

What is Outsourcing and how can it benefit my business?

Mark Kingston - If you are a business owner then you understand how much of a hassle it can be when all you want to do is focus on the thing you are really really good and yet at the same time you know you've got to process 200 receipts or a thousand lines of bank reconciliation or you know that that VAT return is just around the corner and you've got to figure out how much it is and get the thing paid. Or perhaps you just know that it's that time of the year where you know that what you should be doing is attending to how your business is doing and getting your head round the numbers, but is not really all that easy. Well if that resonates with you then I hope that something in the next ten minutes will give you some hope. The people who are going to bring that hope, and I am really glad you guys are both here are Becky and Jo from Critchleys, Welcome.

Jo Druce and Becky Dixon – Hello

Mark Kingston - Now you guys are both from what we call our Outsourcing team, before we dig into anything more. Who or what is Outsourcing in Critchleys world.

Jo Druce – Outsourcing is where a member of our team becomes a part of yours, we come in and do the book keeping, and help with the day-to-day transactions in the business, usually processing purchase and sales invoices and bank reconciliations all the way through to management accounts and VAT returns.

Mark Kingston – So it's possible to have one of you guys from this team become somebody on one of our listener's team. That's what you guys do day to day week to week?

Becky Dixon – Definitely, I mean I go out to see people on a weekly basis on a monthly basis.

Mark Kingston - And you guys are specialist at doing what?

Jo Druce – I think we...

Mark Kingston –No false humility here Jo, come on.

Jo Druce - I think we have obviously been, I know Becky and myself have been doing accounts for about five years so that's a lot of knowledge we've built up, I know it's nowhere near as long as other people in outsourcing but we know...

Mark Kingston - You know how it works you understand book keeping you understand bank reconciliations, I mean what sort of tasks do you do in your clients offices.

Becky Dixon – So we process anything from sales invoices, purchase invoices, expense claims we can raise the invoices or just generally account for them so they are coded to the right place to show on your profit and loss or bank balance sheet. We can do bank reconciliations to make sure everything's in the right place.

Mark Kingston – Can I just say bank rec is one of my headaches, I run my own little business and I basically avoided it means it's not a massive throughput in the business, it's just me but it does mean that over the period of having ignored it for 6 or 7 weeks that there was I don't know 100's of items and it's just me and my computer.

Becky Dixon - Well not keeping up to date with it can make it harder to remember so having us do it regularly, we can help.

Mark Kingston – So it's a whole lot of pain removed.

Jo Druce – Ah see I quite enjoy doing a bank reconciliations now.

Mark Kingston – Well somebody once said to me that in the accounts and understanding literally the items that go through a business you really get to know the DNA of a business.

Jo Druce - Yeah I would say that from looking at a PNL I would be able tell if a new member of staff has joined or left just by looking at the lines on the expenditure. You can tell when someone's won a contract you really can get to know a business without even stepping foot in the door.

Mark Kingston – That's the points is that you know the detail and understand the technicalities but you are also able to be there in person not just doing the tasks but advising and demystifying this a little bit for the client and the team.

Jo Druce - One of my clients asked for me to help decode their management accounts so they could present it to their board, so it's just ensuring that our clients are confident with the management accounts that we have prepared and they can go on and make use of that.

Mark Kingston – Now I want to come back to management accounts because it's one thing that took me forever to understand, people would say would you like a set of management accounts and I was like I don't know. And I have often talked to people who would get given a set of management accounts and smile and think I don't know what this means but I don't want to admit that to anybody. So I want to come back to management accounts. But before I do , what is the reason that someone would come to Critchleys and say please give me Jo or Becky or someone to come into my business on a weekly monthly basis, why would they do that?

Becky Dixon - It can be a good time saving tool as you as a business owner have other things in your business you need to be doing for example if you make kitchens you need to be out making kitchens not sitting for hours doing these bank recs, we can save your time to focus on what your good at by doing what we're good at.

Mark Kingston - Or you spend time in your workshop doing kitchens and then spend all of your evenings catching up on your accounts and your family life suffers. Okay so there is a time benefit, you are freeing up time and you guys are giving me the gift of time.

There is also something presumably about accuracy and technical knowledge – do you want to just talk to that Jo?

Jo Druce – Yes. So we have obviously been training for quite a few years now so we are happy with ensuring that transactions are correctly recorded and it's very important to make sure that the accounts are correct and complete.

Mark Kingston – Why is it so important, give us an example of when it goes wrong, that may be the easiest way to show it?

Jo Druce - My client had a book keeper coming in who was posting their payroll payment direct to the cost code of salaries when I has already posted it through the payroll journal, and then that resulted in the payroll being doubled in the month.

Mark Kingston – So it cost the business twice as much as it should have?

Jo Druce - Yeah, on the face of their management accounts, when actually that isn't what had happened at all.

Mark Kingston - Oh I see,

Jo Druce – So the management accounts were showing a loss when in fact they were making a profit.

Mark Kingston – So it didn't affect their actual bank balance but it affected the data they were given through the management accounts

Jo Druce – Yeah so, if that hadn't been picked up on and they were seeing a huge increase in the salary, it might affect strategic decisions going forward.

Mark Kingston - Likewise if you're a business paying VAT you've got to make sure that it's accurate and timely and all those other things. Okay so we said that we wanted come back to management accounts. Actually I have just thought of one other benefit tell me in I'm right. It seems to me that if you get all of these little bit regular day to day month to month things right, when it comes to those really important statutory end of year accounts that whole process is what made a bit easier?

Becky Dixon - Definitely, it's an easy flow in from each other because we have already allocated all your expense to the right code, so an accountant doing you statutory accounts would be able to take our totals for each allocation and put them straight into the accounts.

Mark Kingston - So it's made easier cheaper quicker.

Jo Druce - Also we've been doing pre payments and accruals throughout the year so if you hadn't been doing those adjustment journals when you hand your accounts to the yearend team and it doesn't have these adjustment, then they are going to be spending more time on it where as we have done this throughout the year.

Mark Kingston - More time to put it in its most brutal term is more money. In the two minutes we have available to try to honour our rough commitment to 10 minute discussion. I did want to talk very quickly about Management accounts. Now if you were to try to explain this to ten year old how would you explain what they are?

Becky Dixon - I would say it's a regular quick snippet of how your business is doing, where you're sending lots of money, where you have the option to possibly spend more if you are looking to and for other people looking into your business a view for them.

Jo Druce - It's also about the money you've had coming in as well comparing it to how well you have done last year have you done any better are you where you want to be.

Mark Kingston - So if you imagine your business is a machine it gives you real time information on how efficient your machine is if it's broken down in certain areas but really flying in others. And that's important right because what it helps you make smarter decisions about how you run your business and that makes it more profitable, bigger or whatever your aiming for.

Jo Druce - Absolutely

Mark Kingston - In that case it would be a little bit like, I'm trying to think of a metaphor that works. Imagine if you're flying a plane it's a lot easier to fly it if the instruments that tell you information that you know how to interpret them. So you guys provide the numbers but do you also help, Jo actually you said this earlier on you would actually sit with people and provide the story

Jo Druce - Absolutely, we always ensure that with every set of management accounts we also produce a variants analysis either to the prior year or to the budget it and analysing it compared to last month or last quarter if somethings gone considerable up or down then we would provide an explanation as to why that's happened so it's just ensuring that if there is a change that we know why its happening and if it's an adverse change that the owner can then put a stop to it.

Mark Kingston - So if you are listening to this whether or not you have anything to do with Critchleys and you don't get management accounts it's probably really worth reconsidering that because not only will it make your end of year accounts quicker easier and more accurate it also means that on a month to month or quarterly how often do you do it?

Jo Druce and Becky Dixon - It varies

Mark Kingston - varies, so on a regular basis throughout the year you can get real timely data on how things are going which hopefully makes you make them even better.

Becky Dixon - It can also be even bigger things, I have had clients use management accounts to get bank loans overdrafts. Because the banks can see since last year this has happened, so we will give you the bank loan.

Jo Druce – With one of my clients they needed it for forecasting so that they can ensure that their business is healthy so that they know it will be continuing.

Mark Kingston – So it helps you know what you can spend in the future not just what you have done in the past.

Mark Kingston – Well Jo and Becky from Critchleys outsourcing thank you so much for demystifying that. I hope that that has brought you some hope if you are one those people who is just stuck under a mountain of business related administration and receipts and processing or perhaps if you are one of these people who sees the numbers and your blood runs cold because its scary to see a bunch of numbers about something you are very bought into but maybe you don't fully understand well that's one reason to maybe get the experts involved to say nothing of the time you guys free up. So thank you for all you've brought to us today and I hope you will come back and maybe we can look at another aspect of what you do. For now thanks so much.

Jo Druce and Becky Dixon – Thank you.

**Please note that the contents in this Critchleys Conversation is for information only.
No action should be taken without seeking professional advice.**