Modern Practice Playbook

BUILDING FUTURE-READY PRACTICES, TODAY

UK 2026

About this report

Cutting through the noise, Modern Practice Playbook is here to guide the UK's accountants and bookkeepers on building agile, intentional firms.

ABOUT THIS REPORT

Against the backdrop of rapid industry change, this research-informed playbook unpacks what it means to be a modern practice. Organised across four key chapters – starting with firm structure, through to redesigning workflows with AI, expanding service offerings, and pricing for outcomes over hours – it reveals what top-performing firms are doing differently, and the direction they're pointing the profession.

Commissioned by Xero, Modern Practice Playbook draws on survey responses from 520 independent senior accountants and bookkeepers throughout the UK. Behind every stat is a story – and a lesson worth learning. In order to offer deeper guidance beyond benchmarking, we spoke with practice leaders, national industry bodies, and Xero experts to uncover their tips on everything from building smarter workflows to charging what you're worth.

SURVEY SAMPLE

The survey sample was designed to reflect the market, with responses primarily sourced from third-party panels in addition to the Xero customer database. The data has been weighted to ensure equal representations of firm sizes.

BENCHMARKING

Learning from top-performing practices isn't just about chasing higher figures – it's about understanding the blueprint for success. Throughout this report, 'top performers' are employing firms (two or more full-time employees) with a net profit margin of 41% or above, representing approximately the top quarter of the UK's employing practices. Where their results diverge meaningfully from the average (10+ percentage points), we use the top performer lens to show what's possible.

Sole practitioners are excluded from this group, as their lower overheads structurally inflate net profit margins. References to 'All-UK average' include sole traders as part of the full sample.

Grouping	Employee count
Solo	0-1 (i.e. themselves)
Small	2-10
Medium	11-50
Large	51+

Firm size: because a solo operator and a 50-person firm don't face the same challenges, elements of the data are also cut by firm size across the full sample.

Profession: where relevant, we split results by accountants and bookkeepers. Worth keeping in mind: bookkeeping practices in this sample tend to be smaller firms, so some differences may reflect size rather than (or as well as) profession. We've flagged this where it applies.

Combined, these views capture the full scope of what it means to be a modern practice today.

Survey quotes: to bring the data to life, we've included anonymous quotes from our survey participants.

Multi-response questions: where respondents could choose more than one answer, percentages will add up to over 100%.

AI time and money savings: figures are self-reported estimates, calculated using the mid-point of banded survey responses. GBP figures are the reported weekly average annualised. See appendix for the full calculation.

DEFINITIONS

'Advisory' tends to be open to wide-ranging interpretations. For consistency, this term – along with 'higher-value work'– refers to value-added services beyond day-to-day compliance and financial management throughout this report. Whether billed for or not, this includes focus areas such as strategic planning, tax and wealth advisory, and business growth support.

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

Contents

Foreword by Kate Hayward 4

Highlights: The anatomy of a modern practice 5

CHAPTER ONE

The modern practice model 7
Built for success: the structural choices that set top performers apart
Key learnings: what the data tells us about laying the right foundations 8
Case studies: meet the modern practices charting their own course 12

CHAPTER TWO

The AI advantage 15
Where AI drives the biggest efficiency gains – and what practices do with the time
Key learnings: what the numbers uncover about using AI with intention 16
Case studies: the accountants automating their way to more meaningful work 23

CHAPTER THREE

Service portfolio optimisation 25
Value-added services: where the profit lives and how to get started
Key learnings: what the data reveals about the advisory opportunity 26
Case study: the firm that made advisory the baseline 29

CHAPTER FOUR

Evolving your pricing approach 30
How UK practices price today – and what it takes to charge with confidence
Expert tips: The Institute of Certified Bookkeepers' guide to pricing for value 31

Where to from here 35
Your checklist for building a modern practice, today

Appendix 36

FOREWORD

The UK's accounting and bookkeeping industries are at an inflection point – but it's you who will get to determine the course for what's next.

Kate Hayward,
UK Managing Director

Right now, I think two feelings are sitting side by side across UK accountants and bookkeepers. Some of you are overwhelmed by AI and other industry developments. Some of you can't wait to get started. Both are completely fine. The move to cloud wasn't instant either, and for many, it took real time to adapt and explore what was possible. But for the practices that put in the effort, it delivered results. Now, we're doing it again, with AI.

I'm an accountant by trade, not an engineer, so I've spent the past year doing what I imagine many of you have: learning as I go, leaning on the people who understand this technology best, and trying to work out what it actually means for a practice like yours. This playbook surfaces those insights in a practical way.

Across four chapters, we want to show you what the UK's top performing practices are doing to structure winning firms, integrate AI, refine service portfolios, and evolve their pricing. We've combined hard data with real stories from firms leading the way, alongside guidance from industry bodies and our own experts at Xero. Data tells you where the profession stands today. The people in these pages show you what's possible next. That's why we've called this a playbook, not a report – it's built to be used, not just read.

With **just 5% of UK firms expecting AI to reduce headcount in the next year**, the data tells a more nuanced story than many headlines suggest. The real opportunity isn't what it can replace – it's what's made possible: freeing up capacity for the work only you can do. The practices pulling ahead are embracing the benefits of AI. They've rebuilt or tweaked their workflows around it, and redirected the time it gives back into deeper advisory work, stronger client relationships, and the confidence to charge what that's worth.

There's no hype in here, and no scaremongering either – just evidence, and the people behind it. We want you to take what's relevant to your practice, and build from it.

Highlights: The anatomy of a modern practice

The UK's top-performing firms aren't stopping at just experimenting with AI and expanding into advisory. They're redesigning elements of their entire operations – from workflows, to service offering, and pricing – to unlock the full value of both.

HERE'S WHAT SETS THEM APART:

- **Clearly defining who they serve** – and designing their team staffing and structure around that client profile.
- **Embedding AI in the core parts of how they operate** – with nearly twice the financial return to show for it.
- **Channelling the time AI frees up into additional high value advisory work,** rather than letting efficiency gains disappear back into the day-to-day.
- **Shifting away from task-based fixed fee billing** in favour of tiered packages and value-based models.
- **Charging with confidence** – commanding a premium for the same services and planning bolder price rises.

THE PROFITABILITY GAP ISN'T EFFORT. IT'S ARCHITECTURE.

Much of practice structure is, by default, a function of size. Even so, top performers reveal deliberate patterns. They are:

2.1x more profitable than lower-margin firms

2x more likely to structure their team by defined client segments

2x more likely to run a predominantly senior practice than the UK average

1/2 as likely to let billable work go untracked

AI IS THE PRODUCTIVITY ENGINE SAVING TIME AND MONEY

Across all staff combined, the use of AI tools save UK firms almost **one working day** per week on average.

For top performers actively using AI in day-to-day workflows, those time savings increase:

All UK firms: 7.1 hrs per week	VS	Top performers: 10.6 hrs per week

When it comes to average monetary savings, top performers see almost double the yearly financial return:

All UK firms: £108,000 per year	VS	Top performers: £202,000

THE SAME XERO AI, BIGGER GAINS

Looking at Xero's AI capabilities specifically, while top performers and average firms are equally as likely to use these tools, top performers experience higher time and money savings:

All UK Xero firms: 5.5 hrs per week	VS	Xero top performers: 10.1 hrs per week
All UK Xero firms: £84,000 per year	VS	Xero top performers: £154,000

The same Xero AI tools, nearly **twice the return.**

AI IS EVOLVING JOBS

3 in 5

UK firms are directing those AI time savings towards supporting advisory and other high-value work – one of the clearest signs of where the profession is heading.

While only 5% expect AI to reduce headcount in the next year.

Revealing that leveraging AI isn't shrinking teams – it's freeing them up for higher-value work.

IT PAYS TO BILL FOR OUTCOMES OVER HOURS

UK practices bill an average of 73%

of client engagements on non-hourly terms.

2 in 5

firms using value-based pricing say it's made their practice more profitable.

The biggest opportunity is moving up the value ladder: from task-based fixed fees towards retainers, tiered packages, and value-based models.

ADVISORY IS WHERE FREED TIME BECOMES REVENUE

Advisory offers the highest profit margin of any service offered (at 50.6%).

Yet just over half of UK firms currently provide it, with **19%** citing capacity as a key barrier (a problem that AI is proven to help alleviate for all UK firms).

The question is: how to make sure those gains show up on the bottom line?

TOP PERFORMERS CHARGE MORE FOR THE SAME WORK

Top performers charge **over a third** more for payroll alone – and the premium holds across bookkeeping and financial reporting.

They're also more than **2x** as likely to plan a price rise above 20%.

'This is the joy of outcome-based pricing, not exchanging time for money. If AI halves my time, I'm not losing income – I'm gaining time for advisory.'

Rachel Harris, Director, striveX

YOUR PLAYBOOK STARTS HERE.

The modern practice model

CHAPTER ONE

Built for success: the structural choices that set top performers apart

Before layering in AI tools or expanding your service mix, you need the right foundations in place. While firm size shapes much of structure, no two practices are built the same. But within every size band, the UK's top performers pull ahead – and it comes down to deliberate choices: who to serve, how to build teams around them, which tools to use, and never letting billable work go untracked. With Making Tax Digital (MTD) for Income Tax impacting workload and capacity and client expectations shifting, getting the essentials right has never been more important. This chapter sets the scene for everything that follows, revealing how UK practices are structured today, what top performers do differently, and introducing the leaders building modern practices on their own terms.

'Having a tagline isn't enough – you need a strong purpose as a firm. It starts with knowing your why and building your strategic pillars from there. For us, everything we do has to fit into one or more of our pillars'

Jim Leeves, Co-Founder and Head of Numbers, Shapes

Key learnings: what the data tells us about laying the right foundations

Firm size plays a defining role in practice structure, influencing everything from staffing ratios to service mix. But the UK's most profitable practices share deliberate patterns regardless, and there's plenty to be learned from the choices behind them. Where relevant, we've cut the data by size – so you can take what's most applicable to your firm.

01 SIZE SHAPES STRUCTURE – DELIBERATE CHOICES SHAPE PROFITABILITY:

top performers are **2.1x** more profitable than lower-margin firms. What sets them apart is how efficiently they convert that revenue – through embedded AI, offering value-added services, and pricing with discipline.

02 DEFINE WHO YOU SERVE (AND WHO YOU DON'T):

top performers primarily serve medium-sized businesses and are less likely to serve a general client mix **(33% vs 44%)**. Being deliberate about your ideal client – their size, sector, and complexity – is the structural choice that shapes everything else.

03 BUILD YOUR TEAM AROUND WHO YOU SERVE:

top performers are twice as likely to organise around defined client segments **(31% vs 15%)**. If headcount allows, consider letting your ideal client profile shape how you structure your team and recruit talent.

04 DON'T LET BILLABLE WORK GO UNTRACKED:

top performers are half as likely to do so **(9% vs 21%)**. This isn't just about picking up potential profit, but recognising and placing value on your own work – clients can only do the same if you set the standard.

05 BUILD YOUR TECH STACK WITH INTENTION:

top performers are nearly **twice as likely** to run a five-to-eight tool stack. The most profitable firms treat technology as infrastructure – choosing tools deliberately rather than accumulating them.

'Everything has a playbook, everything has an operating procedure – nothing happens inside our business without someone writing it down at the same time.'

Rachel Harris, Director, striveX

Behind the scenes of modern practices

Before we dive into what sets top performers apart, it pays to set the scene. Here's how today's modern practices are shaped by size:

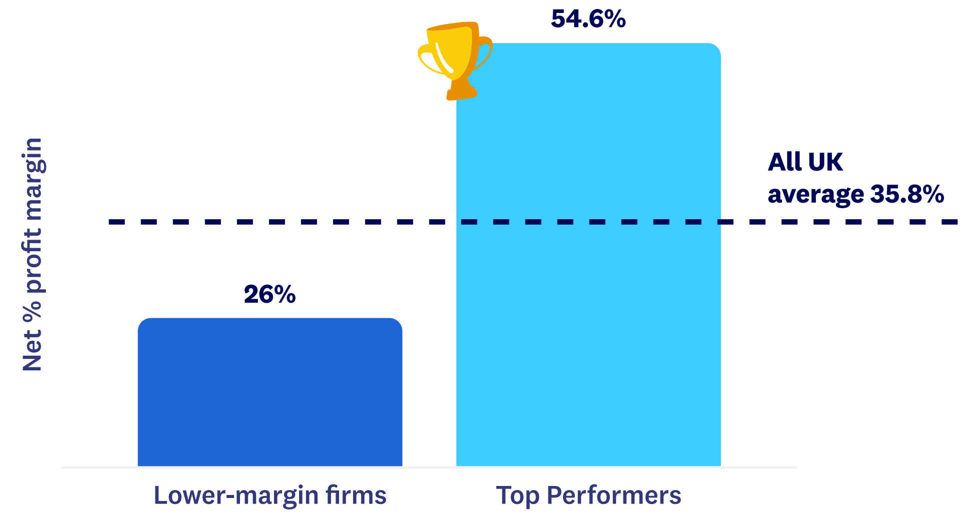
	Solo	Small	Medium	Large	Why it matters
Team structure					
Generalist team	-	44%	24%	22%	Small teams depend on generalists pitching in
Specialist roles by function	-	36%	66%	82%	Specialism climbs steeply with size
Client pods or squads (cross-functional teams built around defined client groups)	-	14%	24%	18%	Few firms harness client pods outside of top performers
Average partners/directors	0.8	1.5	3.2	9.4	Leadership thickens sharply with scale
Client focus					
Primarily serve medium or larger businesses	2%	22%	58%	73%	Big firms capture the big clients
Clients per full-time employee	47	35	29	11	Scale means depth over volume
Operations					
Run 2-4 software tools	46%	54%	63%	72%	Staffed firms get the benefit of broader toolkits
Run 5+ software tools	12%	27%	28%	23%	The sweet spot for top performers
Fully onshore delivery	84%	64%	45%	38%	Offshore talent is a mainstay for larger practices

Bookkeeper spotlight: 43% of bookkeepers surveyed are sole practitioners, compared to just 16% of accountants – making solo operations far more common in bookkeeping. Where accountant-led practices lean towards specialist team structures, bookkeeper-led practices are more often a one-person operation.

What sets top performers apart

DECODING THE PROFITABILITY GAP

Top-performing practices are **2.1x more profitable** than lower margin firms.



However, they aren't charging more per head, the revenue-per-employee gap between top performers and the average is minimal. What sets them apart is how efficiently they convert revenue into profit: deep AI use, a higher-margin service mix, and confident pricing. But none of this lands without the right foundations.

SPECIFICITY AND SENIORITY – TOP PERFORMERS DESIGN THEIR TEAMS DELIBERATELY

Client pods over generalists: **2x** more likely to structure teams around defined client segments **(31% vs 15%).**

Senior by design: **2x** more likely to run a predominantly senior practice **(14% vs 6%).**

Hybrid teams, higher-value work: **2x** more likely to mix onshore and offshore talent **(36% vs 17%).**

Top performers are less concerned with traditional team structures, and more likely to mould staff around specific client needs. Whether senior-heavy, offshore-assisted, or pod-based, the pattern is the same: a clear bias towards client-facing, high-value work.

TOP PERFORMERS FOCUS ON LARGER, MORE TARGETED CLIENTS

Bigger clients: more than **1.5x** as likely to primarily serve medium-sized businesses **(52% vs 30%).**

Defined over diverse: less likely to serve a broad client mix, choosing a focused set of clients instead **(33% vs 44%).**

Top performers know exactly who they serve. They're not afraid to be definitive – and the data suggests there's reward to be found in focusing on a smaller, more targeted pool of clients.

BILLING DISCIPLINE IS THE BASELINE FOR TOP PERFORMERS

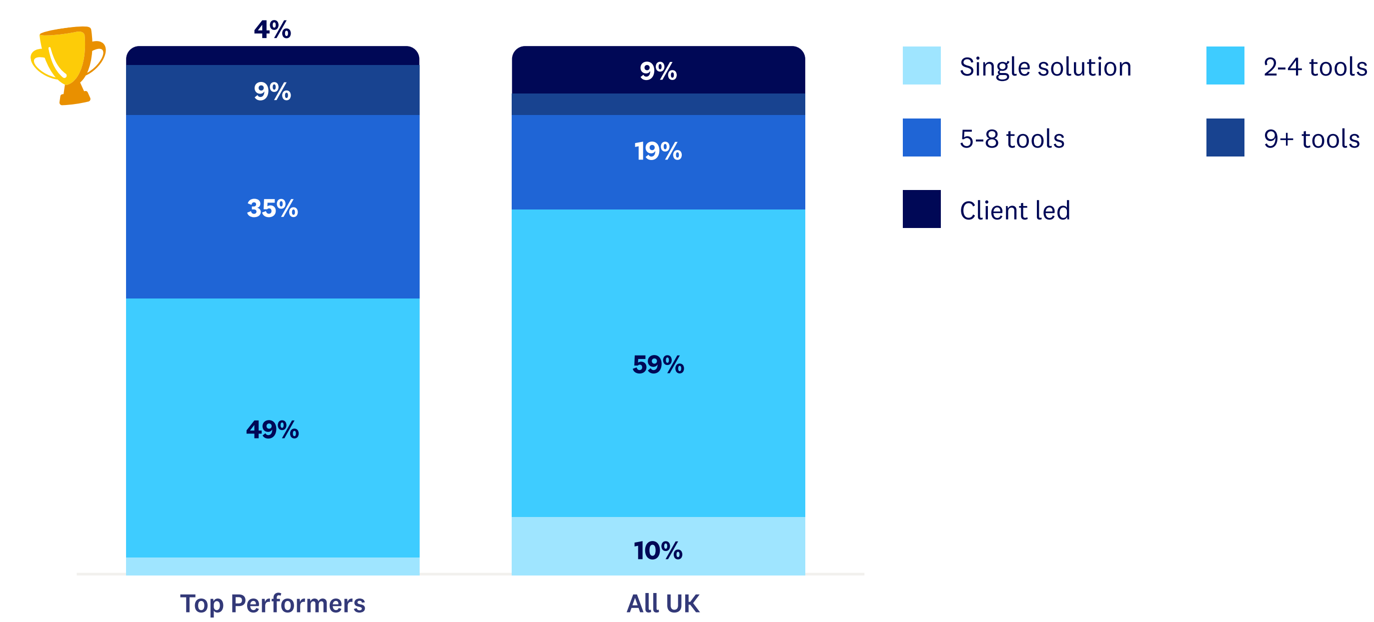
Billing discipline means ensuring every piece of work leaves your firm with a charge attached – clear scope agreements, fees that adjust when that scope expands, and no meaningful work delivered for free.

To measure this, we asked practices what percentage of their total billable hours are actually billed to clients in a typical month after write-offs and write-downs. Write-offs are common: firms routinely absorb overrun work rather than have a difficult conversation about fees, and the cost disappears into overhead. Every write-off is a missed opportunity for revenue, and top performers are measurably more disciplined about this:

Billing with discipline: top performers are half as likely to let billable work go untracked – and uncharged – than the average firm **(9% vs 21%).**

TOP PERFORMERS BUILD THEIR TECH STACK WITH INTENTION

A broader toolkit, built with intention: top performers are nearly twice as likely to run a five-to-eight tool stack **(35% vs 19%).**



This is a sign of a practice that has thought carefully about what technology each part of its operation needs to function at its best.

Your strategy for building a modern practice

XERO EXPERT INSIGHT

Angad Soin
Global Chief Strategy Officer

The data in this chapter reveals the structural building blocks behind the UK's leading firms. But structure alone isn't enough to build a modern practice – it needs to serve a clearly defined strategy. Put simply, strategy is about purposeful decision-making. But in order to make strategic choices, you need to know what your endgame is, and how to realise success along the way – whatever it means to you.

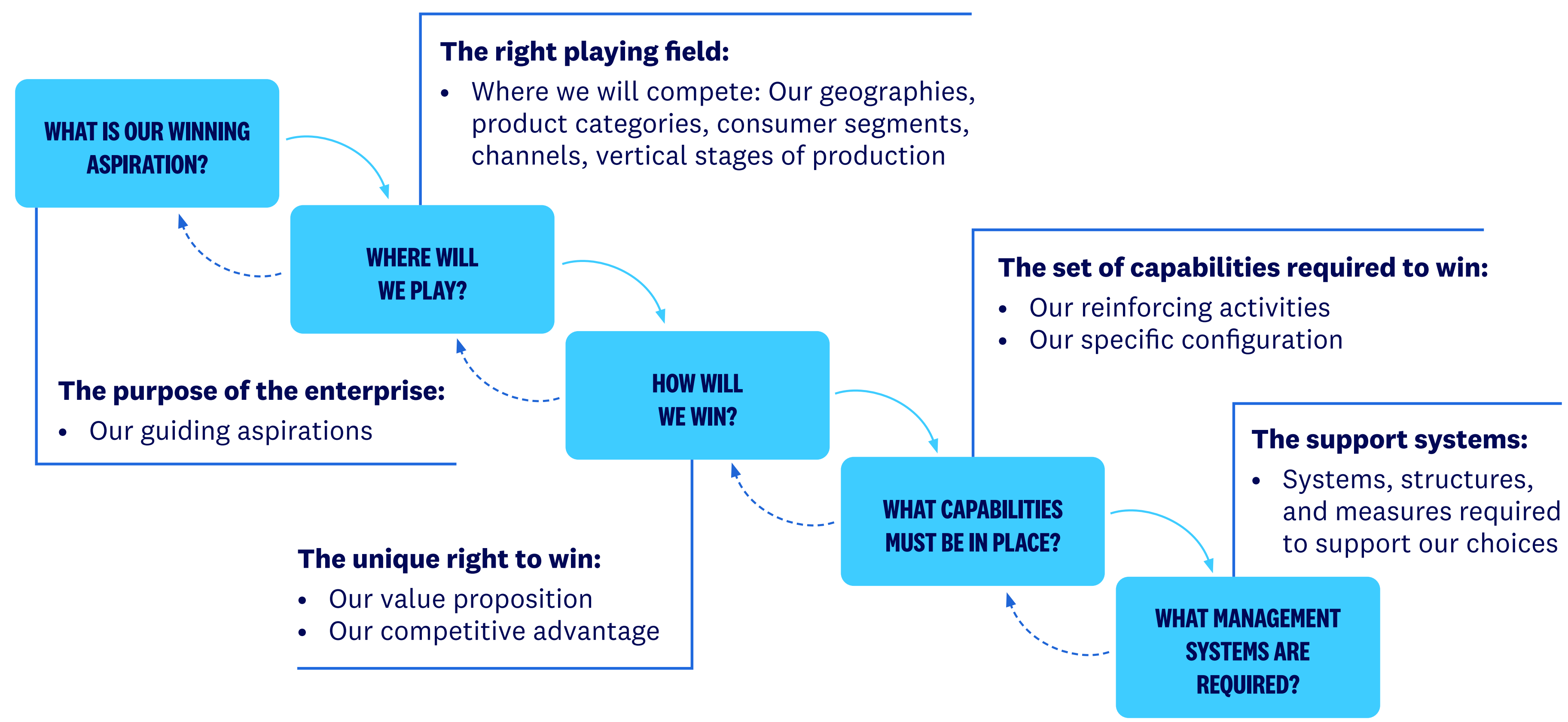
The framework below, adapted from Roger Martin and Alan G. Lafley's Playing to Win, is a useful lens for any practice leader thinking about where they're headed.

Reconnect with your practice ambitions by asking yourself:

- What does 'winning' actually mean for your practice? Depending on your goals, this could be anything from successfully expanding your advisory offering, to scaling a firm with genuine enterprise value you can one day sell.
- Does this aspiration provide a clear, inspiring direction that guides all other decisions?
- Where are you not going to play? Focus is essential – do you ever say no?
- What would make a client choose you over another practice down the road?
- The golden question: what would need to be true for these choices to be a winning strategy?

What makes a winning strategy?

An integrated cascade of choices, and reinforcing those choices



Source: Roger Martin and Alan G. Lafley. (2013). Playing to Win.

Case studies: meet the modern practices charting their own course

Meet Rachel, Andy and Rob – three leaders building modern practices their way. Get to know them here, then follow their stories throughout the playbook, where you'll find deeper insights, practical tips, and real-world outcomes.

'Five years ago we were on a dining room table and now we're a multi-million pound firm.'

Rachel Harris, striveX

LOCATION(S): Oxford & Manchester **TEAM MEMBERS:** 25
FOUNDED: 2020 **WHERE YOU'LL MEET RACHEL AGAIN:** The AI advantage chapter

Partners in life and work, accountants Rachel and James Harris started striveX from their Oxfordshire apartment. Their first hire joined James at the dining room table, while Rachel upgraded to the relative luxury of the upstairs study. From those humble beginnings, their team now spans two offices. Built without outsourcing a single role, this modern practice is powered by clearly defined values, systems, and AI processes.

Rachel describes striveX as a 'franchise on the inside': 'Everything has a playbook, everything has an operating procedure. Nothing happens inside our business without someone writing it down at the same time.' That discipline is also what's made it possible to build Accountant_She, her education platform and personal brand, alongside the firm (discover how Rachel has tripled her earning potential in our AI Advantage chapter).

BUILT ON VALUES, PRICED ON OUTCOMES

Xero sits at the centre of striveX operations, and Rachel's philosophy is simple: get the most out of what's already there before reaching for anything new. Tracking categories for every team member means a single P&L can show individual revenue breakdowns, with Syft Analytics sending clients monthly automated management reports – just another reason why 94% of accountants and bookkeepers agree client advice is more accurate because of Xero's real-time data.*

Underpinning everything are striveX's five core values that both team members and clients sign up to. Principles like 'ask more questions than you answer' guide every hiring decision and client relationship. While not a traditional sector niche, Rachel's approach mirrors that of the top performers in this report: a focused, deliberate client base. When clients share your values, the work is more consistent, more targeted, and the confidence to price accordingly follows.

She explains: 'This is the joy of outcome-based pricing, not exchanging time for money. If AI halves my time, I'm not losing income – I'm gaining time for advisory.' Whatever creates the extra capacity, her philosophy stays the same: any margin gained is reinvested in the client relationship, not handed back as a discount. 'As accountants, if we save margin, our role is to give that margin back to the client in the form of better service – not to lower the price.' It's this principle – value delivered over hours logged, clearly communicated to clients – that underpins striveX's outcome-based pricing model.

RACHEL'S TIPS FOR BUILDING A MODERN PRACTICE:

1. **Mapping client journeys is your best diagnostic tool:** Rachel maps every client journey – from first enquiry to disengagement – documenting every piece of software, email template, workflow, and process they touch along the way. Once you have that map, you can cross-reference it against reviews and complaints to find exactly which corner of the racetrack clients are coming off. And if a client raises a concern, share the map with them directly. Working through it together turns a complaint into a conversation.

2. **Run your firm like a franchise:** nothing should happen inside your business without someone writing it down at the same time. That documentation becomes your onboarding guide, your quality control, and your continuity plan. Use AI to capture your own knowledge base continuously, so if you stepped away tomorrow, the firm keeps running. And as the next chapter shows, well-documented processes are the foundation for embedded AI use.

** Survey conducted by Xero of 392 accountants and bookkeepers in the UK using Xero, May 2024*

Andy Smith, Abbeygate Accountancy

LOCATION: Suffolk **TEAM MEMBERS:** 10 **FOUNDED:** 2013
WHERE YOU'LL MEET ANDY AGAIN: The service portfolio optimisation chapter

'A modern practice is proactive. You've got to be switched on to challenge your clients and actually help their business. That means tech, automating, forecasting, structure – the whole lot.'

Andy Smith hadn't experienced life in a practice before founding Abbeygate Accountancy. As finance director for a large motor group, he had one clear advantage: insider knowledge on what business owners genuinely need. Beyond tidy accounts and filed returns, Andy understood it's deep, considered advice – on everything from cash flow to future planning – that makes all the difference. Without the 'this is how it's always been done' blueprint, he built his firm on exactly that premise. That's not to say the road to success has always been smooth; far from it. Early mistakes – underpricing, over-servicing, and saying yes to everyone – pushed Andy into a deliberate reset in 2018 with one defining rule: Xero only. He explains: 'Xero is easier for business owners to work with. The tech roadmap is pointed in one direction and live, forward-looking data is where we want to be.'

TEAMS AND CLIENTS PROSPER IN PODS

Today, Abbeygate has 300+ clients and is growing at 40% year-on-year. But Andy is clear on their trajectory: 'Within that number, we carefully pick which clients we want to work with – it's selective growth.' Teams are structured as vertical pods, each with a client manager, accountant, offshore accountant, bookkeeper, and apprentice working together for a defined client group – a model that echoes the 31% of top performers using client pods or squads. And for Andy, the client benefit is equally obvious: 'I've found that clients much prefer to deal with one or two people, have consistency, and build proper relationships. There's better continuity, better internal comms, and no duplication.'

ANDY'S TIPS FOR BUILDING A MODERN PRACTICE:

1. **Consider constructing teams vertically:** client pods and squads focus on specific client segments rather than spreading staff across the wider client base. The result, Andy has found, is better continuity, stronger client relationships, and a clearer career pathway for junior staff who grow alongside their clients.

2. **Hire for character:** Andy uses personality profiling for both hiring and client service, matching teams to clients based on whether they want headline numbers or the full analytical picture. Instead of prioritising technical skills, consider whether staff are the best fit for delivering advice in the client's preferred style – this hinges on communication skills, empathy, and knowledge of a specific industry.

3. **Be selective about clients:** like the top performers in this report who are less likely to serve a broad client mix, Andy chooses his clients carefully. Focusing on a defined space, day-in, day-out, makes it easier to develop deep industry knowledge that makes your advisory richer and more valuable.

Rob Collings, Flexal

LOCATION: London **TEAM MEMBERS:** 6 **FOUNDED:** 2025
WHERE YOU'LL MEET ROB AGAIN: The AI advantage chapter

With Flexal, Rob and his co-founder Bahador Chizari built their entire operation around being AI-native from day one. Why? All so they could create a finance function for tech startups that's faster, sharper and more scalable than anything that existed before. As Rob explains, 'If we can automate it, we will'. But that isn't to say they're doing away with the human touch. If anything, it's the opposite – lengthy processes have been automated at every step of the way to enable a team of highly-skilled, rapid-moving, emotionally intelligent advisors. As a result, Rob has created a firm that is proudly AI-powered, human-led.

A MODEL THAT'S BUILT TO SCALE

Flexal is still young – made up of Rob, Bahador, and a small team of accountants and bookkeepers – but the model is built to scale (and already growing 15% month on month). A tight, focused team serving a defined niche means deeper relationships, more consistent work, and no energy wasted on the wrong business. It's an approach shared by top performers, who are twice as likely to structure their teams around defined segments rather than a general mix. Having spent years as a CFO inside tech startups, Rob doesn't just understand his clients' world – like Andy at Abbeygate, he's lived it. That first-hand experience is what lets Flexal offer something unique: a finance function that genuinely speaks the language of the businesses it serves.

For Flexal, Xero is the foundation everything else is built around – and what makes the firm's AI-powered approach possible. From onboarding to month-end close, every process flows through it. To see exactly how Rob has put Xero to work, head to the AI advantage chapter.

ROB'S TIPS FOR BUILDING A MODERN PRACTICE:

1. **Commit to your niche:** the deeper your understanding of a sector, the more distinctive your offer becomes. Rob serves tech startups because he's spent years inside them – which means he already knows the questions before they're asked. Choose a specialism you know well enough to turn the wrong work away with confidence.
2. **Start with structure, not scale:** before chasing growth, get clear on your model. Rob built Flexal knowing exactly who it would serve, how the team would work, and what the firm would (and wouldn't) take on. That clarity is what makes scaling possible.

'We want to move away from the tired concept that accounting is just about year-end accounts – we want to take on the whole finance function.'

The AI advantage

CHAPTER TWO

Where AI drives the biggest efficiency gains – and what practices do with the time

Amidst mounting industry pressures, AI promises to arm you with the most valuable asset of all: time. In this chapter, we go beyond adoption rates, uncovering where it's having the biggest impact, which tools are being harnessed, and the way modern practices are rethinking how (and who) they hire. Most importantly of all, our data reveals that effectiveness ultimately seems to hinge on one thing: knowing your processes. Of the practices actively using AI every day, nine in ten rate their core business processes as well-documented. That figure drops to just 18% among practices that aren't planning to use AI. This is critical to success because those top performers are saving almost half a working day more per week than average (and twice the monetary value). How? Because it allows them to understand where to more deeply embed AI into the right workflows – and how to deliberately redirect the time freed up towards higher-value services. While AI handles the routine, leading practices are investing in what can't be automated: deepening client relationships.

'Invest in automation now – not to replace staff, but to free them for high-value advisory work. The firms that thrive will be those who marry tech with human judgment.'

Practice leader, Large firm

Key learnings: what the numbers uncover about using AI with intention

The data is clear: AI is the productivity engine behind the most profitable firms in the country. But with experimentation now widespread, the gap between top performers and the rest begins with how deeply these tools are embedded into daily workflows – and the benefits extend well beyond time savings alone. Read on for the data, expert insights, and the firms showing what deeply embedded AI looks like in practice.

01 BEGIN BY EXPERIMENTING, AIM FOR EMBEDDING:

82% of UK firms have tried AI – but top performers are significantly more likely to have fully embedded it. The practices pulling ahead are the ones who have moved beyond light experimentation into active daily use. Adoption alone won't move the needle. Depth will.

02 MAP YOUR PROCESSES BEFORE REACHING FOR TOOLS:

87% of practices using AI every day rate their core processes as well-documented. AI only makes your practice run better if you can articulate what your team does.

03 START WITH THE SOFTWARE YOU ALREADY USE:

64% of firms use AI built into their accounting software. Integrated, in-platform tools are the lowest-friction starting point. For Xero users, that means the ease and security of AI that sits directly within their bookkeeping and accounting workflows. Inside Xero, JAX is your AI finance partner, delivering actionable insights and automating routine financial work – with transparency, traceability, and human oversight built in.

04 TRACK TIME SAVED (AND WHERE IT GOES):

without a plan, AI efficiency gains risk getting absorbed by low-value tasks. **3 in 5 (61%)** UK firms intend to redirect freed capacity towards advisory and higher-value work. Decide where the hours will go – and plan accordingly.

05 GIVE YOUR TEAM TIME TO EXPLORE:

over half (51%) of UK firms say self-led experimentation during work time is the most effective route to AI capability. Create the conditions for your team to learn.

06 HIRE FOR WHERE THE PROFESSION IS HEADING:

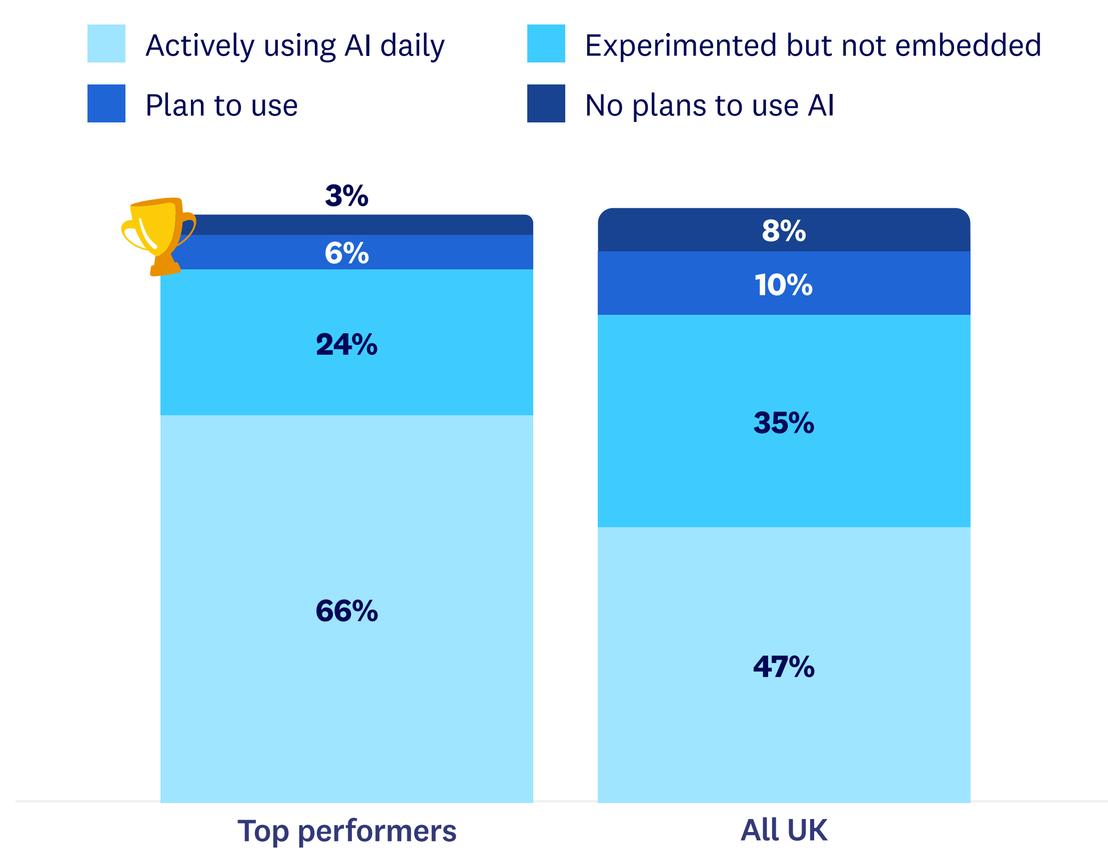
eight in ten top performers have already adapted how they hire as a result of AI, including shifting towards tech-fluency and recruiting non-traditional roles like data analysts.

Top performers are all in on AI. And it shows.

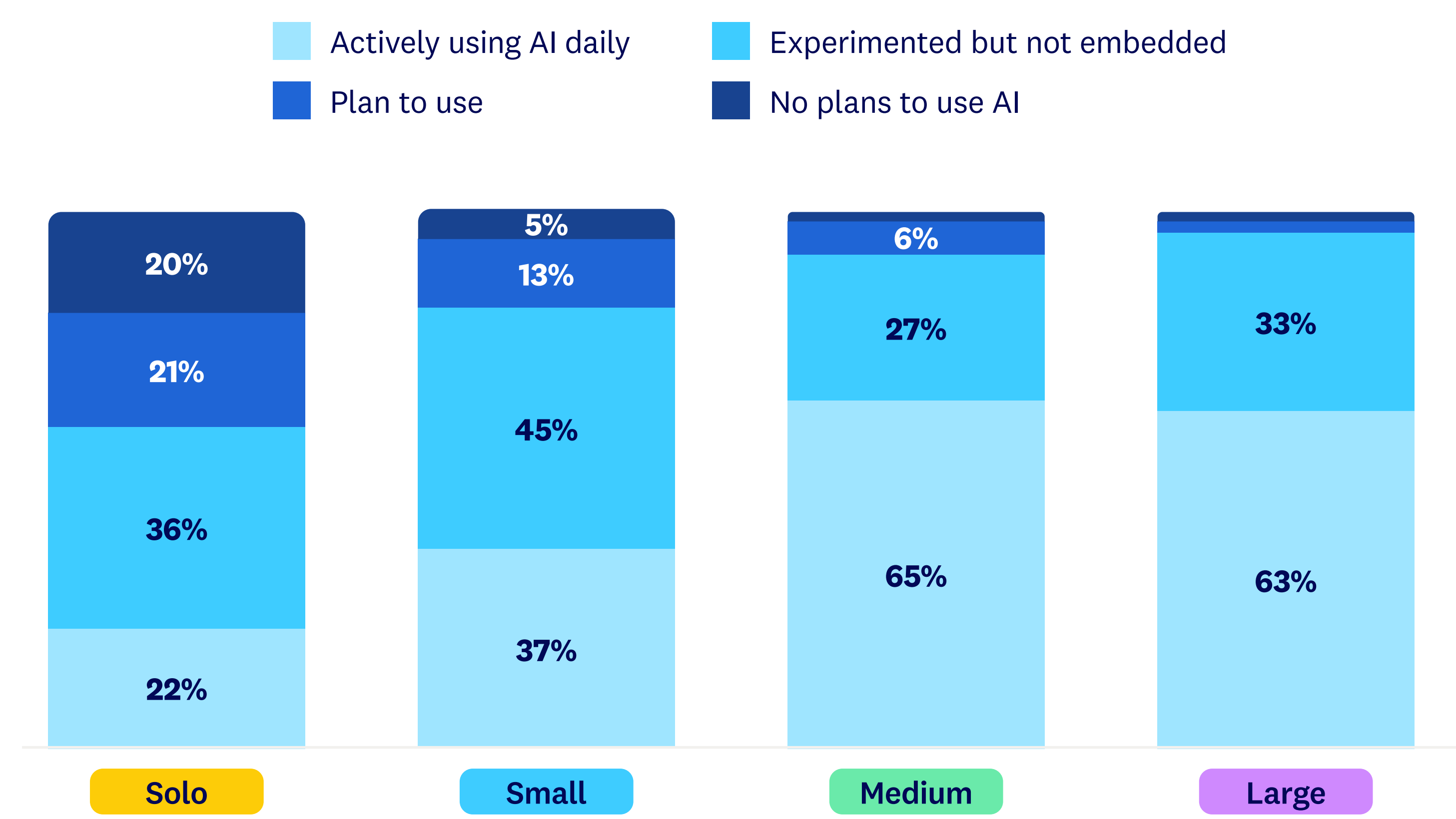
With **82%** of UK practices having at least experimented with AI, in today's environment, adoption rates only reveal so much. Light use is now the baseline – what separates top performers from the rest is how deeply the technology is embedded.

66% of top performers actively use AI in day to day workflows, compared to just 47% of all UK firms.

There's a tangible difference between reaching for a tool occasionally and building it into how your practice runs. Embedded AI shapes workflows, saves time at scale, and compounds in value the more consistently it's used.



THE BIGGER THE FIRM, THE DEEPER THE AI USE



It's a common assumption that smaller, nimbler firms move fastest. But when it comes to AI, size has its advantages – medium and larger practices lead the charge, with the workflow volume to make AI pay off quickly and the team at hand to embed it properly.

Bookkeeper spotlight: daily AI use among bookkeepers sits at 31%, compared to 52% for accountants. While these numbers also reflect firm size rather than appetite alone – sometimes starting small is all it takes.

Take inspiration from a modern practice starting small: Georgi Rollings of Starfish Accounting uses Vinyl – an AI note-taker built for accountants – for every client meeting. For example: After a follow-up with a construction client, she used Vinyl to retrieve the commitments she'd made, drafted her response with ChatGPT, added Xero help notes, and sent it their way – all within 15 minutes flat. Without AI, she estimates this would have taken around 1.5 hours.

'It's a small thing, right? But if you do that on every single client follow-up, it really adds up.'

Georgi Rollings, Co-CEO and Founder, Starfish Accounting

AI IS THE PRODUCTIVITY ENGINE SAVING FIRMS TIME AND MONEY

By automating tasks like bank reconciliation, invoicing, and data entry, practices are reclaiming hours in their day. But just how much time?

Across all staff combined, the use of AI tools save UK firms almost **one working day** per week on average.

For top performers actively using AI in day-to-day workflows, those time savings increase:

All UK firms:		Top performers:
7.1 hrs per week	VS	**10.6 hrs per week**

When it comes to average monetary savings, top performers see almost double the yearly financial return:

All UK firms:		Top performers:
£108,000 per year	VS	**£202,000 per year**

THE SAME XERO AI TOOLS, BIGGER GAINS

Looking at Xero's AI capabilities specifically, a similar pattern emerges.

While top performers and average firms are equally as likely to use Xero's AI tools, top performers experience significantly higher time and money savings:

All UK Xero firms:		Xero top performers:
5.5 hrs per week	VS	**10.1 hrs per week**
£84,000 per year	VS	**£154,000 per year**

All of which goes to show: the tools are already there. It's how you use them that counts.

The AI you need is already in your toolkit

UK PRACTICES ARE HARNESSING AI ACROSS A RANGE OF TOOLS:

64% use the AI tools built into their accounting software

57% use standalone tools like ChatGPT or Claude

54% use AI in productivity software

41% use accounting and bookkeeping-specific practice tools

Generative AI tools like ChatGPT, Gemini, and Claude are widely used for research, drafting, and content creation. Used on their own, these tools can save time, but they also introduce risk. The core issue isn't AI itself – it's where and how it's used. On their own, generic AI tools aren't trained on your firm's policies, your clients' data, or UK-specific accounting and tax rules. They don't understand professional judgement, ethical obligations, or regulatory nuance.

AI should never replace professional judgement. Instead, it should support it; handling repetitive, rules-based tasks while humans retain oversight and decision-making.

Rather than relying on separate tools, firms need AI that sits directly within their bookkeeping and accounting workflow. This allows transparency, auditability, and human oversight to be built in. For Xero users, that means the ease and security of an AI-native financial operating system that unifies core financial operations – including accounting, payments, payroll, reporting, tax – and an ecosystem, into workflows orchestrated by JAX, with every action queued for your review.

That AI-native foundation works in three core ways: Connected tools that automate across an entire practice and work wherever they do; Collaboration that surfaces client insights before they ask; and Custom apps that turn expertise into a competitive advantage. Every one of them is built on Accountable Intelligence™ – Xero's commitment to AI that business can trust.

JAX is your AI finance partner in Xero, working across your clients and practice. It answers your questions, takes on routine work in the background, and surfaces what matters before you ask. Smart Document Capture and Auto Bank Reconciliation are JAX doing the work; chat and proactive insights are how it helps you see further. All of it is built on the philosophy of Accountable Intelligence™

ACCOUNTABLE INTELLIGENCE™

How trust shows up across JAX:

- **Full transparency.** JAX shows its reasoning at every step. Nothing moves without your approval.
- **Reliable answers.** JAX Assure ensures every answer is reliable with built-in guardrails.
- **Enterprise-grade security.** SOC2/ISO certified. Data never trains third-party LLMs.
- **Trusted at scale.** 20 years of trusted small business data, built with you – now relied on by 2M+ businesses

XERO EXPERT INSIGHT

How you can do more with less using Xero's AI

Smart Document Capture: Smart Document Capture is Xero's built-in way to get cleaner data into the ledger from the start. It reads and extracts key information from receipts and documents automatically, so records can be created quickly without manual rekeying or switching between systems. That means healthier data from day one, less chasing and correction later, and more confidence in everything that follows.

Auto bank reconciliation: Auto bank reconciliation, powered by JAX, helps keep bank transactions and the ledger in sync with less manual effort. When Xero has a high degree of confidence, transactions are matched and reconciled automatically, while exceptions are surfaced for review. You can check the reasoning, correct anything that looks off, and review supporting documents, so visibility and control stay with you. The more it's used within your workflow, the more useful it becomes.

With a healthy foundation in place, JAX helps practices unlock capacity by taking on routine work and surfacing what needs attention. It goes beyond answering questions: JAX monitors signals across the workflow, highlights what matters, and helps teams focus their judgement where it adds the most value. It's designed to support professional oversight, not replace it, and is underpinned by Accountable Intelligence™.

Advanced reporting with Syft: Turn live Xero data into clear, valuable conversations with clients. Syft helps practices create polished reports, forecasts and visual insights that make business performance easier to understand and easier to act on. From tracking performance to planning ahead, it gives you the tools to deliver more confident, forward-looking guidance without building everything manually in spreadsheets.

'We only endorse products that we use ourselves so we've turned on auto bank rec for one of the bank accounts in our business and it just works. Now it works for one, we'll do it for another. Technology has got so much capability today. Sometimes that can feel overwhelming, but features like this give me time to do more impactful work, it's a no-brainer.'

Jo Wood, Co-founder, The 6 Figure Bookkeeper

ENABLING TEAMS TO DO MORE WITH LESS

Already, 30% of UK practices say AI has significantly allowed them to maintain or grow output with their existing teams – among top performers, that rises to 45%.

In a profession already stretched thin by talent gaps, rising workloads, and recent regulatory changes like MTD for IT, freed capacity is the most valuable resource there is.

BEYOND EFFICIENCY, AI IS BOOSTING CLIENT INSIGHTS AND EXPERIENCE

Improved efficiency and time savings tops the list of benefits UK practices report from AI **(51%)**. But the gains go further.

Enhanced client experience, including more proactive advice and better communication, comes in at **39%**. Deeper insights from client data – better reporting and sharper analysis follows closely behind at **38%**.

Together, they point to something more significant than productivity gains alone: AI isn't just helping practices deliver faster, it's enabling them to do deeper, better work.

'The most important thing is to embrace automation and real-time insights while strengthening client relationships – firms that combine efficient tech with proactive, advisory-led support will stand out and stay relevant.'

Practice leader, Small firm

TIME SAVED IS ONLY VALUABLE IF YOU KNOW WHERE IT GOES

When we asked UK practices what they planned to do with the extra capacity AI gives them, three priorities emerged:

2 in 5 (40%)

Plan to advise clients on how to embed AI in their own businesses. Today's modern practices aren't just embracing AI themselves – they're bringing their clients on the journey too.

37%

Plan to invest the time in additional higher-value client work – turning time savings into practice revenue.

23%

Plan to give time back to staff or reduce working hours – using AI to build better-balanced working lives

Combined, 3 in 5

UK firms plan to redirect that time towards advisory and higher-value work – a strong signal of where the profession is heading.

'Using AI to increase efficiency allows more space for building human relationships, investing in staff wellbeing and providing flexible working.'

Practice leader, Medium firm

XERO EXPERT TIP

James Bergin
EGM Technology Research and Advocacy

ELEVATING YOUR AI USE

Avoid the 'productivity paradox,' where efficiency gains from AI are absorbed by low-value work. By knowing your key processes and knowing where the value is, you can deploy time saved to the right tasks to amplify your impact. Examine how the AI capability on offer might augment your ability to do more, do things differently, improve your methods, or remove something of lower value. For example, could you:

- Transform unstructured data into a more usable format to enhance your processes, OR
- Evolve a product or offering (for example, business plan creation) to deliver your specialist knowledge more efficiently at scale, OR
- Move to a different and more structured, scientific approach to experimentation – state a hypothesis, define a method, and gather data to prove or disprove it, OR
- Build quality control into your AI workflows – define standards for outputs, review processes, and checkpoints that ensure what leaves your firm is accurate and consistent.

AI IS POWERING THE SHIFT TO ADVISORY FOR THE UK'S ACCOUNTANTS

Ask most people where AI fits in an accounting practice, and they'll point to the back office: reconciliations, filings, data entry. The reality is more interesting.

The area where UK accountants are putting AI to work most is assisting and augmenting advisory and planning services – cash flow, forecasting, and structuring – at **51%**.

Bookkeeping and bank reconciliation **(49%)** and management reporting and KPI analysis **(45%)** follow close behind. But advisory leading the way tells its own story: the profession isn't just using AI to do the same work faster. Accountants are harnessing it to assist in doing more of the work that commands higher value (as explored in the following chapter).

Bookkeeper spotlight: For bookkeepers, AI adoption is firmly rooted in the day-to-day: bookkeeping and bank reconciliation leads at **46%**, followed by practice admin and workflow management (32%) and accounts receivable and accounts payable **(32%)**.

This is a picture of AI doing exactly what it should – streamlining the operational work that keeps practices running smoothly. Advisory and planning doesn't yet feature in bookkeepers' top uses of AI, revealing an area of opportunity to be explored.

AI IS EVOLVING JOBS

Just 5% of UK firms expect AI to reduce headcount in the next year.

Despite the alarmist headlines, AI is freeing people up to focus on the kind of higher-value work where a human touch makes all the difference.

The bigger shift is what this means for the work itself. AI lifts some of the administrative burden, giving practices the space to offer more meaningful roles to recruits and existing staff alike.

AI IS RESHAPING WHAT PRACTICES LOOK FOR IN A HIRE

AI is evolving the nature of the work and the skills practices prioritise are shifting in response, over **3 in 5 (63%) UK firms changing how they hire as a result – a number that jumps to 8 in ten for top performers.**

28% now prioritise soft skills and relationship management.

27% have shifted towards tech-fluency over traditional accounting skills.

While top performers are **2×** more likely than average **(34% vs 18%)** to be actively hiring non-traditional roles such as data analysts and tax technologists.

Bookkeeper spotlight: Half of bookkeepers (53%) say AI hasn't changed their hiring criteria, compared to just 32% of accountants. As the role continues to evolve, hiring criteria may need to follow.

THE FOUNDATION OF AI SUCCESS? KNOWING YOUR PROCESSES.

The practices actively using AI every day have one thing in common.

87% rate their core business processes as well-documented – a figure that drops to just 18% among practices with no plans to adopt AI.

'Instead of treating AI like an existing colleague that already has context about your firm, onboard it like a new hire: write down what you'd tell them on day one.'

Alexis Kingsbury, author of Accrual Intentions

XERO EXPERT TIP

James Bergin
EGM Technology Research and Advocacy

HOW TO EMBED AI INTO YOUR PRACTICE'S WORKFLOWS

AI can't help streamline your processes if you can't articulate what your team does day-to-day. Successful integration begins with mapping out your core processes to identify bottlenecks and spot where AI can have the most impact.

Try this prompt to kickstart your discovery process: 'You are an expert at business process modelling. Help me model out the core processes of my accounting [or bookkeeping] practice. Start with the functions that are common to most accounting practices and ask me questions about the steps that we take in our practice to do things differently. Use Event-Driven Process Chain (EPC) notation in your diagrams.'

Then, analyse the resulting process maps and ask questions to help identify where AI can bring the most value, for example:

- These ________ processes are the ones at the core of my business.
- My team spends ____% of their time on ____ activity.
- Our least efficient functions are ____ and ____.
- If I could save ____ minutes on the ____ function, that would improve things dramatically.
- Our highest volume, lowest cognitive load tasks are ____ and ____.

TWO OF THE BIGGEST BARRIERS TO AI? KNOW-HOW AND TIME.

While time is one of the biggest barriers holding practices back from AI, top performers are less likely to cite it as a concern – **20% vs 31%** across all UK practices.

Technical know-how **(30%)** is also acknowledged as a hurdle. The good news: freely available technical training online and in community groups are a strong place to start.

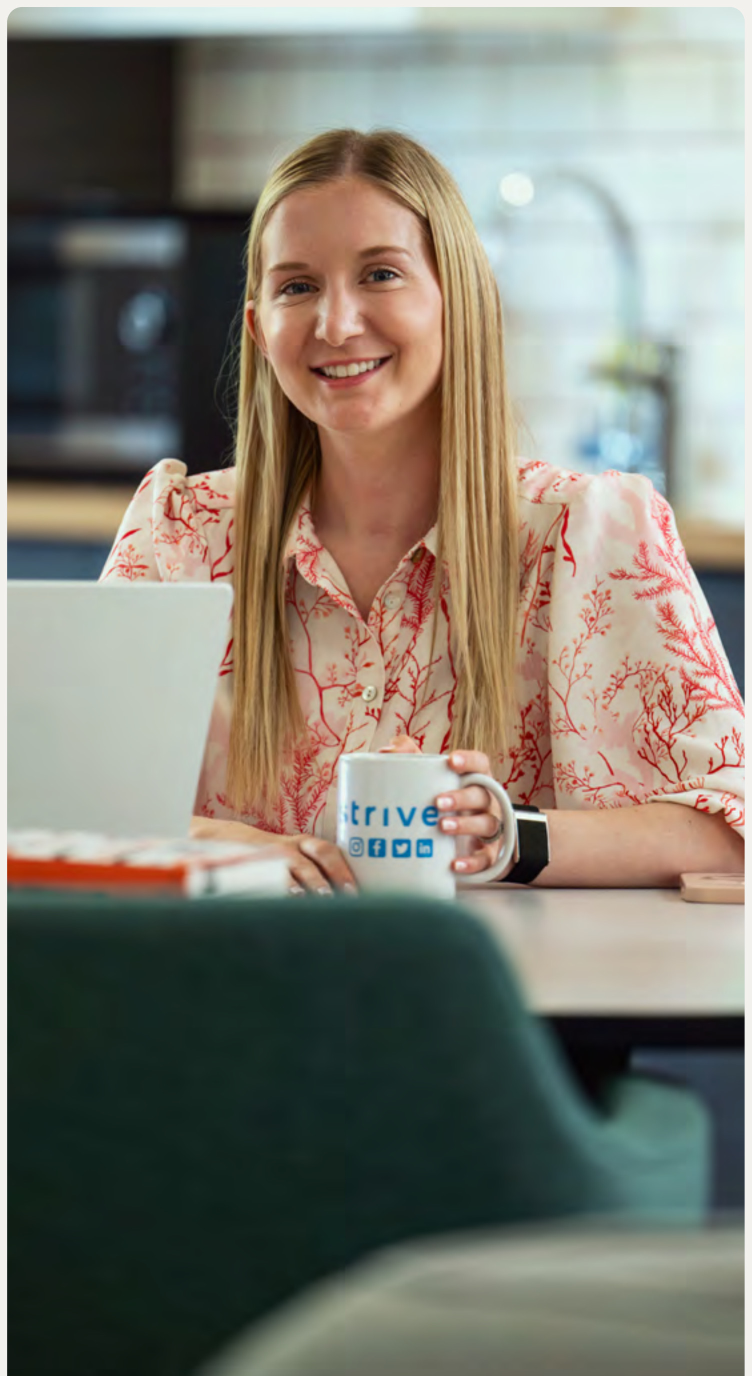
THE BEST WAY TO BUILD CAPABILITY: GIVE PEOPLE TIME TO EXPLORE

Making space for their team to learn is one of the highest-return investments a practice leader can make. When asked which training type best increases AI usage, they said:

51% self-led experimentation during work time	**40%** formal training courses
33% online self-study	**29%** peer-led coaching

The message for practice leaders: create protected time for your team to master these tools – not just a training budget.

Case studies: the accountants automating their way to more meaningful work



HOW STRIVEX TURNED AI EFFICIENCY INTO ADVISORY CAPACITY

When it came to scaling striveX, Rachel – an 'Accountancy Personality of the Year' winner – was never going to take the obvious route. Built from a dining room table into a multi-million pound, dual-office practice in just five years, the firm's growth engine is entirely systems and technology based. Rachel and James have driven every efficiency gain from within, calling on AI to free their growing team up for higher-value work. **'We're able to remain 100% UK-based by harnessing AI to make sure we're as efficient and optimised as possible.'** How? Through deeply embedded technology and a team disciplined enough to know when and how to reach for it.

STAYING COMPETITIVE WITHOUT COMPROMISE

While Rachel describes striveX as 'very tech-first', they're guided by a clear principle: fix the problem in your process before reaching for a technology solution. It's an approach that puts striveX firmly among the 87% of those who have actively embedded AI in day-to-day workflows who rate their core processes as well-documented. Avoiding what she calls 'shiny object syndrome', new tools are introduced in stages: founders test first, small groups of team members next, then full rollout. As a result, AI use follows clearly set guidelines and boundaries.

With compliance front of mind, Rachel's team primarily rely on the ease and security of AI that sits directly within their accounting software. Inside Xero, JAX acts as their AI finance partner, delivering insights and automating routine financial work – with transparency, traceability, and human oversight built in. In turn, gaining access to AI tools is opening up opportunities to more junior team members. For instance, rather than spending hours on manual research, one staff member used AI to identify sector-specific KPIs for a mobile plumbing client and was able to deliver sharper, faster insights.

Rachel's own AI use goes further still. Thanks to vibe coding – where you build apps by describing your vision to an AI coding assistant – she's created tools that would once have needed a specialist. A sentiment tool flags client 'grumbles' the moment a negative email arrives. Then there's 'Luke', an AI LinkedIn content agent that analyses past post performance and generates tailored prompts each morning (driving a roughly 20-times increase in LinkedIn engagement). And a Claude-powered launch assistant now guides every release for Accountant_She, Rachel's personal brand and education business.

REINVESTING THE TIME DIVIDEND

striveX operates on value-based pricing, which means time saved by AI isn't lost margin, it's reinvested in client value. 'If Xero releases a new AI feature that takes me half the time, I'm winning,' says Rachel. 'And I can say to the client: these new features mean I actually have more time to do better advisory. In the remaining two hours, would you like me to create a weekly scorecard?' That scorecard – a weekly KPI snapshot built in Xero and delivered via Syft Analytics – keeps clients accountable to their financial goals (complete with the occasional friendly nudge). For Rachel, AI's impact has been huge: 'I use AI every single day. It's made my earning potential go up three times just by removing the bottom chunk of work – helping me with feedback analysis, feedback loops, and making sure as much of the inside of my brain is documented as possible.'

RACHEL'S AI TIPS:

1. **Fix the process before you reach for the tool:** before adopting any new AI tool, audit what it's intended to improve. If something's broken, fix that first – software should make a good process faster, not disguise a broken one.

2. **Embed new tools methodically:** introduce new tools in stages – founder testing first, then small groups, then full rollout. Build in feedback loops so staff and clients can flag what isn't working before it becomes a problem.

3. **Make consent simple:** before introducing any AI tool, check whether clients have consented to their data being used by it. Give staff a clear framework for what can and can't be shared with third-party tools. Platform-native AI, like Xero, is a safe starting point.

The self-taught AI architect starting from Xero

When Rob set out to build Flexal, he had a precise vision: an accounting firm where every client gets proactive, high-quality advice from a human who genuinely understands them – backed by the vast knowledge of a custom-designed AI platform. Where instead of solely reflecting on past data, the practice predicts its clients' futures. The only question? How to build it.

Before Flexal existed, Rob spent years as a CFO knowing precisely which tools would transform his work. Two problems: the tools didn't exist, and he didn't have the skills to build them – by his own admission, his technical confidence sat at around 20%. Then, he discovered AI-assisted coding (vibe coding). Months of experimenting later, he'd built tools that he'd thought were well beyond his capabilities. As Rob puts it, 'For the first time, AI is allowing people who aren't technical to start to build their own things.' When no single product was enough to run a business on, the idea clicked: why not build the firm itself around those tools?

'The idea for starting an accounting firm that doesn't have a tech side to it – it's just a non-starter. We can build a very big, valuable firm because the whole thing operates from a tech layer.'

FROM INBOX TO VAT RETURN: AI AT EVERY STEP

The Flexal team is equal parts empathetic and tech-powered. It's not about replacing people with technology. It's about using automation to create capacity – removing the team's constraints so they can focus on client relationships. As Rob puts it, 'If we can automate something or make it better and faster because of AI, we'll go out of our way to do that rather than fall back on a slow manual process.'

Behind every automation is a deeply understood process. Like the top performers in this report, Rob knows his workflows inside out and won't automate what hasn't been mapped first. Take supplier queries: rather than landing in someone's inbox and waiting for a response, they now pass through an AI agent plugged into Xero and Claude. As Rob explains: 'It takes the email, figures out which supplier it is, identifies the invoice, sees if it's been paid, and drafts the reply.'

Xero's auto bank reconciliation (ABR), powered by JAX, automatically reconciles bank transactions where there is high confidence, matching and categorising them right in Xero. There are four methods used to reconcile a transaction: Rule, Match, Memory, and Prediction, and all four must clear the same high confidence bar before anything is auto-reconciled. Rob and his team then simply review the work – what was done and why – all in one place, saving hours compared to doing it manually.

Rob has built the whole firm to run from a single custom interface, replacing what would've otherwise been 'three spreadsheets, two screens, and multiple browser tabs.' All of which means less friction and more focus. The goal isn't a more efficient practice; it's an entirely new model. As Rob explains, 'If we couldn't do this stuff, Flexal wouldn't exist.'

ROB'S AI TIPS:

1. **Treat AI like Continuing Professional Development (CPD):** structure in time for your team to experiment and learn with AI. Scheduled time for experimentation is the preferred learning method for 51% of professionals – and one of the most effective ways to build confidence fast.

2. **Be persistent:** most people try AI, hit a stumbling block, get busy, and drift back to manual processes. The output likely won't always be exactly what you're looking for at first – iteration is as important as persistence. Keep it small and keep refining; a little experimentation every day puts you on the path to the kind of active, day-to-day use that distinguishes top performers.

3. **Know your processes before you automate them:** AI can only speed up what you've already understood. Before building any automation, map the workflow end to end – who does what, when, and why. Rob won't automate a process he hasn't fully mapped first, which is what makes his automations actually stick.

4. **Don't be afraid to build from scratch:** Rob didn't just adopt AI tools – he used them to build his own. Rather than stitching together multiple apps, he created a single custom interface for the whole firm. Even if you're not building software, the mindset matters: what would your ideal workflow look like if you designed it from scratch?

CHAPTER THREE

Service portfolio optimisation

Value-added services: where the profit lives and how to get started

Extra time is easily filled in a busy practice. But the time saved with AI carries a higher return when it's directed beyond the everyday, towards assisting and enhancing high-value advisory work. It's worth acknowledging that advisory is a term that can prove somewhat contentious. You may know it better as value-added services or non-recurring work: guidance offered beyond day-to-day compliance, like cash flow planning, supporting business decisions, and tax strategy. Whatever you call it, one thing remains clear: great advisory is a combination of hard-won expertise and reliable financial data. And both are already within reach. With AI reducing the administrative load and clients' financial data readily through the right tools, the conditions to formalise that work have never been better. While just over half of UK practices currently offer advisory, those that do, report it as their highest-margin service. Better yet, the benefits reach well beyond revenue to stronger client relationships and a more resilient business model. The pages that follow reveal which services modern UK practices are offering, where the margins live, and what's standing in the way.

'There's no manual for 'let's do advisory'. It gets talked about so confidently, but no one says what it actually means. For me, advisory is surfacing information to clients that they wouldn't otherwise see – helping them understand what their data is telling them, so we can then layer on higher-value services.'

Katy Priestley, Director of Accounting Services, Shapes

Key learnings: what the data reveals about the advisory opportunity

For the practices that have already made the shift into advisory services, the results speak for themselves: stronger margins, deeper client relationships, and a more resilient business model. As client needs grow more complex, the practices pulling ahead are those expanding beyond compliance into tailored, high-value services. These learnings reveal which services are proving most valuable, where the biggest opportunities lie, and what's holding some practices back. Keep reading to dive deeper into the numbers, hear from Xero's experts, and learn from a modern practice paving the way.

01 THE MARGIN CASE FOR ADVISORY IS CLEAR:

while just over half of UK practices currently offer advisory, those that do report it as their highest-margin service. At **50.6%** profit margin, it outperforms tax, bookkeeping and financial reporting. If you're yet to expand your offering, the numbers paint a compelling picture.

02 LOOK TO AI TO FREE UP CAPACITY FOR ADVISORY:

19% of non-advisory practices cite capacity as a barrier, yet nearly half of top performers say AI has helped them grow their output without extra hires. By automating compliance tasks with AI tools, like Xero's automated bank reconciliation, you can start redirecting that freed time to value-added services.

03 FORMALISE THE CONVERSATIONS YOU'RE ALREADY HAVING:

a third of practices haven't started offering advisory yet; but many are already giving guidance away for free. Start with one client, one conversation, and build from there.

04 CONSIDER TAX AND WEALTH ADVISORY AS A STARTING POINT:

half of advisory practices rank it their single most profitable offering. And as a natural extension of the compliance relationship, it's one of the most accessible entry points into advisory.

05 THERE'S OPPORTUNITY IN ESG:

just **16%** of practices offer environmental, social and governance (ESG) advisory – yet 42% of those who do rank it as their most profitable type. For practices with clients in relevant sectors, the opportunity is largely untapped.

06 USE CLIENT DATA TO OPEN THE ADVISORY CONVERSATION:

benchmarking tools like Syft Analytics let you compare a client's performance against industry peers and other clients, creating a natural opening for proactive advisory conversations.

07 THE SKILLS YOU NEED MAY ALREADY BE AT YOUR FINGERTIPS:

27% of non-advisory practices cite a lack of internal skills as a barrier – yet **nine in ten advisory** practices already use apps to support their work which promise to alleviate the knowledge gap, with Xero Analytics favoured by half. The tools to get started are likely already in your stack.

'We want to be seen as an integral part of our client's team. No business should run without an accountant – not just for year-end, but someone in their corner all the time.

Katy Priestley, Director of Accounting Services, Shapes

COMPLIANCE STILL DOMINATES – BUT ADVISORY IS WHERE THE PROFIT LIVES

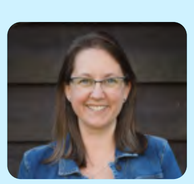
Look across the UK practice landscape and a familiar pattern emerges. Compliance remains the backbone; with bookkeeping, tax, financial reporting and payroll forming the core of the average service mix.

Service offered	% of all UK practices
Bookkeeping	78%
Tax services	74%
Financial reporting	69%
Payroll	67%
Making Tax Digital (VAT)	61%
Client advisory services	54%
Making Tax Digital (Income Tax)	54%
Assurance / audit	33%
Sustainability / ESG	18%

While advisory is offered by just over half (54%) of the country's firms, those who do consistently rank it as their most profitable service.

As client needs become more complex, the firms that adapt and offer tailored solutions are gaining a competitive edge – this gap is where the real opportunity lies.

Firm size spotlight: smaller practices lean towards bookkeeping and MTD compliance, while larger firms are more likely to offer advisory. But firm size doesn't dictate potential. The advisory opportunity exists at every level – and the practices capitalising on this are seeing strong returns.



'Our strategy isn't to be an AI-enabled firm that simply uses all the tools to do bookkeeping as quickly as possible. The really special stuff it enables us to do is over in the advisory space.'

Georgi Rollings, Starfish Accounting

THE MARGIN GAP IS HARD TO IGNORE

Advisory (50.6%) carries the highest profit margin of any service UK practices offer. Followed by:

Bookkeeping	Tax	Financial reporting
49.2%	**47.9%**	**46.3%**

If you're already offering bookkeeping, you have something most advisors have to build from scratch: an established client relationship and a window into their finances. While expanding into advisory is a shift in how you work – the foundation is already there. And with the highest profit margin of any service on offer, the case for making the move is compelling.

ADVISORY REVENUE IS ON THE RISE

41% who offer advisory report more revenue now than five years ago.

But with clients increasingly seeking specialists who understand their industry and can help them plan for what's ahead, this isn't just a revenue story.

THE TOOLS FOR ADVISORY ARE ALREADY IN REACH

Nine in ten practices offering advisory already use apps to support it – with the most common starting point being Excel **(66%)**. Xero Analytics is the second most popular at **48%**, meaning most Xero users already have what they need to start the advisory conversation.

Specialist platforms like Syft **(19%)** and Fathom **(22%)** are gaining momentum – purpose-built for practices that want to take advisory further.

'Their data in Xero is our clients' business – it's not for us to only let them see once a month. We do an education piece: help them understand what Xero is telling them, so they get comfortable with their numbers. Then they're more open to: let's do some cash flow, let's do management accounts.'

Katy Priestley, Director of Accounting Services, Shapes

XERO EXPERT INSIGHT

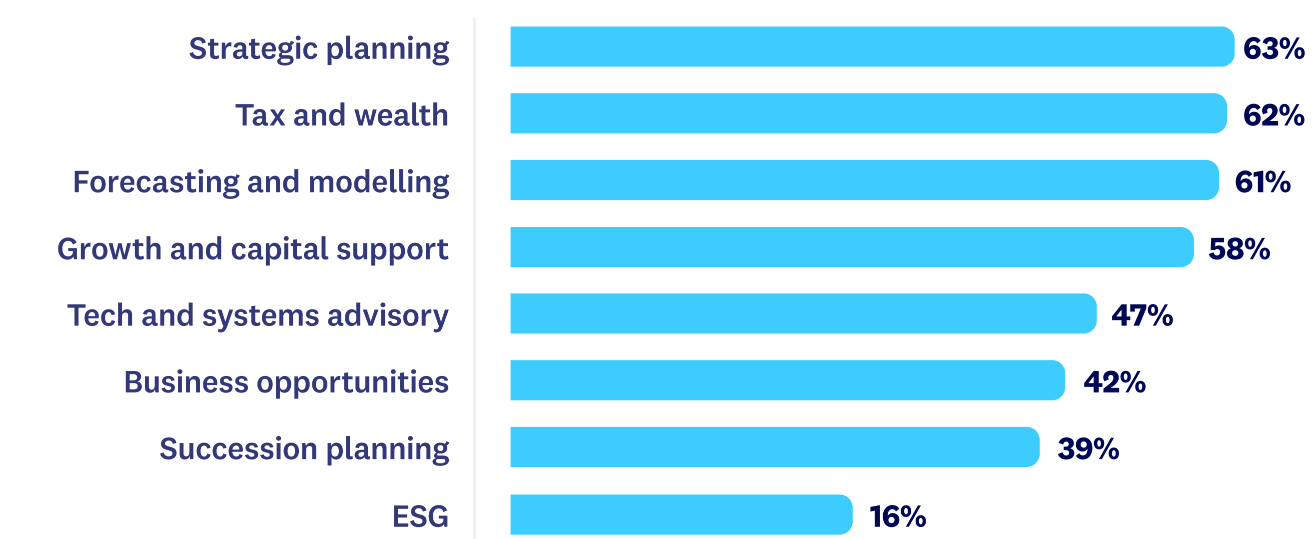
Duran Hamer
GM Sales, Syft

TURNING DATA INTO A SOURCE OF DIRECTION

An AI-powered analytics tool like Syft doesn't just provide data visualisations. It can identify trends, make suggestions about what to do next, and predict where things are headed. That means automatically creating reports, AI-generated summaries, long-term forecasts, and alerts for unusual activity, which come together to help you and your clients get ahead of what's next.

As for what comes next; it's your hard-earned expertise and client context that turns a report into a conversation – and a conversation into advice that genuinely changes outcomes. For instance, maybe they want to open a new location or hire an additional staff member. AI can handle the automation and analysis, but not the professional judgement; it's you who can guide your clients on what makes the most sense for their business. AI should support your expertise, not replace it.

CHARTING THE ADVISORY SERVICES ON OFFER



Across UK firms, strategic planning is the most widely offered advisory service. Yet it's tax and wealth advisory that proves most profitable – cited by **50%** of advisory practices as their single strongest earner.

As a natural extension of the compliance relationship, it's one of the more accessible entry points for practices ready to expand their service portfolio.

ESG ADVISORY: HIGH RETURNS, LOW COMPETITION

Just **16%** of practices currently offer environmental, social and governance (ESG) advisory – yet 42% of those who do rank it their most profitable type. Consider polling for interest among current clients to understand the opportunity for your firm.

THE BIGGEST BARRIER? GETTING STARTED.

When it comes to why they don't offer advisory, a third of practices **(34%) simply haven't started**.

For many, though, this isn't inertia at play – they may already be giving advisory guidance away free of charge, seeing it as a way to retain clients.

25% say their clients aren't suited to advisory

27% lack the skills internally

19% don't have the capacity

9% don't see the financial incentive

For the more than **1/4** citing skills as a barrier, this gap is often less about knowledge and more about knowing how to frame and sell it. Many are already having advisory conversations – they're just not formalising or charging for them. Tools like Syft and JAX can help bridge that gap – surfacing insights and drafting commentary that turns client data into a conversation worth having.

As for capacity, AI is already helping break this down. Nearly half of top performers say AI has helped them grow their output without taking on extra hires.

When bookkeeping and reconciliation takes minutes rather than hours, client conversations can shift to planning for their future.

> ***'In uncertain times, your clients need calm heads. Position your firm as the steady anchor – pre-empt risks, communicate clearly, deliver certainty when others falter.'***
>
> *Practice leader, Large firm*

Case study: the firm that made advisory the baseline

When Andy Smith founded Abbeygate Accountancy, he brought a conviction from his years as a finance director: business owners need someone who understands business, challenges their thinking and helps them look ahead. That means building genuine partnerships through care, trust, and a passion for forward-thinking advice. The team describe Abbeygate as a conversation-led business: great with numbers, but with people and relationships at the heart of all they do. Which is why every client receives advisory as standard, built into their subscription from day one.

PROACTIVE ADVICE THAT ARRIVES BEFORE IT'S NEEDED

Every client gets two fixed touchpoints: an onboarding review in the earliest weeks, and the nine-month review – Abbeygate's calling card. Held before year end, while there's still time to act on what the numbers are saying: 'Most people come to us saying they want a proactive accountant. When I ask when their year-end review is, the answer is three, six or nine months after year end. So we do it before – looking forward, while there's still time to act.'

Abbeygate has been Xero-only since 2018, a move that powers their advisory-first model to operate at scale. Each nine-month review is built on Syft Analytics pulling live data from Xero across all 300+ clients, generating a forward-looking picture, and producing a client-ready report. As Andy puts it: 'I can plug analytics into all of our clients in one place – so I know what's happening before they do.' It's an approach backed by the wider industry: nine in ten UK practices offering advisory rely on apps to generate the insights that drive those conversations. But what comes next is all down to the human touch that no technology can replicate. Andy's team meets every client where they are – a high-energy entrepreneur gets a flash report in 20 minutes; an analytical owner gets full commentary; and a creative client gets a graph-heavy visual pack.

UNCOVERING VALUE AT EVERY OPPORTUNITY

Those nine-month conversations are where the additional work originates. Around 90% of Abbeygate's add-on services – from business valuations to outsourced FD reviews – come directly from questions raised in that single meeting. But that doesn't mean Andy waits for the review to spot an opportunity. Instead, he makes a habit of running unprompted reports and letting the numbers do the talking. 'I can't help myself but add value. I recently reached out to the MD of a global company and said: hope you don't mind, I've run this report for you. Within a day, we were doing all the bookkeeping, management accounts, month-end – and he wanted me as the outsourced finance director. All from sending one report.'

Abbeygate's revenue split tells the story: 60% compliance, 40% advisory led work. Andy explains that although it is the foundation, if they offered compliance alone, it has limited profitability. But those 300 compliance clients are the captive base that makes the advisory flywheel turn. The real profit lives in what comes next. He elaborates: 'Compliance is almost viewed as a loss leader, and then the add-ons are always going to come. There's always going to be project work, exits, acquisitions, business valuations, forecasting. That's where Abbeygate's commercial value and profit comes from.'

Tax consultancy – from restructuring to share-for-share exchanges – is one of the firm's most profitable services. 'Delivering advisory is a skill,' says Andy, 'but leaning on the right tools makes it more attainable.' And 91% of accountants and bookkeepers using Xero agree that it helps them be more confident advising clients.* With eight in ten of Abbeygate's new clients arriving through referrals, the proof is in the results.

ANDY'S ADVISORY TIPS:

1. **Show every client what advisory looks like:** don't wait to be asked. If advisory only reaches the clients who request it, most of your client base will never experience it – and many practices are already giving this guidance away for free. Build a forward-looking review into every package as standard; the clients who benefit most are often the ones who'd never have thought to ask.
2. **Review before year end:** a review held months after year end is a history lesson. Schedule it before the financial year closes, while there's still time to act on what the numbers are saying. That's when advice becomes actionable, not just reflective.
3. **Match the delivery to the person:** a forward-looking report is only valuable if the client can engage with it. Tailor your delivery based on what suits each client best (e.g. do they favour visually-led or text heavy?) – and build a team with the range to do the same.
4. **Don't undersell yourself:** most practices undercharge for advisory because they underestimate the value of what they already know. At 50.6%, advisory carries the highest profit margin of any service UK practices offer – higher than tax, bookkeeping, or financial reporting. Your insight into a client's business is something no tool can replicate. Price accordingly, and don't apologise for it.

CHAPTER FOUR

Evolving your pricing approach

How UK practices price today – and what it takes to charge with confidence

AI is transforming the economics of the profession. Hourly billing means every hour saved by automation is an hour of revenue lost – a paradox where efficiency becomes a liability. Encouragingly, UK practices are billing an average of 73% of client engagements on non-hourly terms – and 2 in 5 using value-based pricing say it's made their practice more profitable. Today, the real opportunity lies in retainers and value-based models that charge for outcomes, not effort. Top performers are already there: charging over a third more for payroll alone, and more than twice as likely to plan a price rise above 20% of their current rate. The gap isn't just about confidence – it's about recognising what pricing actually signals. It tells clients how you view your own skills, dictates who you serve, and how much you take on. Above all, it's a promise that this investment will be even more valuable to their business and achieving their goals. Get it right, and pricing becomes one of the most powerful levers in your practice. This chapter – built with guidance from the Institute of Certified Bookkeepers – explores how.

> ***'Harness AI where possible and provide value-based fees going forward. I personally think a retainer model will become the new norm and timesheets will become a thing of the past.'***
>
> *Practice leader, Large firm*

The Institute of Certified Bookkeepers’ guide to pricing for value

Setting the right price for your services isn’t just about numbers – it’s about understanding your value, communicating it clearly, and building a sustainable business. We partnered with the Institute of Certified Bookkeepers (ICB), the world’s largest bookkeeping organisation, to bring their expert guidance to this chapter. The below tips from ICB CEO Ami Copeland will help you price with confidence and avoid common pitfalls like undercharging or scope creep.

01 MOVE AWAY FROM TIME AS THE DEFAULT:

pricing based on hours is increasingly outdated. Many practices are already shifting towards fixed or value-based pricing models, with **73%** of UK practices now billing most engagements on non-hourly terms. The direction of travel is clear: clients are buying outcomes, not time.

02 BENCHMARK AGAINST HIGH-PERFORMING PRACTICES:

top-performing firms consistently price with more confidence, charging around **34%** more for payroll, **33%** more for bookkeeping and **24%** more for financial reporting. Clients aren't buying hours; they're buying certainty, accuracy and expert judgement – and communicating this upfront is key.

03 MAKE VALUE VISIBLE TO CLIENTS:

value-based pricing is not just a pricing model – it’s a communication tool. **44%** of practices who use value-based pricing say it makes client expectations easier to manage, and **42%** say makes clients see more value in services. Clear framing reduces friction and strengthens relationships.

04 BUILD REGULAR, CONFIDENT PRICE REVIEWS:

price increases should be part of normal business practice, not a reaction to pressure. **63%** of UK practices plan to raise prices this year, and top performers are more than **twice as likely** to plan increases above **20%**. Regular review helps protect margins and reflect growing expertise.

05 DON’T LET EFFICIENCY REDUCE YOUR REVENUE:

hourly billing can penalise efficiency. If AI reduces the time needed, revenue falls. Under value-based pricing, those gains stay in the business as improved margin, allowing you to benefit directly from becoming more efficient.

06 DON'T LET CLIENT SOFTWARE COSTS EAT YOUR MARGIN:

top performers are less likely to absorb software costs than lower margin firms **(30% vs 43% of lower-margin firms)**, instead favouring passing on at cost price so as not to erode their margin.

YOUR NEXT STEP UP THE VALUE LADDER

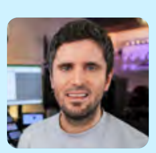
UK practices bill an average of **73%** of client engagements on non-hourly terms – most commonly through fixed instalment fees **(33%)**, fixed fees per piece of work **(26%)**, or value-based pricing **(14%)**.

The bigger opportunity now is moving up the value ladder: from task-by-task fixed fees towards retainers, tiered packages, and value-based models. Unlike fixed instalments – which spread a set fee over time – retainers cover ongoing service, support, or access. These relationship-focused approaches generate steadier income, deepen client relationships, and help turn efficiency gains into margin.

When clients pay your fees, they're not simply paying for clean books and a completed tax return. They're paying for the peace of mind that comes with every tax submission, every conversation, and every forward-looking projection.

Non-hourly models — **73%**
- Fixed installment fees **33%**
- Fixed fees per piece of work **26%**
- Value-based pricing **14%**

Hourly models — **27%**
- Hourly billing **27%**



'Inputs like working hours will naturally still shape your pricing, but only as one input into the fair value of what you've ultimately agreed to deliver.'

Dave Sellick, Founder, Sidgrove

Bookkeeper spotlight: bookkeepers rely more heavily on hourly billing (39% of engagements vs 24% for accountants) and are less likely to use value-based pricing (8% vs 16%).

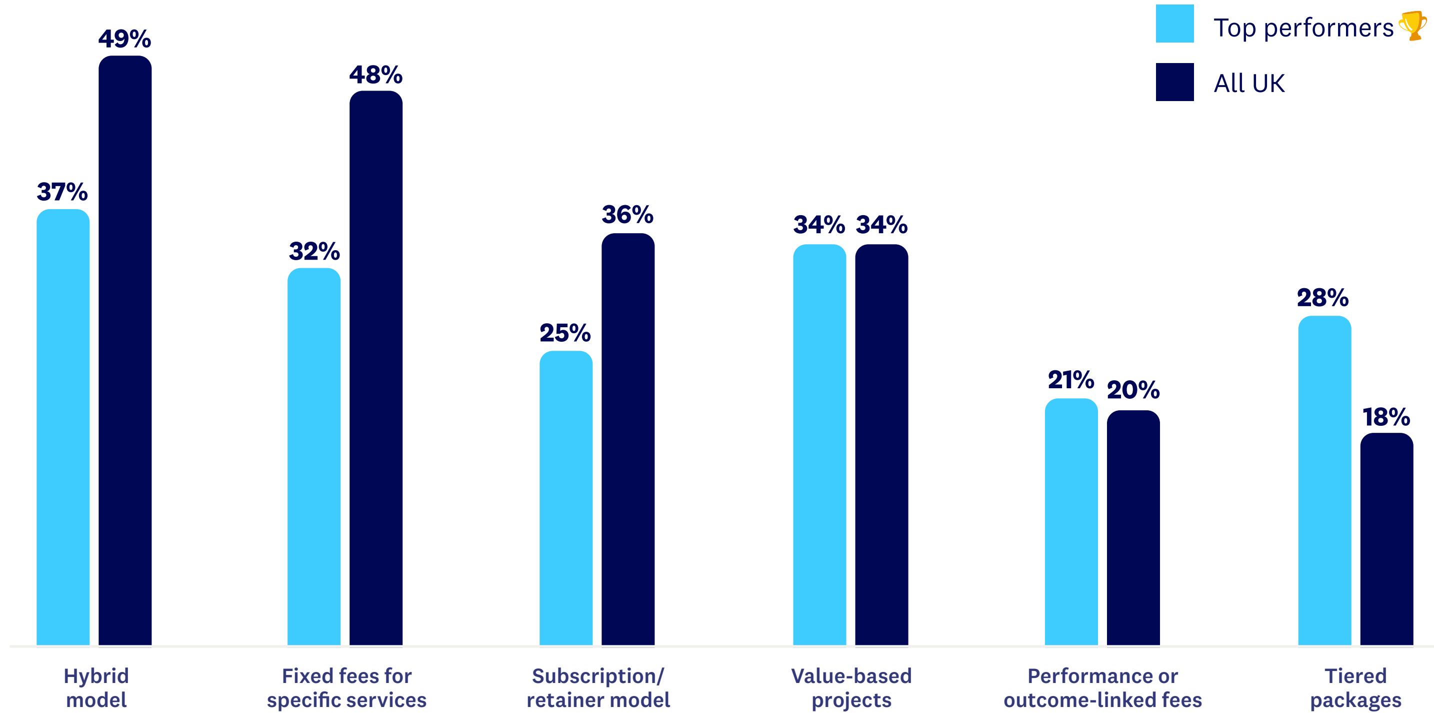
This matters in the context of AI: under hourly billing, efficiency gains don't automatically convert to profit. The practices seeing the biggest gains are those evolving their AI use and pricing approach in tandem.

'AI lets us do the work faster and gives us capacity for our best work. The value hasn't changed – in fact there is scope for our value to increase, so bookkeepers should price on value and outcomes, not time.'

Zoe Whitman, Co-founder, The 6 Figure Bookkeeper

TOP PERFORMERS ARE MOVING BEYOND FIXED FEE PER TASK PRICING

Among practices using fixed-fee or value-based pricing, the hybrid model is the most widely used approach – mixing billing types to fit the service. A typical example: annual accounts and tax returns on a fixed fee per piece, monthly bookkeeping on a retainer, and advisory priced on value.



**The numbers in this chart are based on those who use value-based or fixed fee pricing models.*

32% vs 48% – top performers are notably less likely to bill by fixed fees for specific services, having increasingly made the move towards tiered packages.

IT PAYS TO PRICE FOR VALUE

Practices already pricing on value report benefits well beyond the bottom line:

44% say it makes client expectations easier to manage.

42% say it helps clients see more value in their services.

41% say it helps clients better understand services.

40% say it has made their practice more profitable.

37% say it has helped increase revenue.

36% say it allows the practice to more easily upsell services.

As AI drives efficiency across the profession, value-based pricing is what puts those gains on the bottom line.

'Clients don't buy hours – they buy the certainty that someone they trust has their back and the ability to create clear outcomes that fix the problems in front of them.'

Dave Sellick, Founder, Sidgrove

XERO EXPERT INSIGHT

Lianne Gatti, Sales Director

MOVE FROM REACTIVE TO PROACTIVE – AND PRICE ACCORDINGLY

The way a client perceives your fee depends entirely on the timing and relevance of your insights. When you work with historical data, you're often called in after a problem has already occurred – and your fee feels like a cost. When you work with live data and initiate proactive conversations, your fee becomes an investment.

The shift is from reactive to proactive. From fixing the books to making decisions. From charging a compliance fee for advice that's worth far more.

Xero's live data and tools like Xero Analytics and JAX give you the real-time visibility to identify risks and opportunities before they become critical – so you can lead the kind of conversations that justify value-based pricing.

TOP PERFORMERS CHARGE MORE FOR THE SAME WORK

When looking at hourly rates for core compliance services, top performers charge significantly more.

The premium is sharpest for payroll – and the pattern holds across bookkeeping and financial reporting. All of which suggests this premium is built on reputation and confidence rather than complexity.

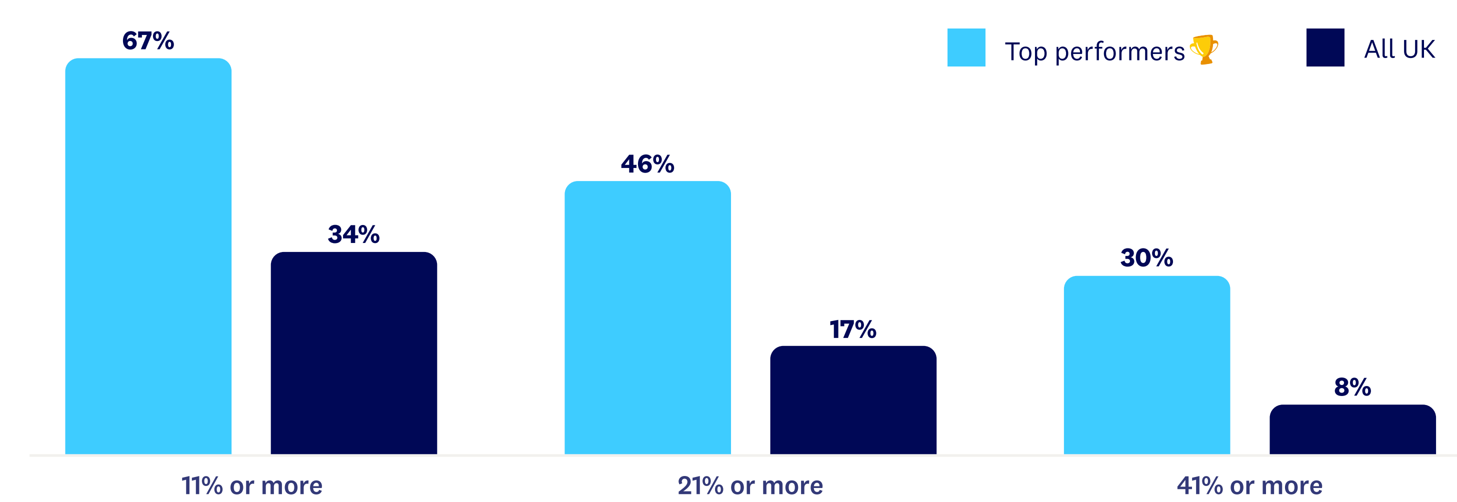
'As a profession, we need to change the public's perception of how much work goes into accounts and tax return preparation – so clients see the value and pay accordingly.'

Practice leader, Small firm

TOP PERFORMERS ARE PLANNING SIGNIFICANTLY HIGHER PRICE RISES

Three in five (63%) UK practices plan to raise prices this financial year. But the real distinction isn't whether practices raise prices – it's by how much.

Top performers are more than twice as likely to plan a price rise above 20% this year – 46% vs 17% of all UK practices who are planning a price rise.



WHY PRICES ARE RISING:

Two in three (68%) cite inflation and higher operating costs.

39% point to rising staff wages.

39% are passing on software subscription costs

36% are expanding into advisory and higher-value services.

21% are actively shifting their pricing model.

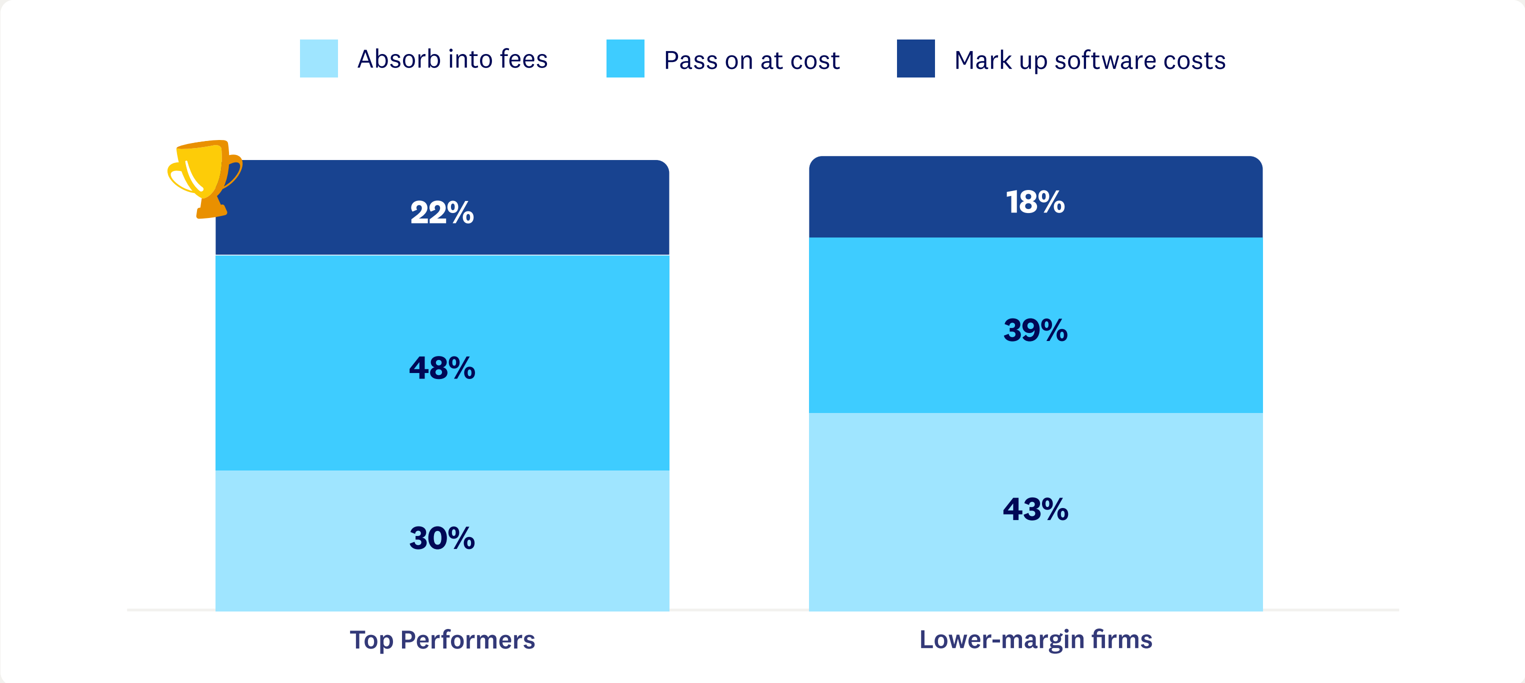
While outside pressures are (understandably) the most significant factor driving price rises, over a third of practices are repricing with confidence to reflect the growing value they deliver.

'Stop pricing the work; price the risk you remove. Nobody asks their dentist for a breakdown of minutes in the chair. The moment you itemise hours, you've invited the client to value effort, but AI is making effort abundant. Confidence is what stays scarce.'

Alexis Kingsbury, author of Accrual Intentions

TOP PERFORMERS ARE LESS LIKELY TO ABSORB SOFTWARE COSTS

The contrast is sharpest at the ends of the spectrum: **43%** of lower-margin firms absorb software costs into their fees, compared to just **30%** of top performers.



Absorbing fees may give clients a straightforward solution, but it also adds to your overhead. Alternatively, passing on at cost keeps pricing transparent, while marking up creates an additional revenue stream.

Ultimately, the right choice depends on how your practice is set up and how you want to manage client relationships. Whatever you decide, clarity and transparency are key.

Where to from here

While the pace of change shaping today's accounting and bookkeeping industry – and the world at large – can feel daunting, moving into the future with the right tools in place is less a leap of faith than a confident step forward.

The practices pulling ahead share a common thread:

- **Deliberate about who they serve** and how they structure their teams, rather than trying to be all things to all businesses.
- **Actively embedding AI into daily workflows** – and extracting almost double the time and financial benefit as a result.
- **Ensuring efficiency gains don't get absorbed by low-value work,** directing time saved by AI towards advisory services.
- **Moving beyond fixed-fee per piece billing** towards tiered and value-based models.
- **Pricing with conviction,** both charging more for the same work and planning higher price rises.

Taking these steps is made all the easier with the right software behind you. Built for your practice's expertise and your clients' ease, Xero turns live data into clear, visual insights – giving you the clarity to focus on your clients' future. It's why 91% of accountants and bookkeepers using Xero agree it helps them feel more confident advising their clients.*

JOIN OVER 250,000 ACCOUNTANTS AND BOOKKEEPERS USING XERO IN THEIR PRACTICE

Your checklist for building a modern practice, today

BUILD THE RIGHT FOUNDATIONS

- Be deliberate about who you serve – focus beats breadth
- Never let billable work go untracked – charge for everything you deliver
- Get your processes in order before reaching for AI tools

EMBED AI INTENTIONALLY

- Aim to move beyond occasional use, and build AI into the right daily workflows
- Start with the AI already built into your accounting software
- Set clear guidelines on consent, data handling and approved tools
- Measure time saved by AI and direct it towards higher-value work

BUILD YOUR ADVISORY ENGINE

- Formalise one advisory conversation you're already having
- Consider starting with tax and wealth advisory – the most profitable entry point for most practices
- Use live client data to spot and start advisory conversations proactively

PRICE WITH CONVICTION

- Move away from hourly billing – price for outcomes, not time
- Move up the value ladder: explore tiered packages or retainers
- Build regular price reviews into your calendar – don't wait for pressure to act
- Recover software costs as a client investment, not a practice overhead

** Survey conducted by Xero of 392 accountants and bookkeepers in the UK using Xero, May 2024*

Appendix

SURVEY OVERVIEW

The survey ran from 7–26 May 2026 (for full details on the survey sample and approach, see the *About this* report page).

SAMPLE AND WEIGHTING

We weighted the data so that each of the four practice size segments makes up 25% of the total sample. The unweighted breakdown was:

Practice size	Unweighted n	Weighted %
Sole practitioners (0-1 full-time employees)	98	25%
Small practices (2–10 full-time employees)	166	25%
Medium practices (11–50 full-time employees)	193	25%
Large practices (51+ full-time employees)	60	25%
Total	520	100%

** 3 respondents did not answer the number of employees question*

CALCULATING AVERAGES

Where questions used a banded scale (ranges rather than exact figures), we used the midpoint of each band to calculate averages. See examples below.

Time saved from AI

Survey question:

Q. To the best of your knowledge, approximately how much time does your practice save per week across all staff due to the use of all AI tools (e.g. ChatGPT, JAX, Claude, Dext, Zato, Brief, Onboard Me, FYI Automation etc.) — single choice.

Response option	Midpoint used
We're not saving any time	0
Less than an hour	0.5
1 hour to under 2 hours	1.5
2 hours to under 5 hours	3.5
5 hours to under 10 hours	7.5
10 hours to under 15 hours	12.5
15 hours to under 20 hours	17.5
20 hours to under 30 hours	25
30+ hours	30

Money saved from AI

Survey question:

Q. To the best of your knowledge, approximately, what is the monetary value your practice saves per week across all staff due to time saved by use of AI tools (e.g. ChatGPT, JAX, Claude, Dext, Zato, Brief, Onboard Me, FYI Automation etc.) — single choice.

Response option	Midpoint used to calculate average
£0 (it doesn't save us any money)	£0
£1 – £249	£125
£250 – £749	£500
£750 – £1,499	£1,125
£1,500 – £2,499	£2,000
£2,500 – £3,999	£3,250
£4,000 – £5,999	£5,000
£6,000 – £8,499	£7,250
£8,500 – £9,999	£9,250
£10,000 or more	£10,000
Don't know	Not included in calculation

To calculate annual figures, we multiplied the weekly average by 52 (e.g. £2,068 per week × 52 ≈ £108,000 per year, as cited in the report).

ADDITIONAL DEFINITIONS

AI users: firms that are either actively using AI in day-to-day workflows, or have experimented with AI but haven't yet embedded it consistently. Firms that haven't tried AI, or are only aware of it without having used it, are excluded from this group.

Non-advisory practices: firms that indicated they don't currently offer any advisory services, based on their survey response.

For full definitions of 'top performers', 'all-UK average', and firm size groupings, see the *About this report* section.

Find out more at

xero.com/modernpractice