



**ACCOUNTING & BOOKKEEPING INSIGHTS**

# Industry Performance Report 2023

**Benchmark your firm's performance and discover how to drive growth and embrace practice efficiency.**



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# Foreword

Xero is pleased to present our 2023 UK Accounting and Bookkeeping Industry Performance Report, which encapsulates the highs and lows of this year for practices in this sector.

Amidst global economic uncertainty and soaring inflation rates, businesses in the UK have navigated these challenges by reevaluating customer requirements and focusing on enhanced service delivery.

Despite these hurdles, the accounting and bookkeeping sector has shown remarkable resilience. In fact, according to our study, it's been a good year. The majority of those we surveyed, across all practice sizes, have reported growth in revenue and profits, and added an average of 31 additional clients over the past 12 months.

This report provides insights into what's contributing to growth and success in the evolving accounting and bookkeeping landscape. Practices of all sizes are remaining resilient by adapting and diversifying their service offerings and providing an average of six services. The adoption of cloud is strong - with almost all of the practices surveyed embracing some form of cloud-based software. However, opportunities exist for micro and small firms to increase cloud usage and drive practice efficiency.

Technology adoption has and continues to play a crucial role in helping to ensure practice growth. Practices that use cloud-based software also reported various benefits and rewards, such as improved commercial performance and efficiency.

Many firms also told us they are seeing a considerable improvement in employee satisfaction and higher job satisfaction since implementing cloud-based software.

It is encouraging to see tangible evidence of how technology is paving the way for practices to help boost revenue, increase client satisfaction and improve practice efficiency by influencing new and improved ways of working.



**Jo Copestake**

Director of Accounting Partners at Xero UK

# How to read this report

**Totals:** percentages throughout the report may not add up to 100% due to rounding.

Past 12 months refers to past 12 months at time of survey fieldwork.

Base sizes under 40 called out throughout the report.

*The information and commentary in this report is a guide only and should not be taken as taxation, financial or legal advice. We recommend you check with an independent expert that what you're doing is right for you and your practice.*

## Definitions used within this report

Throughout this report we have used terminology to compare different practice groups. Please find a detailed list of those we have referred to below for your reference.

### Practice size definition:

Within the report we have referred to the following practices based on the corresponding employee size (including themselves):



### Advisory services include any of the following:

Analysing business performance, planning and budgeting, business advisory and software and app advisory.

### Bookkeeping services includes any of the following:

Invoicing/debt collection, billing and payments, recording keeping, managing sales taxes, payroll processing and inventory management.

### Tax services includes any of the following:

Managing annual taxes and managing other taxes.

### Cloud users:

Cloud users are those that selected a cloud-based software in at least one of the following questions for bookkeeping, accounts production and tax or practice management (task/s):

B2. What bookkeeping software does your practice use on behalf of clients?

B3. What accounts production and tax software does your practice use on behalf of clients?

B4. What practice management software does your practice use for internal tasks?

**Xero users (for at least one task)** are defined as any practice which uses Xero software for at least one of the above questions (B2, B3 or B4).

**Xero Practice Manager users** uses Xero Practice Manager (selected at question B4).

**Integrated Xero users** refer to those who use Xero for bookkeeping and accounts production and tax and practice management (B2, B3 and B4).

**Non-Xero cloud users** are defined as those who did not select Xero at B2, B3 and B4, but did select a cloud software.

# Five key headline insights

## 1 It's good news! Business has been growing across the board over the past 12 months

- 72% of accounting and bookkeeping practices, regardless of size, have reported an increase in revenue and 68% reported an increase in profit in the past 12 months.
- Practices are also reporting an increase in client base; on average 31 new clients have been added to practices' books in the past year.



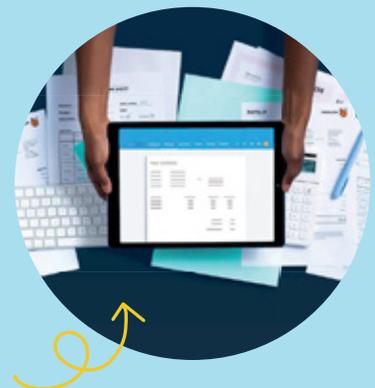
## 2 Practices are widening their service portfolios and service offerings, with bookkeeping and advisory services being most common

- Practices offer a range of services to clients, and 56% of those reporting increased profits have attributed this to increasing the number of services they provide.
- While bookkeeping is still offered by 90% of practices, advisory is also offered by 70% of practices.



## 3 Adoption of cloud-based software is broad, but there is opportunity for all practices, especially smaller ones, to continue to adopt cloud-based software

- Nearly all practices that we surveyed – 95% – have embraced cloud-based software to some degree.
- Practices are typically using it for at least one task (bookkeeping, accounts production and tax, or practice management), however, based on our report data, medium and large practices are more likely to use cloud-based software for all of the above tasks.
- Fewer micro and small practices are yet to adopt cloud-based software for practice management.
- On average, 53% of practices' client base are using cloud-based accounting software.



## 4 Practices who use cloud-based software for more than one task are likely to report profit and revenue increases

- 75% of practices using cloud for more than one task have seen increased profit in the past 12 months, versus only 39% of those who use cloud for a single task.
- Those who say their practice management is integrated seamlessly and completely report experiencing increased profits in the last year (86%) versus those who say they have not yet integrated (48%) or have not done so as seamlessly (69%).



## 5 The benefits of cloud are real. Practices are seeing a range of rewards from using and embracing cloud-based software - Xero users are no exception

- Practices also report a range of other day-to-day benefits from using cloud-based software; their client services have improved, they save time on manual daily tasks, and medium and large practices have more time to spend on billable tasks.
- For medium and large practices, just over 60% note greater job satisfaction for themselves or other staff members, since implementing cloud-based software (65% for medium practices, 62% for large practices).
- Xero users for at least one task are more likely to report they have more time to focus on practice growth (55% versus 47% of non-Xero cloud users).
- Of those using Xero as a fully integrated end-to-end integrated system (Integrated Xero users), 67% say they have saved time on manual daily tasks, compared to 49% of those who are Non-Xero cloud users.
- Xero integrated users are also more likely than Non-Xero cloud users to call out greater job satisfaction (75% versus 54% of Non-Xero cloud users).



# Section 1: Growth

## 1.1 Revenue and profit change and new client growth

**Across all practice sizes, the majority of those we surveyed report an increase in both revenue and profit.**

We’re seeing growth across the board within the industry, with reports of revenue increases across all practice sizes in the past 12 months. Medium (81%) and large (84%) practices are more likely to have experienced this positive trend. However, there is good news everywhere, with more than half (57%) of micro practices and 65% of small practices also reporting increases in revenue. Large practices are most likely to have seen the biggest positive change in revenue, with 30% reporting a significant increase.

### Thinking about the past 12 months, how has your practice’s revenue changed?

|                                     | Total | Micro | Small | Medium | Large |
|-------------------------------------|-------|-------|-------|--------|-------|
| Decreased significantly             | 3%    | 4%    | 6%    | 0%     | 1%    |
| Decreased slightly                  | 8%    | 13%   | 4%    | 7%     | 8%    |
| Stayed the same                     | 14%   | 21%   | 19%   | 8%     | 7%    |
| Increased slightly                  | 51%   | 39%   | 48%   | 65%    | 53%   |
| Increased significantly             | 20%   | 19%   | 17%   | 16%    | 30%   |
| Total seeing a decrease in revenue  | 11%   | 17%   | 10%   | 7%     | 9%    |
| Total seeing an increase in revenue | 72%   | 57%   | 65%   | 81%    | 84%   |

*Excluding “Don’t know” and “Prefer not to say”*



68% of practices are also reporting an increase in profits over the past year. Increased profits have been more widespread among medium (75%) and large (79%) practices. However, more than half of micro (55%) and small (63%) practices are also showing a lift in profits.

**And how have your practice’s profits changed within the past 12 months?**

|                                    | Total | Micro | Small | Medium | Large |
|------------------------------------|-------|-------|-------|--------|-------|
| Decreased significantly            | 2%    | 6%    | 2%    | 0%     | 1%    |
| Decreased slightly                 | 11%   | 18%   | 10%   | 9%     | 8%    |
| Stayed the same                    | 12%   | 16%   | 13%   | 10%    | 11%   |
| Increased slightly                 | 50%   | 40%   | 50%   | 59%    | 51%   |
| Increased significantly            | 18%   | 16%   | 13%   | 17%    | 29%   |
| Total seeing a decrease in profit  | 14%   | 24%   | 13%   | 9%     | 9%    |
| Total seeing an increase in profit | 68%   | 55%   | 63%   | 75%    | 79%   |

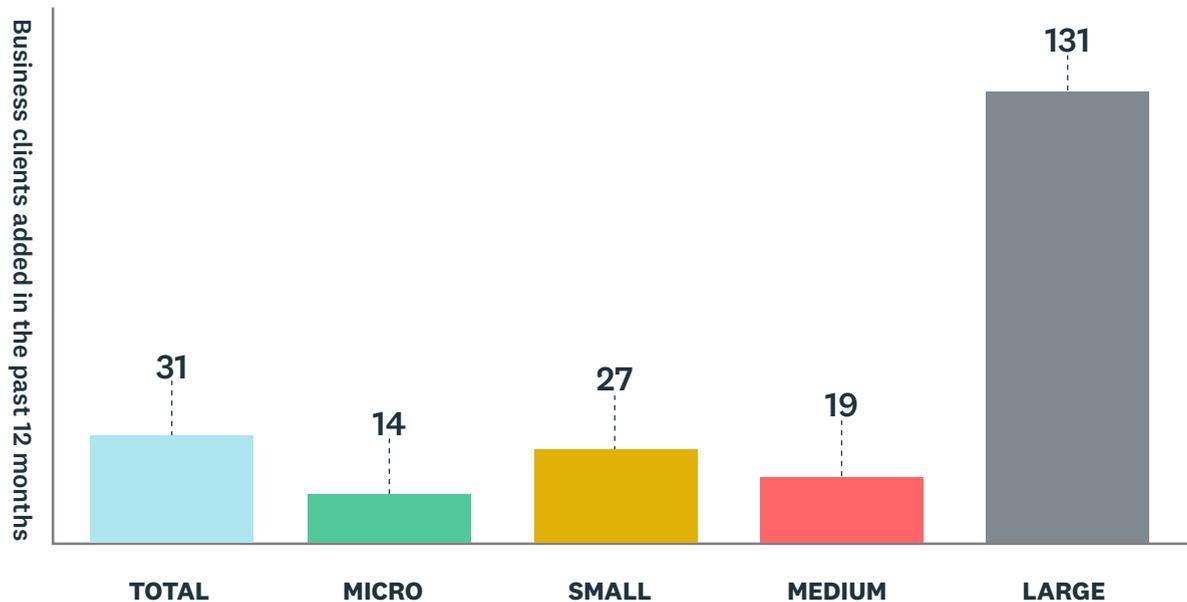
*Excluding “Don’t know” and “Prefer not to say”*

Whilst overall the picture is positive, some micro practices are having a more difficult time. 40% of micro practices have experienced static or declining profit, and close to one in four (24%) have had profit decline over the past year, which indicates that they may be more focused on building practice resilience.



Growth in the form of new client acquisition has also occurred across all practices. On average, practices have acquired 31 new clients, with large practices reporting an increase to their client base on average by 131 clients.

### Thinking about the past 12 months, how many new clients has your practice added?



*It is fantastic to see that the current trends and data point to favourable progression in the accounting industry. The adoption of cloud based software, the expansion of services, and the evident benefits of technology are driving growth and improved performance among practices, which aligns with what we are witnessing here at Cottons. Continuous learning and upskilling are crucial to remaining relevant in the industry that is changing at a rapid pace. Those who embrace change and continuously develop their skills are likely to be the ones thriving through these transformations.*



**Emma Reid**  
Cottons Group

# 1.2 Reasons for growth

**Practices say that adapting and evolving their service offering are reasons for profit and revenue growth.**

Changes that practices have taken in how they operate and the services they provide have led to reported revenue and profit increases. Practices (43%) have reported that offering new services is one of the reasons their practices have experienced increased revenue.

The majority (59%) attribute some of the previous year’s growth in revenue to an increase in client numbers. This is particularly the case for micro and small practices (with 64% and 71% reported respectively). Medium and large practices cite an increase in demand from clients and are also more likely to have taken on more staff, perhaps as a way to help increase capacity to meet this demand.

Among small, medium and large practices who have seen growth in revenue over the past 12 months, just **over 30% attribute one of the reasons for this revenue growth to use of cloud-based software.**

## In your opinion, why has your practice experienced an increase in revenue? Please select all that apply

|                                  | Total | Micro | *Small | Medium | Large |
|----------------------------------|-------|-------|--------|--------|-------|
| Increased number of clients      | 59%   | 64%   | 71%    | 50%    | 54%   |
| Offered new services to clients  | 43%   | 40%   | 39%    | 48%    | 44%   |
| Clients requesting more services | 39%   | 33%   | 32%    | 47%    | 42%   |
| Increased our fees               | 34%   | 29%   | 32%    | 36%    | 37%   |
| Increased number of staff        | 30%   | 19%   | 23%    | 32%    | 42%   |
| Use of cloud software            | 29%   | 17%   | 32%    | 33%    | 31%   |
| Doing more complex advisory      | 20%   | 24%   | 6%     | 20%    | 29%   |

\*Lower base size (n=31)

With respect to an increase in profits, practices (56%) report that increasing the number of services provided, increasing automation of manual tasks (38%) and streamlining internal processes (38%) are some of the reasons their practices have experienced increased profits.

Additionally, 36% of medium practices and 31% of large practices whose profits have increased in the past year believe that the adoption or switch to a new software has been a contributing factor.

**In your opinion, why has your practice experienced an increase in profit?  
Please select all that apply**

|   | Total | Micro | *Small | Medium | Large |
|---|-------|-------|--------|--------|-------|
| Increased number of services we provide | 56%   | 43%   | 70%    | 62%    | 48%   |
| Increased automation of manual tasks    | 38%   | 41%   | 37%    | 36%    | 39%   |
| Streamlined internal processes          | 38%   | 38%   | 30%    | 43%    | 39%   |
| Experienced better retention of staff   | 34%   | 11%   | 40%    | 37%    | 43%   |
| Introduced/improved staff training      | 33%   | 21%   | 20%    | 43%    | 41%   |
| Adopted/switched to new software        | 28%   | 20%   | 23%    | 36%    | 31%   |
| Employed more staff                     | 27%   | 18%   | 23%    | 28%    | 36%   |

\*Lower base size (n=30)



*While the profession looks to be in a positive position across the board, the major gains seem to be with medium and larger firms, where even small efficiency gains or changes to approach can be amplified across a larger client base.*

*This is backed up by the way in which action has been taken across a broad range of areas that have increased both revenue and profitability.*

*Attributing some of this to the use of cloud software adoption and subsequently automation and streamlining suggests that these actions are creating benefits that are starting to materially impact performance.*

*This is an important sign post to those committed to creating scalable practices, and efficient client service.*



**Richard Sargeant**  
Managing Director,  
Principle Point

# 1.3 Service offerings

**Offering a range of services to clients is vital to driving growth.**

As we've seen, offering new and more services to clients is cited as a leading reason for increases in revenue and profits, respectively, over the past 12 months. On average, accounting and bookkeeping practices offer around six services to their clients.

## What services does your practice provide to your clients?

|   | Total | Micro | Small | Medium | Large |
|---|-------|-------|-------|--------|-------|
| Managing annual taxes i.e. prepare, review and file tax return  | 54%   | 57%   | 69%   | 50%    | 39%   |
| Record keeping e.g. keeping and matching bank records, managing documents including proof of purchase, payments and invoices                            | 54%   | 68%   | 58%   | 54%    | 35%   |
| Payroll processing  | 54%   | 61%   | 67%   | 53%    | 34%   |
| External reporting i.e. compiling reports, accounts production and annual accounts for external stakeholders such as Companies House, investors, boards | 48%   | 46%   | 58%   | 45%    | 42%   |
| Managing other taxes i.e. prepare, review and file tax return   | 46%   | 53%   | 63%   | 39%    | 30%   |
| Managing sales taxes i.e. prepare, review and file tax return   | 46%   | 53%   | 58%   | 38%    | 35%   |
| Billing and payments  | 43%   | 37%   | 52%   | 49%    | 36%   |
| Business advisory   | 39%   | 46%   | 44%   | 39%    | 29%   |
| Internal reporting i.e. compiling reports financial and operational information for internal stakeholders such as employees                             | 39%   | 33%   | 44%   | 40%    | 37%   |
| Planning and budgeting  | 38%   | 41%   | 42%   | 35%    | 33%   |
| Analysing business performance  | 37%   | 36%   | 40%   | 44%    | 28%   |
| Invoicing and debt collection   | 33%   | 35%   | 44%   | 29%    | 24%   |
| Inventory management  | 26%   | 13%   | 31%   | 37%    | 22%   |
| Software and app advisory   | 25%   | 25%   | 27%   | 24%    | 24%   |
| Average number of services offered  | 6     | 6     | 7     | 6      | 4     |

Overall, bookkeeping services and advisory services are the most offered services.

### What services does your practice provide to your clients? Grouped

|                      | Total | Micro | Small | Medium | Large |
|----------------------|-------|-------|-------|--------|-------|
| Bookkeeping services | 90%   | 85%   | 100%  | 91%    | 85%   |
| Tax services         | 66%   | 67%   | 79%   | 61%    | 54%   |
| Advisory services    | 70%   | 70%   | 69%   | 73%    | 70%   |

SEE PAGE 2 FOR DEFINITIONS

Bookkeeping services account for the largest areas of revenue for all practice sizes. Medium and large practices reported more revenue from advisory services than micro and small practices.

### What proportion of your practice's revenue comes from the following services that you provide? Average

|                      | Total | Micro | Small | Medium | Large |
|----------------------|-------|-------|-------|--------|-------|
| Bookkeeping services | 43%   | 51%   | 36%   | 49%    | 46%   |
| Tax services         | 25%   | 27%   | 26%   | 23%    | 24%   |
| Advisory services    | 23%   | 12%   | 22%   | 39%    | 28%   |

SEE PAGE 2 FOR DEFINITIONS



*Very positive news to see firms with a clear technology strategy are benefiting from increased revenue and profit growth. We can see this drives pride in the services offered and supports team satisfaction.*

*Although it is concerning to see limited reports of firms increasing fees, hopefully this doesn't indicate that firms are taking on increasing workloads without reviewing their fees. It's important to keep fee reviews on at least an annual basis. This is an area where good systems and technology can lessen the burden.*



**Glenn Collins**  
Head of Technical and Strategic Engagement,  
ACCA

# Section 2: Cloud Usage

## 2.1 Practice cloud penetration

**Almost all of the practices surveyed now use cloud-based software, but there is room to increase usage.**

95% of practices surveyed now use some form of cloud-based software within their practice for bookkeeping, practice management or accounts production and tax (tasks).

Cloud software for bookkeeping is strongly integrated across practices of all sizes, with around 90% of small, medium and large practices using it (96%, 90% and 89% respectively). Usage among micro practices does lag a little, with only 77% currently using it for bookkeeping.

Medium and large practices have a higher uptake of cloud-based software for practice management and accounts production and tax. There is an opportunity to help expand cloud-based software usage across tasks among micro and small practices (arguably for medium practices also) to help them fully realise the benefits of cloud software.

### Software used by practices

**What bookkeeping / accounts production and tax software does your practice use on behalf of clients?**

**What practice management software does your practice use for internal tasks?**

|  | Total | Micro | Small | Medium | Large |
|--|-------|-------|-------|--------|-------|
| NET cloud usage*                               | 95%   | 91%   | 96%   | 96%    | 97%   |
| Use cloud bookkeeping software                 | 88%   | 77%   | 96%   | 90%    | 89%   |
| Use cloud accounts production and tax software | 67%   | 59%   | 52%   | 76%    | 81%   |
| Use cloud practice management software         | 70%   | 65%   | 54%   | 77%    | 84%   |
| Use Cloud for one of the above only            | 19%   | 23%   | 31%   | 13%    | 9%    |
| Use Cloud for two of the above                 | 22%   | 26%   | 23%   | 19%    | 18%   |
| Use Cloud for all three of the above           | 54%   | 43%   | 42%   | 64%    | 70%   |

\*USING CLOUD FOR ANY TASK (BOOKKEEPING, ACCOUNTS PRODUCTION AND TAX OR PRACTICE MANAGEMENT).

# 2.2 Client cloud penetration

While most accounting and bookkeeping practices are using cloud software, they are not using it for all of their clients; practices have reported that only 53% of their clients are using cloud accounting software. This indicates that there may be an opportunity for more clients to engage with cloud, which could help further streamline accountants and bookkeepers' services.

What proportion of your clients are using cloud-based accounting software?  
Average



Excluding don't know  
\*Lower base size (n=32)



## Section 3: Benefits of Cloud

### 3.1 Commercial performance

Of those surveyed, practices using cloud for more than one task were more likely to report profit and revenue growth.

Only 39% of practices using cloud for a single task also reported an increase in profit compared to practices using cloud for more than one task.

Thinking about the past 12 months, how has your practice's revenue / profit changed?



Xero users (for at least one task) (55%) reported that since using cloud software, they have had more time to focus on practice growth (versus 47% of non-Xero cloud users).

### Percentage of practices experiencing more time to focus on practice growth since using cloud-based software

*“My practice has more time to focus on practice growth”*

| XERO USERS<br>(FOR AT LEAST ONE TASK) | NON-XERO<br>CLOUD USERS |
|---------------------------------------|-------------------------|
| 55% agree                             | 47% agree               |

“

*In the past, there have been some concerns about how technology would impact the accountancy industry. It is really encouraging to now observe that the adoption of cloud technologies has actually played a pivotal role in facilitating growth and heightening productivity within the industry. Embracing technology has been a game-changer for the accountancy sector in a difficult economic climate. Accountants can look forward to a more efficient future!*

*To us at Cottons, it comes as no surprise that those who utilise cloud for multiple tasks are the ones experiencing increased profitability. The real efficiencies only show through in the figures when you examine complete end-to-end workflows, make necessary adaptations, eliminate duplications, and introduce automation.*



**Emma Reid**  
Cottons Group

## 3.2 Job satisfaction

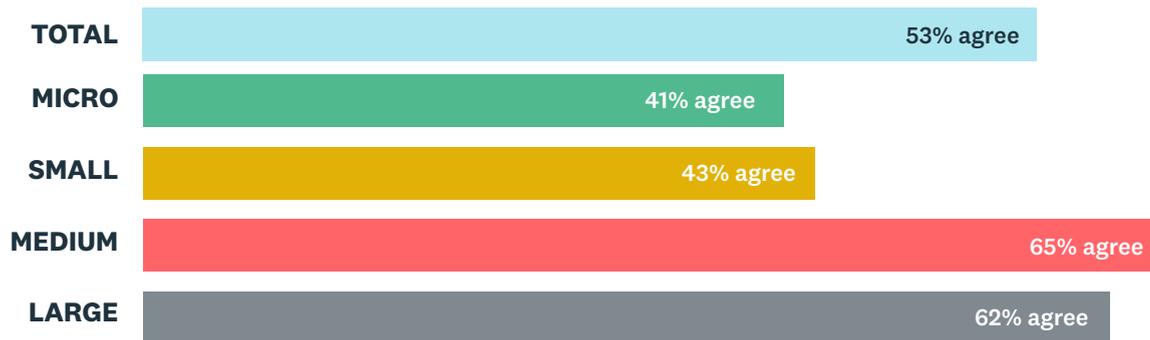
**Cloud-based software helps give staff a greater sense of job satisfaction.**

Internally, practices are reaping the benefits of using cloud-based software with reported improvements to employee satisfaction. This is particularly the case for medium (65%) and large (62%) practices, which are seeing an improvement in employee satisfaction since using cloud-based software.

With the talent challenges facing our industry, cloud adoption may help retain staff.

### Percentage of practices experiencing greater job satisfaction since using cloud-based software

*“I / Employees within my practice have greater job satisfaction”*



### Spotlight on Xero

**75%** of Integrated Xero users report higher job satisfaction for employees versus **54%** of non-Xero cloud users

# 3.3 Client services

The majority of practices (63%) feel their client services have improved with the implementation of cloud-based software.

Specifically, this typically manifests as more positive client relationships, more time to service broader client needs and, ultimately, a better understanding of clients' needs.

## Percentage of practices whose client services have improved since using cloud-based software

*"My practice's client services have improved"*



## You mentioned that your client services have improved, in what way have they improved? Please select all that apply.

|   | Total | Micro | * Small | Medium | Large |
|---|-------|-------|---------|--------|-------|
| More positive relationships with clients  | 56%   | 57%   | 52%     | 57%    | 58%   |
| More time to service broader client needs | 56%   | 55%   | 48%     | 67%    | 51%   |
| Better understanding of clients' needs    | 56%   | 45%   | 59%     | 57%    | 60%   |
| More trusted relationships with clients   | 42%   | 33%   | 37%     | 44%    | 51%   |

\*Lower base size (n=27)



*We're finding that as business owners look to the future, they're wanting more from their accountants than just the year end accounts and tax.*

*We often hear that their current accountants are OK, but they're not empowering clients to build a plan for the future, and working with them to reach their goals. Business owners want more, and are willing to pay, for the right support and the right relationship with their accountant or advisor.*



**Sharon Baker**  
Kinder Accountants

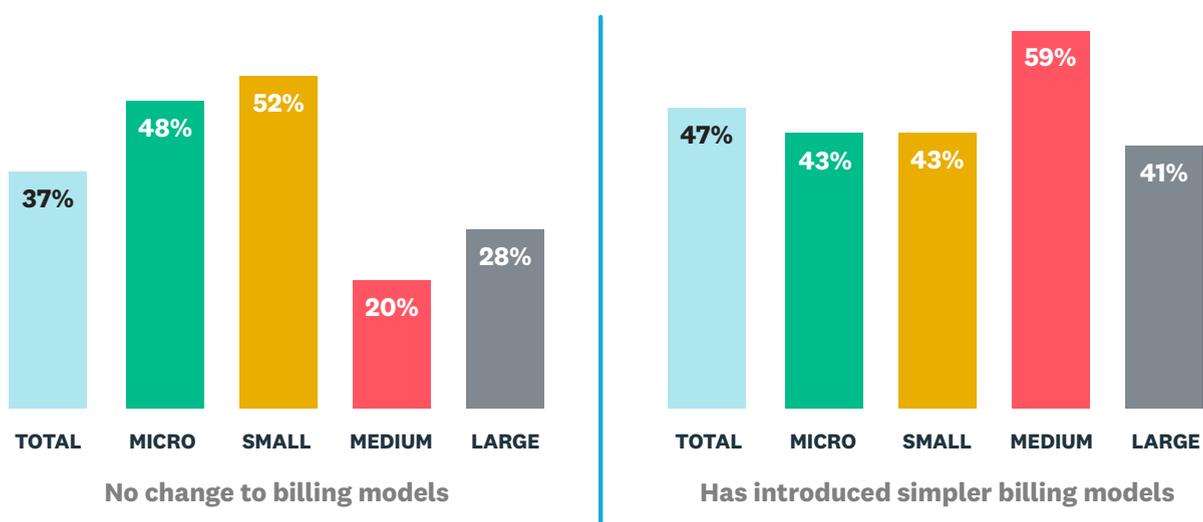


## 3.4 Billing models

Of those using cloud-based software, 47% of all practices have introduced simpler billing models since adopting or switching to cloud software.

Medium practices in particular have embraced this change with 59% having introduced simpler billing models. By contrast, micro and small practices are slower to adopt such changes and more reported no change to the way in which they bill clients (48% and 52% respectively).

Please select which of the following statements best applies to you and your practice, since using cloud-based software?



There is a relatively equal spread of different billing approaches across practices which may indicate a bespoke approach in how practices charge. Practices tailor their billing to client needs, and the type of services they may be providing them. We believe there is opportunity to further streamline the billing models practices have in place to help with greater consistency across their client base.

What percentage of your practice’s clients do you bill in the following ways?  
Average

|                                      | Total | Micro | Small | Medium | Large |
|--------------------------------------|-------|-------|-------|--------|-------|
| Fixed amount per piece of work       | 36%   | 32%   | 34%   | 41%    | 38%   |
| Billed for number of hours           | 35%   | 33%   | 36%   | 35%    | 38%   |
| Fixed fee monthly/quarterly/annually | 38%   | 31%   | 48%   | 36%    | 39%   |

# 3.5 Practice management

The majority of practices have reported seamlessly integrating cloud practice management software.

For those practices with cloud practice management software, the majority (60%) have successfully integrated it with their existing accountancy software. Medium and large practices are more likely to have seamlessly integrated their practice management software than micro and small practices.

## Is the practice management software your practice uses integrated with the accountancy software your practice uses?

|                                | Total | Micro | *Small | Medium | Large |
|--------------------------------|-------|-------|--------|--------|-------|
| Yes, seamlessly and completely | 60%   | 44%   | 50%    | 69%    | 70%   |
| Yes, but it's a bit clunky     | 30%   | 29%   | 38%    | 28%    | 27%   |
| No                             | 7%    | 23%   | 4%     | 0%     | 2%    |
| Don't know                     | 4%    | 5%    | 8%     | 2%     | 1%    |

\*Lower base size (n=26)

Those who say their practice management is integrated seamlessly and completely were more likely to also report an increase in revenue and profit over the past 12 months compared to those with clunky or no integration.



## Thinking about the past 12 months, how has your practice's revenue / profit changed?



### Spotlight on Xero

**47%** of Xero Practice Manager users report a greater quality of work as compared to **39%** of non-Xero cloud users

“The direct benefit of cloud has been in the visible collaboration with clients, in particular bookkeeping and related services. In reality this was perhaps the ‘easiest’ part to leverage as it has been an area both ripe for disruption and brought immediate benefits to both practice and client.

What we are seeing now is the next phase which is on the broader practice benefits. Specifically through practice management software and the integrations and possibilities to develop ways of working.

With more clients on cloud based systems, the throughput of data and the ability to control and manage the available staff resource is now more possible and meaningful. The greater the level of integration, where possible, the more this should continue to bring direct benefit to the quality, consistency and volume of client work.”



**Richard Sargeant**  
Managing Director,  
Principle Point

# 3.6 Practice efficiency

The benefits of using cloud software are reported as helping with the day-to-day running of practices.

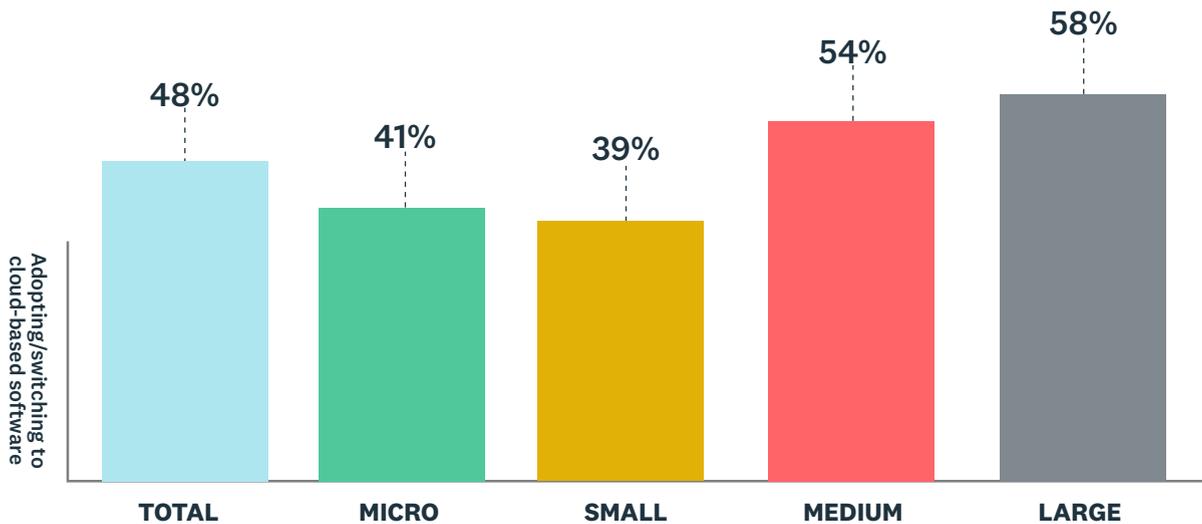
Cloud usage is helping to drive up efficiencies within many practices, with 52% of practices claiming that they have saved time on manual daily tasks since adopting cloud-based software. Medium (49%) and large (52%) practices also find they have more time to spend on billable tasks.

Please select which of the following statements best applies to you and your practice, since using cloud-based software?

|   | Total | Micro | Small | Medium | Large |
|---|-------|-------|-------|--------|-------|
| I have saved time on manual daily tasks               | 52%   | 51%   | 57%   | 53%    | 48%   |
| My practice has more time to spend on billable tasks  | 44%   | 38%   | 37%   | 49%    | 52%   |
| My practice has more time to focus on practice growth | 52%   | 36%   | 52%   | 57%    | 61%   |

Not only this, almost half of all practices, at 48%, explicitly attribute adopting or switching to cloud-based software as a reason that has helped increase practice efficiency.

What has helped to increase practice efficiency within your practice, if anything? (Those that have experienced practice efficiency)



## Spotlight on Xero

**67%** of Integrated Xero users report that they save time on manual daily tasks versus **49%** of non-Xero cloud users

# Section 4: Optimising Cloud Usage

## 4.1 Maximising tools

**There is opportunity for practices to use more of the tools that cloud-based software has to offer.**

There are specific tools within cloud-based software that may help accountants, bookkeepers and practices. These tools are connecting bank feeds, data capture tools and payment tools (e.g. GoCardless, Stripe). However, based on our survey, these are not being used as often as they could be. On average, practices have connected bank feeds for only 37% of clients, use data capture tools for 31%, and use payment tools for only 30%. This is consistent across practice size, although micro practices are slightly less likely to use data capture and payment tools.

**The following are specific features of cloud accounting software.  
What percentage of your practice's clients do you use these specific  
features of cloud accounting software for?**  
Average

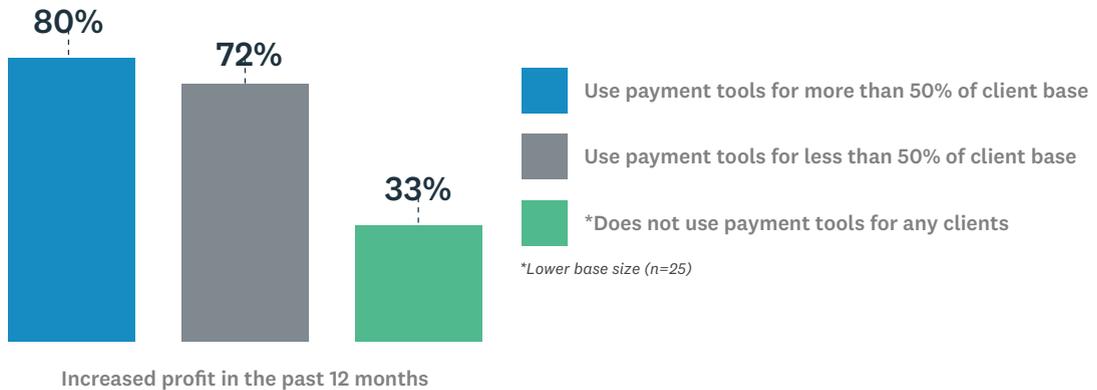
|   | Total | Micro | * Small | Medium | Large |
|---|-------|-------|---------|--------|-------|
| Connecting bank feeds                         | 37%   | 38%   | 46%     | 34%    | 33%   |
| Using data capture tools                      | 31%   | 26%   | 36%     | 34%    | 30%   |
| Payment tools (e.g. GoCardless, Stripe)       | 30%   | 20%   | 32%     | 34%    | 32%   |
| Proportion that use at least one of the above | 73%   | 58%   | 69%     | 80%    | 84%   |

\*Lower base size (n=24)



Practices that are using payment tools for at least half of their client base, were more likely to also report increases in profit versus those that do not.

### Thinking about the past 12 months, how has your practice's profit changed?



**“**The fact that so few practices are using some of the additional tools and services related to their ledger software shows that the journey that many practices are on is far from complete.

*Bank feeds stands out in particular, as the cost is perhaps minimal compared to the direct benefit of reconciliation. And although there are good reasons why it may be impractical for some, this is an area where it could be more of a default rather than optional addition.*

*So while we should recognise that practices are evolving and enjoying more of the benefits of cloud, much of this is still to be tapped into while working processes themselves haven't changed.* **”**



**Richard Sargeant**  
Managing Director,  
Principle Point

# Conclusion

It's been a good year, our industry has seen growth across the board - there's been an uplift in revenue, client numbers, and profit for practices of all sizes. We've also seen a lot of change over the past 12 months, with practices increasing the types of services they offer, and changing how clients are billed.

The use of cloud-based software has supported this growth; many practices attribute their commercial success over the past 12 months to adopting or switching to cloud-based software. Additionally, practices who use cloud-based software for more than one task were more likely to report profit and revenue increases in the same period. Practices also report including improved staff satisfaction, ability to better service their clients, provide a higher quality of work, and have a better understanding of client needs.

Those who use Xero for at least one task report more time to focus on practice growth. Those that use Xero's end-to-end integrated system report saving more time on manual tasks and experience higher job satisfaction than cloud users who do not use Xero.

*I think that cloud-based accounting in general, any cloud accounting software has saved mass amounts of time. But I think Xero has something more unique. It has an all-in-one solution that to me is most important.*

**Valerie Hall** Rural Accounting

*Being a business advisor is not going to be achievable for most because they are trying to build a consulting model and deliver it at a fraction of the price. There is, however, space for brilliant financial control, doing the numbers to a very high standard so businesses can start to make informed decisions around that. And I think that's teachable and it's more within reach. You can generate real value from it. But interestingly you can start to get different people to deliver that kind of work, especially if you have taken the time to invest in the processes. You can bring new skills to the table, people from different backgrounds at a time when everyone is struggling to find talent.*



**Jonathan Gaunt**  
Director FD Works

# Methodology

## Quantitative Survey and Sample Specifications

**We spoke to** 614 accountants and bookkeepers in practice across the UK.

Accountants and bookkeepers were defined as individuals working in

Accounting/Bookkeeping/Tax/Financial services and identified their role as any of the following:

| Job Role                                      | N   | Weighted % |
|---|-----|------------|
| Accountant                                    | 220 | 40%        |
| Qualified Accountant/CPA/Chartered Accountant | 206 | 32%        |
| Virtual CFO/Financial Advisor/CFA             | 74  | 8%         |
| Outsourced/Independent Bookkeeper             | 40  | 7%         |
| Payroll specialist                            | 24  | 6%         |
| Tax compliance manager/Tax advisor            | 22  | 4%         |
| Business Consultant                           | 22  | 3%         |
| Enrolled Agent                                | 6   | 1%         |

We have gathered feedback from a mixture of job roles and individuals with various decision-making responsibilities. The majority being either the sole decision maker (36%) or one of the key decision makers (39%) in their practice.

**Fieldwork** was conducted via an online survey between 20 May - 12 June 2023. Participants were recruited via independent online panels.

**Weighting:** The sample within this report has been weighted so that all practice sizes have equal representation. For reporting purposes, practices with 1-10 employees have been grouped into the 'Micro Practice' category to ensure maximum robustness

| Practice size  | Unweighted base N= | Segment weighting | Margin of error at 95% CI |
|--|--------------------|-------------------|---------------------------|
| Micro practices (1 - 10 employees, including sole practitioners) | N=101              | 25%               | +/- 10%                   |
| Small practices (11 - 20 employees)                              | N=48               | 25%               | +/- 14.5%                 |
| Medium practices (21 - 50 employees)                             | N=114              | 25%               | +/- 9.5%                  |
| Large practices (more than 51+ employees)                        | N=351              | 25%               | +/- 5.5%                  |
| <b>TOTAL</b>   | <b>614</b>         | <b>100%</b>       |                           |



### **Join the Xero partner programme.**

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