THE ACCOUNTANCY PROFESSION IN THE UK

A REPORT FOR THE CONSULTATIVE COMMITTEE OF ACCOUNTANCY BODIES

MAY 2017
Oxford Economics

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The combined membership of the five CCAB bodies – ICAEW, ACCA, ICAS, CIPFA and Chartered Accountants Ireland – amounts to some 260,000 professional accountants in the UK and the Republic of Ireland (380,000 worldwide).

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May 2017

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The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

It is acknowledged that there are many accountancy bodies in addition to those covered by the FRC and IAASA reports, upon which sections of Chapter 1 of this report is based. While these bodies do influence the structure of the industry/profession, they are excluded from the analysis in Chapter 1. The analysis in Chapter 2 covers all accounting activity in the UK economy, regardless of its representative accountancy body.

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Published by CCAB Ltd, PO Box 433, Moorgate Place, London, EC2R 6EA, United Kingdom

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The accountancy profession plays a crucial enabling role in all types of commerce. The collection, analysis and reporting of financial information underpins business decision-making and administration at all levels. And professionals who are proficient in this ‘language of business’ are a necessary ingredient of economic activity. This report explores the characteristics of the profession in the UK, in order to understand and contextualise its importance.

The professional accountancy bodies of the UK and Republic of Ireland had 497,700 registered members in 2015. This was made up of 311,900 based in the UK, around 30,900 in Ireland, and a further 154,900 full members in the rest of the world.

CCAB estimate that there were around 22,000 registered accountancy firms in the UK at the end of 2015. The 100 largest of these accountancy firms collected £13.1 billion in UK revenues during 2015-16. The industry remains dominated by the largest four accounting companies, who accrued 74 percent of all fees earned by the top 100 firms.

The accountancy profession supported a GDP contribution of £52 billion in 2016. This was made up of £17.2 billion generated by the accounting industry itself, alongside an estimated £34.5 billion contributed by the work of in-house accountants across other sectors of the economy.

In total, 599,000 people were employed in accounting roles in the UK during 2016. This figure includes around 447,200 in-house accountants, and 151,400 within specialist accounting services firms. The accounting industry itself also employs a further 242,800 support staff in non-accountancy roles.

The accountancy profession was also responsible for an estimated £9.9 billion in tax revenues to the Exchequer, equivalent to about 1.8 percent of all HMRC receipts during 2016. Around 85 percent of this sum was made up of income taxes and National Insurance Contributions (NICs), collected on the employment of both in-house accountants, as well as the workforce of the accounting industry.

Businesses in the UK purchased around £17.1 billion of accounting services throughout 2016. This amounts to about 1.1 percent of all business-to-business (B2B) purchases in the economy during that year. Areas of the UK economy for whom accounting services are a particularly important input include the finance and insurance, engineering and legal services industries.

UK firms also exported £1.8 billion worth of accounting services in 2016, a sum that has grown by nearly two-thirds (59 percent) over the previous five years. Imports of accounting services reached £850 million, meaning that the UK runs a sizeable trade surplus in accounting services.

All of these benefits underline the value of accountants to the UK economy. In addition to contributing sizeable sums in GDP and tax revenues, the accountancy profession plays a critical role in the growth and success of all industries and economic activities.
1. STRUCTURE OF THE UK’S ACCOUNTANCY PROFESSION

1.1 MEMBERSHIP OF PROFESSIONAL ACCOUNTING BODIES

There were 311,900 registered members of professional accounting bodies in the UK, and a further 30,900 in the Republic of Ireland (ROI) at end-2015.¹ When broadening this analysis to include all worldwide members, these professional institutions represent 497,700 professional members.

Fig. 1: Global membership of UK and ROI accounting organisations, 2015

Within the UK and ROI, the Institute of Chartered Accountants in England and Wales (ICAEW) had the highest professional membership of these bodies, at around 123,500 people. But when considering the rest of the world, the Association of Chartered Certified Accountants (ACCA) represents a larger membership, encompassing 183,400 professionals.

The average (mean) age of all members of these accountancy bodies is 46, slightly above the equivalent figure across the UK workforce as a whole (41). This likely reflects the time investment required for professionals to become fully-qualified members of these institutions. However, there is significant variation across different accountancy bodies, with average ages ranging from a low of 42 (in the case of ACCA and CAI) to a high of 54 (CIPFA). Fig. 2 below sets out the age structure of these organisations’ memberships.

It is acknowledged that there are many accountancy bodies outside of those covered by these FRC and IAASA data, who will in some way contribute to the UK economy, but who are not included in this analysis.

¹ Financial Reporting Council (2016) and Irish Auditing & Accounting Supervisory Authority (2016)
The proportion of female professionals among the membership is slightly over one-third (35 percent) on the latest data. There is reason to expect that the share of females in the accountancy profession will continue to grow in the coming years, with the ‘intake’ into the profession being much more balanced in terms of gender. Women make up almost half (49 percent) of all accounting students registered with these seven bodies.

1.2 THE UK’S ACCOUNTING FIRMS

CCAB estimates that 22,000 registered accountancy firms were active in the UK at the end of 2015. The industry remains dominated by the four largest accounting firms, who collectively received £9.8 billion of fee income in their latest reporting years. Meanwhile, the top 100 accounting firms in aggregate received a total fee income of £13.1 billion.²

PwC is the largest of the UK’s accounting firms, when considered in terms of fee income. They earned £3.1 billion in fees during their latest reporting year, having registered growth of 10% on the previous year. The four largest firms each accrued about £2 billion in fees or more during the period. Collectively, these market leaders captured almost three-quarters (74 percent) of all fee incomes earned by the top 100. This market concentration is illustrated in Fig. 3.

² These figures are sourced from AccountancyAge, which uses the latest reporting year for each respective company. As such, the latest data pertains to varying time periods, from mid-2015 to mid-2016.
Outside of the four largest firms, just seven firms collected fee incomes of greater than £100 million in 2015-16. A further 21 firms netted revenues of greater than £20 million but less than £100 million. The majority of the top 100 firms (59) earned less than £15 million in fee incomes over the year.

The market as a whole is growing strongly, with incomes for the top 100 firms in aggregate rising by 7.3 percent over the previous year. While more than two-thirds of this rise was driven by growth among the largest four firms, only three of the top 100 saw their fees decline year-on-year.
2. THE DIRECT ECONOMIC CONTRIBUTION OF ACCOUNTANCY

The accountancy profession provides crucial services to the UK economy. In order to understand its economic importance, in this chapter we assess the activities of specialist accounting practices, as well as the work performed by in-house accountants throughout other parts of the economy.

This approach allows us to estimate the so-called ‘direct’ impact of the accountancy profession. This direct impact describes the economic activity – quantified in terms of jobs, output, tax revenues and exports.

2.1 CONTRIBUTION TO GDP

The accounting services industry contributed £17.2 billion to UK GDP in 2016 (see Fig. 5). Meanwhile, in-house accountants working throughout the UK economy (but excluding the accountancy services industry) generated a further GDP contribution of £34.5 billion.3

Fig. 5: Gross value added contribution to the UK economy, 2016

<table>
<thead>
<tr>
<th>£m</th>
<th>Accounting services industry</th>
<th>In-house accountants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Va</td>
<td>£17,200</td>
<td>£34,500</td>
<td>£51,700</td>
</tr>
</tbody>
</table>

Source: ONS, Oxford Economics

This brings the accountancy profession’s gross value added (GVA) contribution to GDP to about £51.7 billion in 2016. This figure amounts to a substantial portion of the UK economy, equivalent to 3.0 percent of all activity, or almost half (49 percent) of the output of the entire construction sector.

3 The GDP contributions of in-house accountants are calculated according to the average (per-worker) productivity observed within the sectors in which they are employed.
2.2 CONTRIBUTION TO EMPLOYMENT

During 2016, around 598,600 individuals were employed in accounting, bookkeeping and audit roles in the UK. This figure reflects all professionals working in accounting positions, whether they were employed in specialist consultancies, or as ‘in-house’ accountants within other businesses.

A further 242,800 jobs were supported within the accounting industry, encompassing roles that are not related to accounting (e.g. administration, management, IT and other support roles). Combining these figures reveals that in 2016, the accountancy profession directly supported the employment of 841,400 people.

Fig. 6: Employment within the UK accountancy profession, 2016

The 447,200 in-house accountants were distributed across all sectors of the UK economy, as illustrated in Fig. 7 below. About 70,000 in-house accountants were employed within the public administration, education and health sectors, underlining the importance of accountants to the provision of the UK’s public services. A similar number was observed in the manufacturing industry.

*This figure reflects UK employment data from the Office for National Statistics (ONS), as measured under the Standard Occupational Classification (SOC 2010). The SOC codes included in this number are 2421 (Chartered and certified accountants), and 4122 (Bookkeepers, accounts administrators, auditors and payroll clerks)*
Unsurprisingly, the sector with the largest share of accounting professionals within its workforce is the accounting industry. Over a third (38 percent) of total employment within the accounting services industry is made up of accounting professionals.\(^5\)

A high proportion of accountants is also seen among the ‘membership organisations’ sector, where an estimated 10.4 percent of staff are in accounting roles. This sector includes accountancy bodies, such as the members of CCAB, but also trade unions, political and religious organisations. The industry with the next-highest share of accounting professionals in its total workforce is the finance and insurance sector, at 3.6 percent.

### 2.3 CONTRIBUTION TO TAX REVENUES

During 2016, the accounting sector raised an estimated £5.8 billion in tax revenues for the Exchequer. This headline figure encompasses labour taxes such as income tax and National Insurance Contributions (NICs) raised through the accounting industry’s workforce, as well as corporation tax, VAT and business rates paid by the industry’s firms.

We estimate a further £4.1 billion was generated through the employment of in-house accountants in other industries.\(^6\) These income taxes and NICs mean that the accountancy profession supported around £9.9 billion in tax during 2016.

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\(^5\) The accounting services industry is defined as SIC 69.2 (Accounting, bookkeeping and auditing activities; tax consultancy)

\(^6\) This tax contribution is estimated using the salary distributions observed within the sectors that the UK’s in-house accountants are employed in.
This tax contribution is equivalent to 1.8 percent of all HMRC receipts during 2016. Put another way, over the year around £1 in every £56 of Government revenue could be attributed to the employment, profits or transactions that are directly supported by the accountancy profession.

2.4 THE MARKET FOR ACCOUNTANCY SERVICES

Businesses in the UK purchased around £17.1 billion of accounting services in 2016. This was equivalent to around 1.1 percent of all business-to-business (B2B) purchases in the economy during that year, underlining the importance of accounting activity within all types of commerce. This expenditure is disaggregated by the sector in Fig. 9.

The financial sector was the biggest single purchaser of accounting services in 2016, spending some £2.7 billion. This was equivalent to 3.0 percent of all external procurement by the finance industry in that year. Accounting services are particularly important to both the engineering and legal sectors, where it constitutes 7.3 percent of all their B2B spending.

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7 This encompasses purchases of accounting, bookkeeping and audit services, as well as tax consultancy.
Fig. 9: UK sectors’ procurement of external accounting services, 2016

<table>
<thead>
<tr>
<th>Sector / industry</th>
<th>Procurement of external accounting services (£m)</th>
<th>As a % of total sectoral procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>2,700</td>
<td>3.0%</td>
</tr>
<tr>
<td>Wholesale &amp; Retail</td>
<td>1,800</td>
<td>1.2%</td>
</tr>
<tr>
<td>Other industries</td>
<td>1,800</td>
<td>0.6%</td>
</tr>
<tr>
<td>Engineering</td>
<td>1,600</td>
<td>7.3%</td>
</tr>
<tr>
<td>Professional services</td>
<td>1,400</td>
<td>2.3%</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,300</td>
<td>2.4%</td>
</tr>
<tr>
<td>Administrative services</td>
<td>1,300</td>
<td>1.9%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,000</td>
<td>0.3%</td>
</tr>
<tr>
<td>ICT</td>
<td>1,000</td>
<td>1.2%</td>
</tr>
<tr>
<td>Public admin, education &amp; health</td>
<td>900</td>
<td>0.5%</td>
</tr>
<tr>
<td>Transportation</td>
<td>850</td>
<td>0.9%</td>
</tr>
<tr>
<td>Legal services</td>
<td>700</td>
<td>7.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>700</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Source: ONS, Oxford Economics

In addition to this domestic demand, the UK exported some £1.8 billion worth of accounting services in 2016.\(^8\) While this only amounts to around 0.8 percent of total services exports, the value of accounting exports has grown by more than half (59 percent) over the past five years. It is also more than twice the value of accounting services that were imported into the UK during that year, a figure that reached around £850 million.

This means that accountancy activities help provide a positive boost to the UK’s trade balance. The value of overseas services sold by the UK’s accounting firms far outweighed the accounting services purchased from abroad by British firms. This further highlights the UK’s status as a global leader in accounting activities.

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\(^8\) Figures for exports and imports in this section are sourced from HMRC, and describe trade of ‘accounting, auditing, bookkeeping and tax consulting services’. 
Fig. 10: UK imports and exports of accounting services, 2006-2016, £bn

Source: HMRC, Oxford Economics