



Can Your Accountancy Firm Grow Without Adding Headcount?

A capacity guide for UK practice owners, chartered accountants, and tax professionals





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TL; DR

Most UK firms treat growth and hiring as the same decision. They aren't, and the arithmetic stopped supporting that assumption around April 2025, when employer National Insurance rose to 15% and the secondary threshold dropped to £5,000. This guide from Datamatics Business Solutions sets out how accountancy firms can scale without hiring: what a hire actually costs once you price the whole thing, the four ways to add capacity that don't involve a job advert, what UK GDPR and the Money Laundering Regulations require before work leaves your office, and a 90-day plan to put it in place.

Capacity is a design problem before it is a recruitment problem. Firms that work out which hours genuinely need a qualified person in the room, and route everything else somewhere sensible, grow fee income without growing payroll.



Chapter 1

The Hire That Didn't Fix Anything

A senior hire in accountancy can take several months to move from vacancy to full productivity, once you count the advert, the interviews, a counter-offer or two, and the ramp-up period once someone starts. That lengthy timeline creates a significant capacity risk. What's changed is what it costs to run it, and what it costs to wait.

Employer National Insurance rose to 15% in April 2025, with the threshold at which it applies cut from £9,100 to £5,000. Those changes added approximately £940 a year to the employer National Insurance cost of an employee earning £36,036. ICAEW's 2026 research on mid-tier firms found two thirds naming recruitment as a top-three talent challenge, and 40% of firms now expecting to increase offshoring rather than compete harder for the same shrinking pool of qualified staff.

Put those together and a hire stops being a quick fix for a capacity gap. It's a seven-month commitment at a materially higher price, made at exactly the moment demand is least predictable, because the work that needs doing rarely waits for the person who's going to do it.

That's the part worth sitting with. None of this is a firm doing anything wrong. Recruiting well, interviewing carefully, holding out for the right candidate rather than the first one, these are all sound decisions individually. The problem sits one level up, in the assumption that a gap in capacity is automatically a gap in headcount, and that hiring is the only lever that closes it.

For UK firms working through 2026 and into the MTD thresholds landing in 2027 and

2028, that assumption is the one costing the most.



Chapter 2

Why Hiring Stopped Working as a Growth Lever

Three things changed at roughly the same time, and together they broke the old model.



Employment got materially more expensive

From 6 April 2025, employer National Insurance rose from 13.8% to 15%, and the secondary threshold, the point at which you start paying it, fell from £9,100 to £5,000 a year. Both changes came from the Autumn Budget 2024 and were legislated in the National Insurance Contributions (Secondary Class 1 Contributions) Act 2025. The threshold is frozen at £5,000 until at least April 2028.

Deloitte's analysis of the measures put it plainly. For an employee on UK average earnings of £36,036, employer contributions rose from £3,715 to £4,655 in a single year, an increase of 25%. The Employment Allowance doubled to

£10,500 and the £100,000 eligibility cap went, which softens the blow for smaller practices, though it caps out fast once you're past a handful of staff.

The rise in employer National Insurance for an employee on UK average earnings has increased by 25% from FY 2024/25 to FY 2025/26.*

Source: *<https://taxscape.deloitte.com/measures-autumn-budget-2024/increase-to-employer-nic-rate-and-lowering-of-the-secondary-threshold.aspx>



The compliance workload went up, not down

For two decades people have predicted the death of compliance work. The opposite happened. Making Tax Digital for Income Tax went live on 6 April 2026, and HMRC has told more than 864,000 sole traders and landlords with qualifying income above £50,000 that they're in the first wave. The threshold falls to £30,000 in April 2027 and £20,000 in April 2028.

Think about what that does to a practice with 200 personal tax clients. One annual touchpoint becomes four quarterly updates plus a final declaration. The work per client hasn't got harder. It's got more frequent, and frequency is what breaks a fixed-headcount model, because you can't smooth four deadlines the way you could smooth one.



The talent isn't available at the price you can pay

ICAEW's Evolution of Mid-Tier Accountancy Firms research, published in May 2026 from interviews with 35 managing partners and CEOs of member firms with between 11 and 249 principals, found firms expecting a 40% fall in graduate trainee intake alongside a 49% rise in school leavers. ICAEW linked those decisions directly to the employer National Insurance increases, changes to Level 7 apprenticeship funding, and employment rights legislation.

The same research found 40% of firms expecting to increase offshoring and 29% expecting to increase outsourcing. In the 2024 edition, two thirds of firms named recruiting qualified staff as a top-three talent challenge.

So, the picture is a profession facing rising demand, rising employment costs, and a thinner pipeline at the junior end. You can compete harder in that market. Plenty of firms do, and some win. But you're bidding against private-equity-backed consolidators with deeper pockets, and the prize is one person who might leave in eighteen months.



Pro tip: Before you write a job description, work out your realisation rate on the work you'd give the new hire. If you're recovering 65% on compliance processing, a hire at £35,000 needs to generate roughly £54,000 of billed work to break even on salary alone, before National Insurance, pension, software, desk, and supervision. Firms that run this number often discover the constraint was pricing, not people.



Chapter 3

What Capacity Actually Costs Right Now?

Partners tend to price a hire at the salary. That number is wrong by a wide margin, and knowing by how much changes the decision.

Take a qualified accountant at £45,000 in a firm outside London. Employer National Insurance at 15% on earnings above £5,000 adds £6,000. Auto-enrolment pension at 3% adds £1,350. Software licences, practice management seat, and hardware run £1,200 to £2,000 depending on your stack. Professional indemnity loading, CPD, and practising costs add more.

That's roughly £54,000 before anyone has done anything.

Now add the costs nobody puts in the budget. A recruitment agency fee at 15% to 20% of salary is £6,750 to £9,000. Time to competence for a qualified hire in a new firm runs three to six months, during which output is partial and someone senior is supervising. Partner time spent on shortlisting and interviews is billable time not billed.



Set that against the alternative. Outsourced capacity is typically bought by the hour, by the process, or as a dedicated resource at a monthly rate. Whichever model you use, three things are true that aren't true of a hire: the cost is variable, the ramp is shorter because the provider trains its own people, and the commitment is contractual rather than employment law.

That last point matters more than firms expect. When work volume drops, you renegotiate a contract. When it drops with an employee, you have a redundancy conversation, a consultation process, and a payment.

Capacity is a design problem before it is a recruitment problem.



Chapter 4

The Four Ways to Add Capacity Without Recruiting

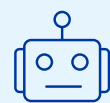
Not every route suits every firm. Work out which constraint you actually have before picking one.



Take work out entirely

The cheapest capacity is work you stop doing. Most practices carry a tail of clients who consume disproportionate time at the lowest fees, and a set of internal processes that exist because someone built them in 2014.

Run a profitability review by client, not by service line. Firms doing this for the first time routinely find 15% to 25% of their client base generating single-digit margins after write-offs. Reprice them or release them. Releasing a client feels like going backwards. It isn't, if the hours come back and land on work that pays.



Automate the mechanical parts

Bank feeds, receipt capture, and automated bookkeeping rules have been available for years, and adoption in smaller practices is still patchy. MTD is forcing the issue, because quarterly filing on manual records is unworkable at any scale.

Be honest about what automation gives you. It removes keystrokes. It does not remove judgement, review, or the client conversation about why the numbers look odd. Firms that expect software to solve a capacity problem usually end up with the same problem plus a subscription.



Flexible and contract capacity

Contractors, returners, and part-time specialists work well for defined peaks and for skills you need occasionally rather than continuously. A tax specialist for two days a month is often better value than a full-time generalist.

The limitation is reliability at season. Everyone wants contract help in January, which is exactly when contract rates spike and availability collapses.



An extended team through outsourcing

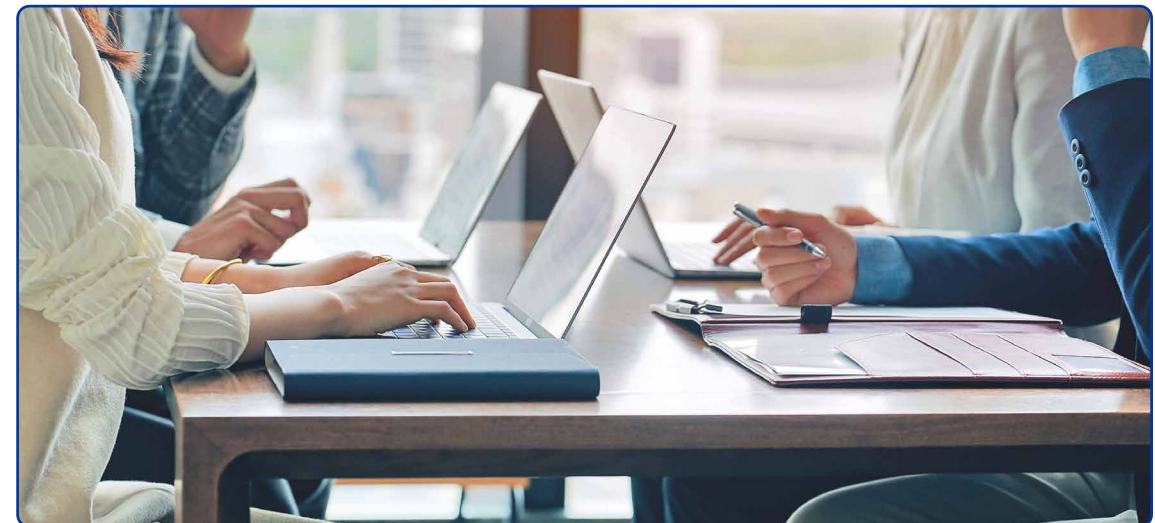
This is where firms get the most durable answer, and where most of the misunderstanding sits. Modern outsourcing for accountancy firms in the UK doesn't mean sending files into a black box and hoping. It means a named team, working in your systems, to your templates, on your timetable, with your firm reviewing and signing off everything that reaches a client.

An offshore accounting team for UK practices typically handles bookkeeping, VAT preparation, management accounts, statutory accounts preparation, and personal tax return preparation. The partner still reviews. The client still deals with you.

What's an extended team?

A dedicated group of accountants working exclusively for your firm through an outsourcing provider, inside your software, following your processes. Distinct from project outsourcing, where you send discrete jobs to a shared pool. The extended team model gives you continuity, which is what makes the review burden fall over time.

The decision between these four isn't either/or. Most firms that scale practice capacity for MTD end up doing all four, in that order, because each one changes the size of the problem the next one has to solve.



Chapter 5

Getting the UK Compliance Right Before Work Leaves Your Office

This chapter is the one that stops a good decision becoming an expensive one. UK firms have a specific set of obligations here, and none of them transfer to the provider.



You stay the data controller

Under UK GDPR and the Data Protection Act 2018, your firm will generally remain the controller of client personal data, while an outsourcing provider will ordinarily act as a processor when processing data solely on your documented instructions.

Article 28 requires a written contract containing specified terms, covering the subject matter, duration, nature and purpose of processing, security measures, sub-processor rules, and what happens to data at the end.

If the provider sits outside the UK, and most cost-effective providers do, you're

making a restricted transfer. Countries without UK adequacy regulations, India among them, require an Article 46 safeguard. In practice that means the ICO's International Data Transfer Agreement, or the UK Addendum to the EU Standard Contractual Clauses, plus a transfer risk assessment. The ICO publishes a TRA tool for exactly this.

Do this before go-live. The appropriate transfer mechanism must be in place before the first batch of client data is transferred.



Your AML obligations don't move

The Money Laundering Regulations 2017 make you responsible for client due diligence, ongoing monitoring, and reporting. Your supervisor, whether ICAEW, ACCA, or HMRC, will hold your firm accountable regardless of who processed the transaction. Outsourcing the bookkeeping doesn't outsource the suspicious activity report.



Confidentiality, ethics, and your engagement letters

ICAEW's Technical Advisory Service publishes a helpsheet on using a subcontractor that covers client confidentiality, anti-money laundering compliance, data protection, and professional indemnity insurance. It's the right starting document, and it's more practical than the Code of Ethics on its own.

Two points from it are worth acting on immediately. First, check your PII policy actually covers subcontracted work, because some policies treat it as a notifiable change. Second, your engagement letters need to reflect the arrangement. ICAEW updated its engagement letter helpsheet in March 2026, adding schedules covering MTD for Income Tax, identity verification, and the use of AI. If your letters predate that update, they're describing a firm that no longer exists.



Say it out loud to clients

Clients ask where their data goes. The firms that handle this badly are the ones treating it as something to avoid mentioning. A short, confident explanation, that you use a named provider under a written contract, that your firm reviews and signs off all work, and that the data protection arrangements are documented, turns the question into a non-event. The firms that get caught out are the ones whose client finds out from somewhere else.



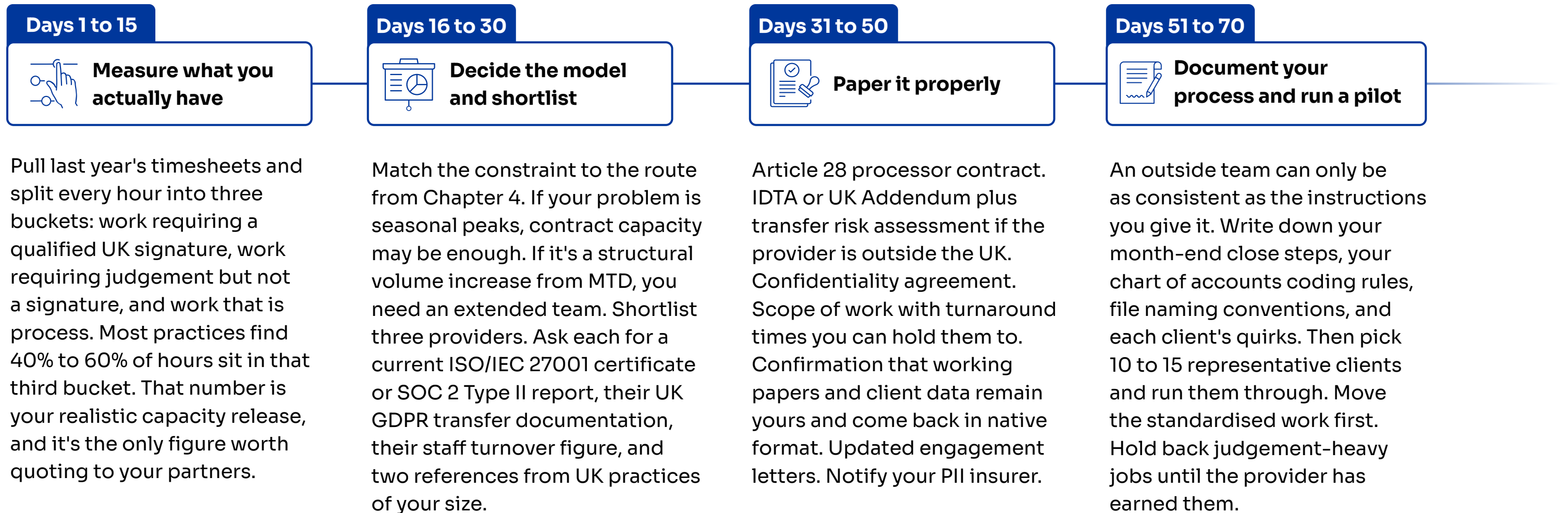
Pro tip: Ask any prospective provider whether they subcontract any part of the work themselves. If your client data passes to a fourth party you never assessed, your controller obligations, your transfer risk assessment, and your AML oversight all have to follow it that far. Get the answer in writing before you sign, not after.



Chapter 6

A 90-Day Plan to Add Capacity Without Recruiting

Firms that do this well don't flip a switch. They run a sequence.



Days 71 to 90



**Review and
measure success**

Name one reviewer at your firm to check output against your standards. Measure turnaround, rework rate, and hours released. Widen scope only when the numbers hold. Keep a rollback plan for the first two cycles so you can pull work back in-house without a client noticing.

Before go-live, confirm:

☐

Article 28 processor contract signed

☐

IDTA or UK Addendum in place, with transfer risk assessment documented

☐

Current ISO 27001 or SOC 2 Type II report on file, exceptions reviewed

☐

Named individual logins, least-privilege permissions, MFA enabled

☐

Secure portal for document exchange, email attachments ruled out

☐

PII insurer notified and cover confirmed

☐

Engagement letters updated to reflect the arrangement

☐

A named reviewer at your firm owning sign-off

☐

A written deprovisioning process for when people roll off

*(Tick each box as you go.
Don't launch until the list is clear.)*



Where this is heading? Three things worth watching over the next three to five years.



1st the compliance base keeps expanding

MTD thresholds fall to £30,000 in April 2027 and £20,000 in April 2028. Each step brings a larger, lower-fee client population into quarterly filing. Firms whose model depends on annual touchpoints will feel this hardest.



2nd capacity becomes a competitive position rather than an operational detail

With ICAEW's 2026 research showing 40% of mid-tier firms expecting to increase offshoring, the practices that build reliable delivery capacity will be the ones able to say yes to work in February. The ones that don't will keep turning it away.



3rd the advisory conversation stops being optional

Compliance isn't disappearing, but its margin is under pressure from both automation and price. The firms moving up the value chain are doing it by freeing qualified people from processing, not by hoping someone finds the time between deadlines.



Pro tip: Treat capacity planning as an annual exercise tied to your fee forecast, not something you do when someone resigns. The firms that get caught short are the ones whose first capacity conversation of the year happens in November.



Chapter 7

What Scaling Without Hiring Actually Buys You

None of what's driving this needed hindsight to see coming. The National Insurance changes were announced over a year before they took effect. MTD's thresholds and dates have been public since 2021. The talent shortage has been building for years, and ICAEW has been tracking it in public research the whole time.

A firm that runs a capacity audit against fee forecasts each year, rather than starting the conversation when someone resigns or a hire falls through, sees these pressures coming with enough runway to act on them. That's the whole difference between a practice reacting to capacity gaps and one that's already built the flexibility to absorb them.

The point isn't that you should never hire. Some roles have to sit inside the firm, and a good client-facing manager is worth competing for. The point is that hiring is one answer to a capacity question, and UK firms have been treating it as the only one long after the economics stopped supporting that.

Work out which hours genuinely need a qualified person in your building. Route the rest somewhere sensible. That's the whole

strategy, and firms that run it grow fee income without growing payroll.

If capacity is the constraint holding your practice back, and the compliance setup is the part that keeps stalling the decision, that's usually where an outsourcing partner earns its keep, taking the structured, repeatable work off your team so your people stay on the work that needs their judgement.

Datamatics Business Solutions helps UK accountancy firms build extended teams with the data protection and compliance controls already in place. If that's a conversation worth having, write to us at marketing@datamaticsbpm.com.



About Datamatics Business Solutions:

Datamatics Business Solutions is a global Business Process Management (BPM) company enabling organizations to scale operations with greater efficiency, visibility, and control. Established in 1982 as part of the Datamatics Group, the organization brings over four decades of operational expertise across global markets.

The company delivers solutions across B2B Data, Demand Generation, Marketing Services, Market Research & Business Intelligence, CPA Outsourcing, and Finance & Accounting (F&A) Outsourcing. Combining domain expertise, process excellence, technology-led delivery, and AI-enabled operational capabilities, Datamatics Business Solutions helps businesses improve operational performance, support decision-making, and drive measurable business outcomes.

With presence across the US, UK, and other global markets, Datamatics Business Solutions partners with enterprises, accounting firms, and growing businesses to build scalable, compliant, and future-ready operations.

Reach out to us for more details

USA: +1-571-297-6166

Website: www.datamaticscpa.com

EMEA: +44-20-3005-2151

Follow us on

APAC: +91-22-6671-2001



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