

SCOTLAND & CLIENT FOCUSED ADVISOR OF THE YEAR - SCOTLAND

Winner:



Doing it well

ACQ has awarded its Financial Advisor of the Year - Scotland & Client Focused Advisor of the Year – Scotland to Cavanagh Corporate. ACQ talks to Gordon Sutherland about the firm's second ACQ award and what they have been up to since we last spoke.

The Cavanagh Group was formed in 1996, originally specialising in providing personal financial planning to the legal sector, but Gordon Sutherland commenced his career in financial services almost 20 years prior.

"My colleague, John Rutherford, and I founded a business called JRG Financial Consultancy in 1988," he explains, "and together we have built a strong relationship with the private equity community over the years."

JRG Financial Consultancy was acquired in November last year by the Cavanagh Group, which had previously bought Ernst & Young Financial Management in December 2003. With Ernst & Young came a substantial book of corporate business, which Cavanagh wanted to grow and also bring more structure to its' corporate proposition, hence the JRG acquisition.

"Our corporate structure now starts with Cavanagh Group PLC, which is the holding company, and underneath that is Cavanagh Financial Management Ltd, which trades as Cavanagh Group, and within Cavanagh Group there is a division called Cavanagh Corporate, which I head up."

Client focused approach

Sutherland believes that Cavanagh's membership of the BVCA stands the group in good stead as far as the competition goes and, indeed, is a quality that has contributed to the firm's second ACQ award.

Another quality that distinguishes Cavanagh Corporate from the pack is its ability to form long lasting working relationships. For example, Cavanagh Corporate has been working with The Tussauds Group/Merlin Entertainments Group collectively for six years and with Virgin Active for over ten years.

"We provide an honest, pro-active approach to doing business with a focus on delivering real value for money. Some of the services we can provide,

for example 1:1 employee consultancy, are highly valued by our clients and not readily available from many of our competitors, such as the larger employee benefit consultancies. It also helps if you like your clients and they like you!"

Tailor made

As an advisor to the corporate market, Cavanagh Corporate has the unique "quirk" of being able to provide high quality advice to the employer, as well as the employee, through group presentations and one to one meetings with employees.

"Our approach is to tailor our service to the needs of the client, but it definitely helps to have somebody to communicate pension and other employee benefits directly to the employees – it helps their understanding and it helps their appreciation of the benefits that the employers are paying for.

Many of the big Employee Benefit Consultancies cannot provide one-to-one counselling with employees, but Cavanagh Corporate can.

"When tailoring our service, we take into consideration the employer's ethos, and also any financial constraints the employer may have.

"We also provide a whole range of employee benefits and we're licensed to re-sell a web-based flexible benefits package called Staffcare, which we promote where appropriate. We really deliver most of the services that an EBC can provide but, as we're also an IFA, we can go much further in terms of the relationship with both the employer and the individual employees.

"When a private equity firm buys a business, our services are of value in two ways – we can get involved in pre-deal due diligence, often utilising the services of our in-house actuarial firm called CPRM, then post-deal we look to work with the private equity firm and the employer to consolidate existing benefits and establish suitable arrangements for the future.

CASE STUDY
A portfolio company with circa 8000 employees

The company operated a number of employee benefits, including:

- Two pension arrangements;
- Several group life assurance schemes;
- An income protection scheme.

The incumbent adviser was a large Employee Benefits Consultancy.

Cavanagh Corporate were asked to review the entire benefit structure and make recommendations for improving benefits for staff, whilst also examining the costs involved with advising and administering the existing arrangements.

The options put forward enabled the company to completely eliminate the substantial costs incurred in operating the existing arrangements and provide its staff with access to 1:1 pensions advice, at no additional cost to either the company or the individual.

The advantages of the Cavanagh Corporate review were:

For the company

- Elimination of consultancy and servicing fees (c. £390,000 in 2008)
- A further saving of £24,000 from aggressive re-broking of group risk benefits
- 1:1 advice available as a benefit to staff, at no additional cost
- Streamlined administration by introducing a consolidated pension arrangement for all staff
- On-line facility minimises employer involvement in administration
- Improved staff appreciation of company benefits.

For staff

- A reduction in the annual management charge applied to many of the pension funds
- The choice of a wider range of high quality pension funds
- Access to 1:1 pensions advice at no additional cost
- Ready access to other financial advice
- On-line access to policy information.

The total year-on-year saving to the company was c. £414,000.

"What we also look to do is drive out costs. It's common, for example, for us to be asked to go into a business by a private equity firm to re-broke the group risk benefits and, quite often, we find out that we can make very substantial savings in this regard.

"This service costs the business nothing as we get paid a commission on the group risk premium. We have several instances of where the savings made have put more than £100,000 onto the bottom line and, if a private equity firm sells on the business at a reasonable multiple, it can make a real difference to the return on investment."

Catch up

Since ACQ last spoke with Cavanagh Corporate, the group has taken a more rounded approach to generating business, instead of relying solely on client referrals.

"We have started a series of seminars, which are held at the 'Gherkin' in London, as well as a number of suitable venues throughout the UK. The feedback has been very positive, with an average rating of 3.6 out of 4 over all six feedback questions asked of attendees.

"We have also recently started running a series of seminars to Financial Directors of Private Equity portfolio companies entitled 'How to save money and improve employee benefits in a recession' and, again, these have been very well received.

"We now have a large 'pipeline' of quality business arising from our seminar programme and we also use direct marketing to strengthen and develop our relationships with the Private Equity and Venture Capital community. Telemarketing has been less successful and is now used infrequently and only where appropriate. Of course, we will always maintain our client focused approach to doing business, recognised by this year's ACQ Magazine awards, which continues to generate significant new business opportunities for us from satisfied existing clients."

One of the success stories for Cavanagh Corporate during the last year has been the implementation of a new group pension scheme and ancillary employee benefits arrangements for Spire Healthcare.

Spire Healthcare has approximately 7000 staff in 36 locations throughout the UK and their successful project management saw Cavanagh Corporate present the new arrangements to staff at all locations. The end result was very positive staff feedback and a year-on-year saving to the employer of over £400,000.

Rob Roger, CFO Spire Healthcare, commented: "Changing a pension scheme is never easy. Against a backdrop of negative press any change, however beneficial to the members, is a challenge to deliver. Cavanagh Corporate made this happen. The realisation of year on year and ongoing annual efficiencies plus the enhanced awareness and engagement which the UK wide communication program delivered help to ensure a win win."

2009

Although many of Cavanagh Corporate's peers have posted significant losses, Cavanagh Group PLC recently announced EBITDA of £1.24m for 2008 and is continuing to perform well during 2009.

"The Cavanagh Corporate division forms a major part of this success and is well positioned to benefit from the current economic environment as businesses move away from the larger employee benefits consultancies in an effort to reduce costs and obtain more value from their pensions and benefits spend.

"My aim for the company is to ensure that we do everything we should be doing, and that we do it well. If we do this, then I am sure that Cavanagh Corporate will continue to grow its proposition in to the corporate marketplace." **ACQ**

DETAILS



Gordon Sutherland
Managing Director
Cavanagh Corporate
46 Albany Street
Edinburgh
EH1 3QR
01289 305 538
GordonSutherland@cavanagh.co.uk
www.cavanagh.co.uk