



**How businesses can
improve their operations
through outsourced
financial services**

Finances are the lifeblood of any business, but getting a firm grip on them can seem elusive.

Hiring all the expertise you need to manage all financial tasks and obligations in-house might seem almost impossible when considering bookkeeping, payroll, tax... the list goes on.

That's where outsourced financial services come in – they're a practical solution for businesses looking to simplify and better understand their finances.

This guide is all about how outsourcing your financial tasks can make a huge difference, helping you see your business's financial situation more clearly and make smarter decisions.

We'll explore how using outsourced financial services can take the stress out of managing complex aspects like tax compliance and financial reporting.

It's not just about offloading work – it's about gaining valuable insights and expertise to help your business grow.

The outsourcing market is growing

Almost half ([48%](#)) of all businesses in the UK outsource at least some work, which has increased from 41% three years ago. However, other surveys, like this one by [YouGov](#), place that figure even higher – at around 70%!

This trend is driven by numerous factors, including the surge in startups and the need for flexible, cost-effective solutions to business problems like accounting, IT support, marketing, and so on.

Why outsource? What the stats say

Businesses outsource for numerous reasons. It's a flexible and versatile yet powerful means of obtaining much-needed skills and expertise.

Here's what the stats say about why businesses choose to outsource:

- Studies show that businesses primarily turn to outsourcing for cost reduction, which is cited as the [primary motive by 59%](#) of companies. 57% say outsourcing helps them focus on core activities, too.
- Additionally, solving capacity issues is another reason for outsourcing, noted by 47% of businesses. This involves dealing with workload fluctuations and resource limitations.

- Improving service quality is also a key consideration, with 31% of businesses outsourcing for this reason and 28% doing so to meet specific business needs.
- In terms of industry-specific outsourcing, accounting is one of the most commonly outsourced business aspects, particularly among small businesses.
- Payroll is outsourced by 28% of businesses, according to [YouGov](#), with over 40% of decision-makers in those businesses saying it's cheaper than in-house hiring.

These trends highlight the many benefits of outsourcing for businesses of all sizes, especially in managing costs and focusing on core operations.

Financial services, including accounting payroll, often take the top spot among different reasons for outsourcing.

Let's explore why this is the case and the different types of financial services you can outsource to support and grow your business.

Top benefits of outsourcing financial services

Financial services naturally encompass many activities; thus, the benefits are wide-ranging.

Here are some of the leading benefits of financial services outsourcing:

Expert knowledge at your fingertips

Financial outsourcing puts you in direct contact with experts who live and breathe finance.

Imagine having a team that's always on top of the latest tax laws, accounting standards, and financial regulations.

This level of expertise is invaluable, particularly in navigating changes in tax and financial law, which happens regularly. Financial management is a constantly moving target that professionals can help you hit.

Cost efficiency without compromise

Outsourcing financial functions can be a smart financial decision in itself. It eliminates the need for an in-house finance team, which can be costly.

You save on expenses like salaries, training, and benefits and still gain access to top-tier financial services.

Cost-saving aspect is especially beneficial for small and medium-sized businesses (SMBs) that may not have the resources to staff a full finance department but still require the expertise.

Access to cutting-edge technology

Financial outsourcing firms often use the latest software and technologies in their operations.

Your business benefits from these advanced tools without the hefty investment of subscribing to and managing them yourself.

Enhanced focus on core business operations

With your business finances entrusted to experts, you can redirect your energy and resources to what you do best – growing your business.

Outsourcing frees you from the time-consuming tasks of managing finances, allowing you to focus on strategy, innovation, and other core aspects of your business that drive growth and profitability.

Scalability and flexibility

As your business grows, your financial needs will change. Outsourced financial services can scale with you, offering flexibility that matches your evolving requirements.

Whether you're expanding into new markets, adjusting to seasonal fluctuations, or navigating periods of rapid growth, an outsourced financial team can adapt quickly, providing tailored support that aligns with your business's current and future needs.

More than just cost savings

Outsourcing has evolved hugely in the last decade.

Initially, businesses like yours might have turned to outsourcing mainly as a cost-cutting measure, the primary goal to save on running an in-house accounting team expenses.

Today, outsourced financial services are more than a budgeting tactic for your business – they're a strategic asset. There's been a growing focus on sourcing top specialist talent, especially in niche areas within finance and tech.

We've also seen the rise of virtual directors or other executive-level employees. For example, businesses might choose to bring in a chief finance officer (CFO) to help them with major strategic decision-making, such as market expansion, mergers and acquisitions (M&As), or raising capital.

By entrusting financial tasks to external experts, you gain access to a wealth of knowledge that might be tricky to access in-house. This is especially beneficial if you're running a startup, SMB, or SME and might not have the resources to hire a full-time, specialised financial team.

Outsourcing executive functions can bring a fresh perspective to your financial operations, offering insights that may not be apparent otherwise.

Types of outsourced financial services

There are numerous forms of outsourceable financial services. In fact, you can outsource equivalents for any in-house financial position you can think of, from payroll management to bookkeeping and CFOs.

Here are some of the most common types of financial and account functions you might consider outsourcing.

Bookkeeping: the backbone of financial management

Proper bookkeeping is a legal requirement of all businesses. Outsourcing this function ensures adherence to these stringent standards, making it an invaluable asset for any business. Here's an expanded view of outsourced bookkeeping:

- **Adherence to financial regulations:** Professional bookkeepers understand the nature of compliance with the Companies Act 2006, which mandates accurate financial reporting for limited companies. Outsourced bookkeepers well-versed in HMRC requirements, ensuring that all transactions are recorded per current tax laws and regulations.
- **Strategic decision-making:** Outsourcing bookkeeping frees up valuable time, allowing business owners to focus on growth and operational strategies rather than being bogged down with financial compliance and record-keeping complexities.

Tax preparation and planning

No business wants to pay more tax than it needs to!

Yet, businesses overpay billions collectively in tax each year, and SMBs are [56% more likely](#) to do so than other businesses – and that's partly because they don't have the expertise to build tax-efficient accounting processes.

Outsourcing this function to tax professionals will help your business navigate current tax laws and strategically manage its tax liabilities.

Here's an in-depth look at how this plays out:

- **Up-to-date expertise on tax laws:** As if tax wasn't already complex enough, it's constantly changing. Tax professionals are continually updated with the latest tax regulations, helping your business comply with the latest regulations and take advantage of available tax breaks.
- **Strategic tax planning:** Outsourced tax advisors offer strategic tax planning advice. This includes maximising allowable deductions, utilising tax reliefs like Research and Development (R&D) relief, and capital allowances.
- **Customised tax solutions:** Businesses have unique tax considerations. Tax advisors provide customised tax solutions tailored to the specific needs of a business, considering factors like business size, sector, and long-term goals. This bespoke approach ensures that tax planning aligns with the overall business strategy.

Payroll management

Payroll management is one of the most frequently outsourced services. Why? Because it's both complex and exceptionally important both for compliance and paying your employees accurately and on time.

Outsourcing payroll management ensures accuracy and compliance and brings efficiency and peace of mind. Here's a detailed explanation of how outsourced payroll services can help:

- **Accurate calculations:** Outsourcing payroll involves precise calculation of wages, accounting for variable hours, overtime, bonuses, and deductions. This includes adherence to the PAYE (Pay As You Earn) system for tax withholdings, choosing the right tax codes, ensuring the right deductions are made, managing holiday pay, sick pay, pension auto-enrolment, maternity leave, and so on.
- **Efficient payroll processing:** Outsourcing payroll streamlines the process of issuing payments. It reduces the administrative burden on businesses, ensuring employees are paid accurately and on time. This efficiency is particularly beneficial for businesses navigating payroll regulations.
- **Confidentiality and data security:** Payroll data is sensitive. Outsourced payroll providers use secure systems to protect employee data, in line with the Data Protection Act and GDPR requirements. This ensures confidentiality and security of payroll information, which is vital for maintaining employee trust and legal compliance.

Financial analysis, reporting, and budgeting

Financial analysis, reporting, and budgeting are key elements in understanding and guiding a business's financial health and strategic direction.

Outsourcing these functions can help you steer your business in the right direction, particularly when you're strategising toward key business goals, such as releasing new products, expanding into new markets, etc.

Outsourced financial analysis and reporting offers:

- **In-depth financial analysis:** Outsourced financial professionals thoroughly analyse your business's financial data. This includes profitability analysis, cash flow analysis, and performance metrics against industry benchmarks. Such detailed analysis is crucial for understanding the financial implications of business operations and making informed decisions.
- **Comprehensive financial reporting:** Outsourced experts prepare detailed financial reports for submission to Companies House. Proper reports comply with the UK's Financial Reporting Standards (FRS) and provide insights into the business's health.

Audit support

Whether or not your business needs to consider audits depends on its legal structure and specific industry regulations.

Audits may involve someone external to your company performing a deep dive into your accounts.

However, there are also occasions when you may want to perform a voluntary audit to analyse your accounts and discover potential compliance issues or room for improvement.

Here's a more specific overview of how this can help:

- **Mandatory audits for larger companies:** Under the Companies Act 2006, private companies with a turnover of more than £10.2 million, a balance sheet total of more than £5.1m, or more than 50 employees are generally required to have an audit. Outsourced professionals assist these larger companies in preparing for and navigating through statutory audits, ensuring compliance with all relevant financial reporting standards.
- **Voluntary audits for small businesses:** While smaller businesses may not be legally required to conduct audits, they often opt for voluntary audits to gain investor confidence or prepare for future growth. Outsourced audit support can guide these businesses through the process, helping them understand the benefits and ensuring their financial records meet audit standards.

- **Specialised audits for specific sectors:** Certain industries, such as finance, insurance, and charities, have additional regulatory requirements necessitating specialised audits. Outsourced professionals with sector-specific expertise can provide valuable support in these cases, ensuring compliance with industry-specific regulations such as those enforced by the Financial Conduct Authority or the Charity Commission.
- **Audit support for companies undergoing changes:** Businesses undergoing significant changes like mergers, acquisitions, or restructuring may require audit support to ensure that their financial records accurately conform to the new structure of the business.

Financial consultation and executive experience

As noted, outsourcing now extends to high-level expertise at the executive or consultant level. Outsourced financial consultation involves strategic guidance on high-level financial decisions and planning.

Here's how outsourced financial consultants play a crucial role:

- **Strategies for raising funds:** They assist businesses in developing strategies to raise capital, whether through equity, debt, or alternative financing methods. This includes guidance on compliance with financial regulations for fundraising, such as those under the Financial Conduct Authority.
- **Guidance on market expansions and M&As:** Consultants provide insights and strategies for market expansion or mergers and acquisitions. This includes analysing potential markets, due diligence processes, and ensuring financial strategies align with the overall business goals during M&As.

- **Expertise in management accounting:** Outsourced consultants offer expertise in management accounting, which is crucial for internal decision-making. They help businesses develop and analyse key financial metrics, guiding them in making informed operational and strategic decisions.
- **Tailored financial strategies for growth and stability:** High-level financial consultants provide customised strategies to ensure business growth and stability. This involves a comprehensive understanding of the business's financial position, market dynamics, and long-term objectives, ensuring that financial plans are robust and agile.

Key takeaways for your business

The benefits of outsourcing spread far and wide – from gaining access to specialised expertise and insights and streamlining operations for efficiency to enhancing informed decision-making.

Each of these elements plays a crucial role in the health and growth of your business.

Key takeaways include:

- **Access to specialised expertise:** Outsourcing grants businesses the advantage of specialised knowledge and insights in financial management, essential for navigating intricate tax laws and regulatory compliance. This expertise is a game-changer for businesses, offering guidance and clarity in often complex and dynamic areas.

- **Operational efficiency and streamlined processes:** Delegating financial tasks to outsourced services enhances accuracy and compliance and significantly streamlines operations. This efficiency allows business owners to redirect their focus towards strategic growth and core business activities, a vital shift for scaling and development.
- **Informed decision-making:** With comprehensive data analysis and reporting from outsourced services, businesses are equipped to make well-informed decisions. This capability is critical for sustained success and can set a business apart in competitive markets.

Embracing outsourced services for success

Embracing outsourced financial services can help you win on several fronts. It's about harnessing the power of expertise and technology to gain a competitive edge, make smarter decisions, and position your business for sustainable growth.

Outsourced financial services go far beyond saving money – it's about unlocking new opportunities and avenues for growth.

Understanding these services equips businesses to respond effectively to evolving market demands and fosters a trajectory of growth and success.

[Total Accounting](#) offers a wide range of financial services, from payroll management to bookkeeping, management accounts, tax planning, and more.

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