“Online working has blurred the differences between in-house and outsourced labour.”



Factors driving the new wave of outsourcing growth

There are several reasons why outsourcing has flourished during the recent period of disruption and economic uncertainty, so let's dig a little deeper into what's driving this trend.

First, some definitions: at its core, outsourcing is basically turning to someone else to take on some of your business activities. Offshoring is when the provider is based in a different country.

In the classic model of outsourcing that developed 15–20 years ago, providers would offer a per-job arrangement, often perceived by clients and critics as faceless processing machines that exploited cheap, offshore workers.

Modern operators learned from early mistakes and adopted a more human approach, where dedicated personnel will typically work for a particular customer firm. The people doing the work really are part of the accountant's team. This arrangement has made it easier for outsourcing accountants to communicate their expectations, standards and preferred

ways of working with remote colleagues.

Standards and professionalism have improved within the industry, making outsourcing more acceptable to smaller UK practices – though there is a broad spectrum of suppliers available. Diligent checks are advised to ensure you are dealing with reputable providers.

“Modern operators learned from early mistakes and adopted a more human approach.”

As well as enabling firms to grow, outsourcing has helped practitioners optimise staff utilisation. With remote team members undertaking the background work the local team can deal with higher level tasks where they can deliver a lot more value than if they

were stuck in the office doing processing accounts and tax returns.

The primary driver for demand is to overcome the UK accountancy profession's chronic recruitment problems. But as a flexible resourcing option, outsourcing can work well as a longer-term solution. Accountants can start with quite a low level commitment, for example the equivalent of a part-time member of staff, and adjust their service levels with providers to anticipate workload surges or cope with shorter-term demands. During slower periods, the outsourcer can often deploy dedicated staff to other job-based services.



John Stokdyk
Editor at Large, AccountingWEB

Eriona Bajrakurtaj shares her experience of outsourcing

Initially I was reluctant to use outsourcing, but Covid changed that mindset.

We had to let our staff work from home. After we adapted to that I was more willing to try offshoring. You have to appreciate that it is a significant change, so you need to be open and involve your people in the conversation. Enlist their help to set things up with the outsourced team. If you're frank with people, they understand. This is how people want to work.

Outsourcing has been great for us. Our Sri Lankan team has a lot of experience and hit the ground running. They deal with everything and clients know they're in Sri Lanka.



Eriona Bajrakurtaj
MD, Major's Accounts

FIRST STEPS

Creating more time

Outsourcing can be a great way to free up time for the high-value projects that truly matter to you and your firm. However, as Alex Falcon Huerta, CEO and founder of Soaring Falcon, notes from a cosy Balinese restaurant, it takes patience and understanding to make it work.



As a firm grows, it's not unusual for practitioners to find their workload increase to unsustainable levels, especially when they can't find a quality team to back them up.

For Alex Falcon Huerta of Soaring Falcon Accounting, the lack of talent in her local area near London quickly became an obstacle to success as her time was increasingly spent focusing on lower-value projects for her clients.

"I felt so drained and imbalanced with everything. I had a really good business, I had amazing clients, but I didn't have the team that I needed to be able to deliver.

So it placed an immense amount of pressure on me," Falcon Huerta said.

It was at this point that Falcon Huerta made the decision to look further afield, hoping to tap into the deep well of talent that outsourcing offered. After multiple attempts at working with various outsourcing companies, Falcon Huerta found the perfect team for her niche in Sri Lanka, with whom she has built a lasting and successful relationship.

"By looking abroad, I was able to have three accountants as opposed to one, which meant that the workflow was then split," said Falcon

Huerta of the decision. "Because of the value of my clients, it made sense for me to have three or four people on a client rather than just one, meaning I could focus on other high-value work projects."

Growing pains

However, while Falcon Huerta's international outlook has paid significant dividends to her firm, she has faced unique challenges in the process, especially when it came to differing cultures and work ideologies.

"Of course, I had my challenges. Understanding things like [the new team's] festive period and mindset around time off. There was also learning how they work and their expectations when it comes to delivery of work," Falcon Huerta said.

"Getting the team to work with the same urgency level as I do, especially when they need to get something done within two days and I'm expecting it within an hour was difficult at first."

However, Falcon Huerta was keen to emphasise the opportunity for cultural exchange that benefits everyone, saying that "educating and guiding" her Sri Lanka team in UK business was the key to success.

"You need to make sure your team has everything in place, and that when we

onboard new people they understand the UK culture. However, it's equally important for firms to understand the culture they're working with."

Reaping the rewards

While Falcon Huerta ran into a variety of obstacles when beginning her outsourcing business, the decision to take the leap has "transformed her business" and allowed her to create a role that fits perfectly with her lifestyle and aims.

"It has freed up a massive amount of my time. It gives me that flexibility to learn and understand what my clients do, to help them with their growth to embed myself in their business, so I'm then part of their business. I'm involved in so many things that I never imagined because I've now got free time to focus on high-value project work."

"By looking abroad, I was able to have three accountants as opposed to one."

Struggling to recruit?

Our outsourcing team are fully qualified accountants with many years of experience.



We work alongside your firm by completing payroll, year-end, bookkeeping and tax work in your chosen software solutions (it doesn't need to be IRIS. You could be using Sage, FreeAgent, CCH, TaxCalc, Xero etc.).

IRIS Outsourcing is like an additional member of your team - as and when needed - throughout the year.

To find out how outsourcing with IRIS could benefit your practice, visit www.iris.co.uk/iris-outsourcing

 **IRIS**

| Outsourcing

accountingWEB

The largest independent online community for accounting professionals in the UK

Providing award-winning content and online engagement between its members in a true community environment

Accountants in practice represent just under half of our visitors and we reach 75% of firms outside of the top 20. Accountants in business represent the remainder of our audience, typically working in smaller to mid-tier businesses.

Join the community:

accountingweb.co.uk



Webinars & Podcasts

Live digital events and practical advice.



News

The latest news and updates from a roster of expert contributors



Community

The leading and largest accounting community in the UK