

WORKING WITH YOUR ACCOUNTANT

Compliance Versus Advisory: What You Need and When

The difference between the work you must have done and the help that makes your business better, and how to decide the mix.

FOR: ALL BUSINESS OWNERS • ANY EXPERIENCE

Two kinds of accountancy work

Accountants do two broad kinds of work, and mixing them up is the commonest source of disappointment. **Compliance** is the work the law and HMRC require: preparing and filing accounts, tax returns, VAT returns, payroll reports, confirmation statements and so on. **Advisory** is the work that helps you decide: how to price, whether to hire, how to fund growth, how to pay yourself, how to plan tax, when to buy or sell. Compliance looks backwards, at what has happened. Advisory looks forwards, at what you could do.

What compliance includes

- Statutory accounts and corporation tax returns for a company.
- Self Assessment returns for sole traders, partners and directors.
- VAT returns, payroll and pension filings.
- Companies House filings.
- Keeping within deadlines and avoiding penalties.

Compliance has to be done, and has to be done accurately and on time. It is largely fixed in scope and so is often priced at a fixed fee. Good compliance work is quiet: nothing goes wrong.

What advisory includes

- Management accounts and reports, and what they mean.
- Budgets, forecasts and cash planning.
- Tax planning for the business and for you personally.
- Pricing, margins and profitability reviews.
- Funding, buying, selling and succession.
- Regular meetings with someone who knows your numbers.

Advisory is flexible and tailored, so it is usually priced by agreement or by a monthly package. Good advisory work changes what you do.

Who this is for

- Owners deciding what service to buy
- Clients wondering why they are not getting advice
- Businesses whose needs have grown

Key points

- Compliance is required. Advisory is optional, and valuable.
- Compliance reports the past. Advisory shapes the future.
- Both need good records from you.
- The right mix changes as the business grows.
- Say which you are buying, and which you are expecting.

The mix changes with the stage of the business

STAGE	LIKELY NEED
Just starting	Compliance, plus help with structure, registration and set-up
Established, stable	Compliance, with an annual tax planning review
Growing	Compliance, regular management information and forecasts
Changing	Advisory: funding, acquisition, restructuring, selling
Approaching exit	Advisory: valuation, tax planning, succession

Questions to ask

- What do we pay for, and what is extra?
- How often will we meet?
- What reports will I get, and when?
- Who do I call between meetings?
- What would you advise us to do in the next year?

Signs you need more than compliance

- You are surprised by your tax bill or your cash position.
- You are making big decisions without numbers.
- Your business is growing faster than your systems.
- You are unsure how best to take money out of the business.
- Lenders or investors are asking for forecasts.
- You hear from your accountant only at deadlines.

Making it work in practice

Ask your accountant to put in writing what the fee covers, what is extra, and how often you will meet. Many clients start with compliance and add an advisory service, such as a quarterly review, once they see how it helps. Others take a monthly package that combines the two. What matters is that you and your accountant agree what you are paying for and what you expect to get.

The cost of doing nothing

It is tempting to treat advisory as a luxury. But a missed relief, a poorly timed purchase, an unplanned tax bill or a cash shortage can cost far more than the fee for advice that would have prevented it. At the least, ask for an annual conversation about tax and plans, before the year-end rather than after.

Related guides

If this is useful, you may also want:

- Getting the most from your accountant
- Choosing an accountant
- Management reporting

How King Street can help

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We offer both: a fixed-fee compliance service, and advisory packages that add regular reviews, management information and planning. We start by agreeing with you what you need now and review it each year as your business changes.

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