

# technical factsheet 73

## Non-commercial consortia

### INTRODUCTION

Sole practitioners and partnerships are sometimes restricted in the work that they can undertake for reasons such as lack of expertise, lack of resources, etc. There are a number of models - consortia, syndicates, and marketing groups - through which practitioners might be able to share or refer work or tender for larger assignments with which they could not manage effectively individually.

ACCA can provide guidance for practitioners about the potential benefits and special considerations with consortia structures but it is inappropriate for ACCA to set them up on behalf of its practising members. This factsheet provides some examples of structures based on existing consortia and is intended to provide initial basic guidance on some of the benefits and considerations in forming consortia.

The factsheet is for guidance purposes only. It is not a substitute for obtaining specific advice. While every care has been taken with preparation of the factsheet neither ACCA nor its employees accept any responsibility for any loss occasioned by reliance on the examples.

### TYPES OF CONSORTIA

The following models of consortia currently exist in the marketplace -

- geographical region - a consortium of general practice firms located across the country
- accountancy specialism - a consortium of accountancy practices each specialising in a different area
- based on discipline - a consortium comprising accountants, lawyers, Internet companies, etc.

### BENEFITS OF CONSORTIA

- shared technical knowledge
- shared expertise
- new clients through referrals
- ability to refer work overload
- provision of an all-round service to clients
- networking opportunities with other professionals
- shared training groups
- bulk purchasing discounts on consumables
- enhance market place
- cost effective marketing material
- ideal opportunity to ensure consistent high standards through cold or hot file review

### SPECIAL CONSIDERATIONS

- the need to establish trust between the participating practices
- the willingness to pass on clients whose interests are best served elsewhere
- obtaining access to the files of other practices and allowing access to your own files
- billing arrangements
- responsibility for the consortium's insurance
- structuring of the consortium

## **EXAMPLES OF EXISTING CONSORTIA**

### **Lifford Hall Group**

The Lifford Hall group was set up by founder members in 1991 on the back of audit changes and was seen as a means of providing clients with a wide range of services on a personal basis by utilising specialists within the group and group member contacts.

In practice, the group has developed into two tiers of members. The founder members in the first tier provide the drive and impetus for utilisation of group resources whilst the second tier remain uninvolved but utilise the corporate logo and brochures establishing the credibility of a much larger firm as part of the overall marketing strategy for the individual firm. This has been more useful to the smaller firms trying to attract clients from the more traditional medium sized firms.

Practices that are interested in joining the group must be like-minded and of a similar size as existing members. There are no specified territorial limits although a situation where two practices are in very close proximity would not be allowed.

Lifford Hall Group has a limited company structure which acts as an umbrella organisation made up of independent limited companies. These companies are regulated individually and not as a group. Each member contributes by way of standard subscription, which is irrespective of the size of the firm, on a half yearly basis. This provides the administration function for organising group brochure updates, budget newsletters, specialist brochures, and an Annual Conference designed to bring together staff within the various firms. In-house monitoring and peer reviews are charged separately at agreed rates. Staff move between firms at agreed charge-out rates.

The Lifford Hall Group will develop by having a more pro-active website and as part of a virtual community, having more dialogue online than in meetings. The group is also developing other services for group members and specifically on-line products for members and their clients.

### **Continuity Co-operative Limited**

The Continuity Co-operative Ltd has its roots in the need for members to have continuity of practice cover. The founders were several members of the East London and South Essex district societies who determined that one solution to the problem of continuity of practice cover was a multi-party agreement whereby resources could be matched with demand.

ACCA was consulted and agreed to the use of a corporate body to be a continuity of practice enabler and the Continuity Co-operative Limited was established although it is not fully operational. The founders believe that this model could be used by practitioners in other areas to form local co-operatives with the possibility of an overall national grouping.

The primary objective of the Continuity Cooperative Limited is to provide continuity cover. However, co-operation takes place in many spheres - particularly in assisting fellow members on practical work matters such as:

- discussing taxation problems with other members with similar experiences
- gaining knowledge and insight into new industries in which other members already have experience
- contact with Inland Revenue on a group basis to discuss regional problems that members are encountering in dealing with tax offices

The Continuity Cooperative Limited is also looking at the possibility of using the group to obtain discounts on private health insurance, general insurance, computer hardware, software and support, along with the joint access/ ownership of technical resources.

## **Euro-Defi**

Euro-Defi is a Pan-European network of independent firms of lawyers and accountants. As its membership is European, it is not American or English dominated as are many groups of accountants. It also differs from other groups of accountants in that it is a grouping of both accountants and lawyers

Euro-Defi does not grant any exclusivity to members, even in quite small geographic areas. The criteria to join are the normal requirements as to expertise, experience and facilities.

Euro-Defi maintains a central office in Paris and the UK has a sub-office in Leeds. Formal referrals are placed through the central offices although informal referrals may take place between member firms that have established relations.

Membership costs rise with the number of partners in the member firm. Conferences and lectures are run periodically, newsletters are produced, and a website has been developed. These have been arranged on a national basis as well as an international basis. Group decisions are made by an elected committee.

## **The NBA Group**

The need for the NBA Group ("NBAG") was conceived in 1995, as a result of concerns regarding the ability of smaller accounting firms to flourish in the light of the many changes in the profession which were anticipated, and the Group was founded in 1996.

Presently, NBAG operates through the medium of a Company Limited by Guarantee, and is thus wholly owned by its members. NBAG is directed by an elected Council.

Member firms are either Chartered Certified Accountants or Chartered Accountants, and range from sole practitioners turning over less than £250,000 a year to five and six partner firms with turnovers of up to £2 million a year. There are presently 16 members, which (over a period of time) the Group would like to extend to around 30.

In the time during which it has been established, NBAG has achieved a high degree of personal contact between partners and senior staff in its member firms. This has led to members having confidence in referring work to and seeking specialist advice from other members.

NBAG holds two Conferences a year, in the Spring and Autumn, over a Friday evening and a Saturday. These have been crucial in promoting relationships between the various member firms.

Annual subscriptions are set each year by Council, at a rate sufficient to cover the Group's anticipated outgoings in the light of its plans at the time. They are calculated by reference to the number of partners, offices and fee-earners within each member firm. Subscriptions cover all partners' costs in attending the Spring Conference each year.

Whilst, as mentioned above, NBAG members are presently all Chartered Certified or Chartered Accountant member firms, Council has agreed this is not an absolute prerequisite, as long as applicants are either subject to monitoring, or agree to become subject to it if elected.

In order to protect members' interests in the light of changes anticipated in the audit regime, NBAG is in the process of setting up a specialist audit company, which it is anticipated will be monitored by ACCA.

## **INTERNATIONAL CONSORTIA**

A report by an IFAC (International Federation of Accountants) working party in 2001 made four recommendations for how IFAC might effectively support the needs of small and medium-sized practices (SMPs) in the global context. One of these recommendations was that SMPs should work together through the creation of an effective forum that SMPs can use to communicate with other SMPs, whether in the home country or internationally. Also recommended was the establishment of a reliable network of international contacts that would facilitate the forming of strategic alliances.

Initiatives arising from these recommendations may enhance the formation of consortia in the future. For further information, please see the IFAC website at [www.ifac.org](http://www.ifac.org).

## NEXT STEP

Practitioners interested in forming consortia can use the models described above or can contact:

- Val Culley of Culley Lifford Hall (val@culleyliffordhall.co.uk)
- Tony Thorne of the Continuity Co-operative Limited (tony@mornington-sec.co.uk)
- Suzanne Hart of Euro Defi UK (admin@eurodefi.org.uk)
- Paul Broom of the NBA Group (pfob@pfobroom.com).

## HOW ACCA CAN HELP

### Directory of Business Advisers

ACCA has published a Directory of Business Advisers which will help practitioners to identify other practices which specialise in areas they do not. Informal networks or consortia may develop as a result of this Directory.

The *Directory of Business Advisers* was first published in June 2001 and lists the specialisms of member firms and details of members wishing to act as non-executive directors and business advisers in the UK and Ireland. This *Directory* is updated annually and an online version is available on ACCA's website at [www.accaglobal.com](http://www.accaglobal.com).

The *Directory* includes details of firms in which there is at least one ACCA partner. Members of the general public wishing to source a business adviser can search by name, town/county or by business/technical specialisms.

The *Directory* also facilitates networking with other practices. For example, if a client has a query outside a practitioner's expertise it may be possible to forge a business relationship with a fellow ACCA practitioner.

Members (except members on the retired list) may obtain one free copy of the above four publications. Second or replacement copies can be obtained for £20 per copy.

### In-Company Training Service

Many of the courses that ACCA develops can be tailored to the needs of an organisation. In addition, courses can also be arranged on topics where ACCA does not currently offer public courses. ACCA's in-company training service offers a flexible, cost-effective way to deliver training and allows firms or consortia to keep control of content, location and programming of courses.

### IQ Business Support Service

ACCA offers members working in SMEs (small and medium-sized enterprises) exclusive access to a package of support services from IQ Business, at competitive prices. The package includes:

- *iQ Employment Plan*. Including employee handbooks, statements of terms of contract of employment, middle and senior management guides, all backed by fully comprehensive legal insurance
- *iQ Practical Health and Safety Guide*. Enables all essential documentation to be issued to fully comply with specified regulation for factories and offices. Includes senior management reference guide and company health and safety policies manual and policy statements
- *iQ Legal Manager*. Covering every aspect of operational law confronting business today. Commercially experienced lawyers and barristers, available 24 hours a day, 365 days a year. Unlimited access with no time charges

More details about the package can be found at [www.accaglobal.com](http://www.accaglobal.com).

### Networking

ACCA runs district society events and conferences for practitioners at which there are networking opportunities.

**ACCA Communities**

ACCA Communities is a free Internet service designed to promote the exchange of knowledge between ACCA, its members, affiliates and students.

Groups have been set up for the Practitioners' Network and district societies.

Each group enables practitioners to receive details of new publications and lectures online, to download archived publications and to e-mail suggestions for future topics to be addressed through lectures and newsletters.

Practitioners can also establish their own online groups. A group can deal with a topic of interest, act as a discussion area, or it can simply provide a secure virtual workspace for a group of practitioners collaborating on a consortium. Each group has its own document area, database, group mailing list, calendar, voting mechanism - and more. For details, see [www.accacommunities.com](http://www.accacommunities.com).

**CONCLUSION**

The model of consortia can bring considerable benefits and the above examples illustrate how they can work in practice. However, there are special considerations in determining whether a consortia is right for a practice, and if so, identifying members who may be suitable to form a consortium with.

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