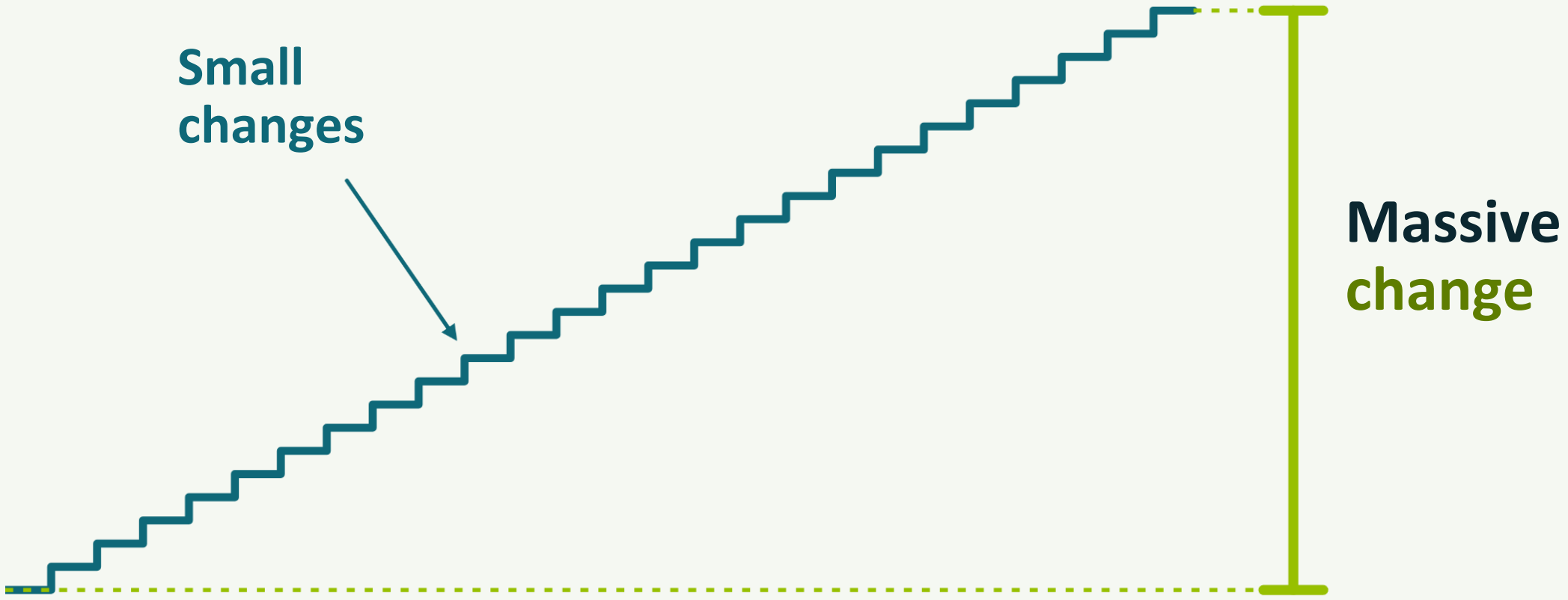


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Benchmarking Report 2026

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Key message



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THE IMPACT OF MARGINAL PERFORMANCE
PERFORMANCE IMPROVEMENTS

Example - fee levels & gross margin

An increase in price or volume of 2%, and/or, and/or, an increase in Gross margin of 2% for a 2% for a £5m fee firm, with a gross margin of margin of 50% and a net profit of 20%

The firm has 4 equity partners and one non-equity fixed share partner earning £100K

£'000	Now	Sales up 2%	GP % up 2%	Both up 2%
Fee income	5,000	5,100	5,000	5,100
Gross margin %	50%	50%	52%	52%
Gross Profit	2,500	2,550	2,600	2,652
Net profit	1,000	1,050	1,100	1,152
Net Profit %	20%	21%	22%	23%
Non equity partner salary	100	100	100	100
Total equity partner shares	900	950	1,000	1,052
Number of equity partners	4	4	4	4
Average equity partner share	225	238	250	263
Average increase	0	13	25	38
% Increase in profit share	0%	6%	11%	17%

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2024 CharterGroup conference considered strategies for improving performance/profit

Justify higher fees (specialise, innovate, add more value)	Increase utilisation (more chargeable hours per person)	Find ways to use more juniors	Drop unprofitable/ low profit services	Drop unprofitable clients
Improve speed of billing	Use marketing to get better not just more work	Invest in new high value services	Develop processes to improve job efficiency	Improving skills & performance of managers
Accelerate skill building for staff	Engage more unqualified and/or offshore	Reduce building costs	Reduce support staff costs	Deal with underperforming staff (and partners!)

Some have quick impact, some a long-lasting impact

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That was 2024

there was no mention of the impact on future profitability of AI then!



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Benchmark survey

Company structure

90% operating as limited companies.

Firm size

The median of the participants was **£5.3m** fee income

Growth

9% - but with a range of 0% - 16%

75% of firms predicting growth

Service line split

Traditional service lines still dominate – **82%** little change

Accounting 53%	Tax 13%	Audit 11%
(48-69%)	(8-18%)	(4-15%)

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Fees & margins

01

Average fee income per FTE staff

An increase of £3K to **£101K**

02

Gross margin

A range – generally **57% - 61%.**

An area where additional focus should deliver significant results

For a £5m fee firm – each 1% is £50K to the bottom line

03

Net profit margin

Generally falling in the range **27%** - but most firms falling back from previous levels

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Staff, recoveries & Lock-up

Staff numbers

The median was **50 employees** with a T/O of **10%**

Negligible use of outsourcing/offshoring

Generally expecting growth – just one planning efficiency reductions

Recovery rates

Recovery rates have fallen back

Firms are not yet reporting time savings for AI application use.

Lock up

Generally strong improvements reported.

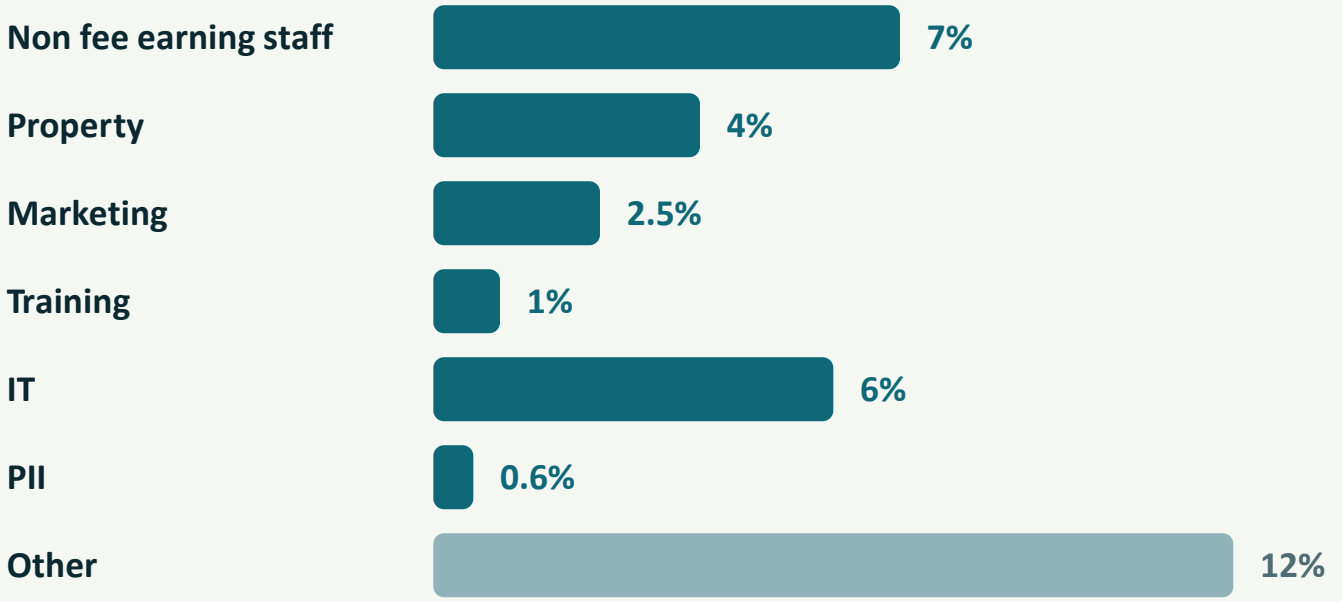
2 firms reducing by **61 days** – that's the value of 2 months billings – added to cash

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Overhead Costs

Overhead costs – averages

33%



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