



EVOLUTION OF MID-TIER ACCOUNTANCY FIRMS

2025 RESEARCH FINDINGS



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CHIEF EXECUTIVE'S FOREWORD



Business and society are undergoing significant transformation, driven by new technologies, evolving market dynamics and shifting global trends. These factors present unprecedented challenges but also exciting opportunities

for our profession, and ICAEW is committed to empowering and enabling member firms so they can successfully navigate this transformation.

Last year, our inaugural report on the evolution of mid-tier accountancy firms provided valuable insights into the forces shaping the profession. This was extremely well-received and I am delighted that we are delivering this new report for 2025.

Mid-tier firms advise a large and diverse range of organisations throughout the UK, including a significant number of SMEs who are the backbone of our economy and continue to find themselves in great need of support. We want the profession to be recognised for its unwavering commitment to public trust, and the work of mid-tier firms plays a fundamental role in achieving this.

The research, conducted earlier this year, reflects the views and experiences of a broad cross-section of the mid-tier – covering topics such as growth, firm structure, talent, technology, and service lines. As you will read, these new insights reflect both a continuation of the trends and pressures reported in last year's research, while also revealing new areas of focus driven by emerging challenges and

opportunities. Notably, there is a growing emphasis on Environmental, Social, and Governance (ESG) as an emerging service line. Compared to the previous year's report, more firms are actively investing in this area, recognising its potential for future growth. The research also identifies a significant challenge in sourcing and developing the specialised skills required to meet evolving client demands. Despite these hurdles, firms continue to demonstrate resilience and adaptability, maintaining a trajectory of ambition and sustained growth.

The themes emerging from this year's research align closely with ICAEW's refreshed strategy, Direction 2030. We are not only tracking key trends in private equity investment, AI, and evolving firm operating models, but also actively shaping and leading the profession through this transformative period. This includes representing our members' voices through our policy work, advocating for meaningful change. Through continuous dialogue, strategic advocacy, and the sharing of real-world data, we are helping to create an environment where firms can adapt, innovate, and thrive. The findings from this research will continue to inform our conversations and shape the support we offer to mid-tier firms.

Once again, I have enjoyed meeting so many of our members working across the mid-tier, hearing how they, as trusted advisers and leaders, are supporting their clients, adapting their strategic priorities and driving growth.

A handwritten signature in black ink that reads "Alan Vallance". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Alan Vallance
Chief Executive

EXECUTIVE SUMMARY

This year's ICAEW research on the evolution of mid-tier accountancy firms explores key themes shaping the profession in 2025, including structural shifts, talent strategies, technology, and emerging service line offerings. Against a backdrop of political and economic uncertainty, regulatory complexity and rapid technological advancement, the research highlights how firms are navigating change, pursuing opportunities and supporting their clients' growth.

"The increasing pace of change and greater uncertainty means that planning horizons are now shorter and plans need to be more dynamic."

ALAN VALLANCE, CHIEF EXECUTIVE

ICAEW invited Managing Partners and CEOs of UK mid-tier member firms, with between 11 and 249 principals, to take part in the research between February and March 2025.

While the 36 firms which took part this year were, on average, larger than those participating in the research reported on in 2024¹, they represent a broad cross-section of the mid-tier and therefore provide a solid and credible basis for comparison and insight. 69% of the respondents employ at least 250 staff (2024: 55%) and although the number of partners per firm varied, they were split roughly equally across the smaller (up to 20 partners), medium (21 to 50 partners) and larger (over 50 partners) size firms in the mid-tier. On average, partners accounted for 9% (2024: 10%) of total staff.

GROWTH

The professional services sector is firmly in the spotlight, identified by the UK Government as one of eight key industries to accelerate economic growth. All respondent firms reported fee growth in the last financial year, which was primarily driven by an increase in new clients, some of which, in turn, was driven by merger and acquisition (M&A) activity. However, they also faced obstacles to growth, including limited access to skills and an increasingly complex regulatory landscape.

Several macro trends continue to influence the profession, with private equity investment (PEI) emerging as the most significant, followed by evolving regulatory and compliance requirements and the impact of generative AI.

FIRM STRUCTURES

Consolidation activity continues at pace among mid-tier firms. This trend is driven by firms' desire to expand their client base and secure the skills and talent needed to stay competitive and support succession planning.

Acquisitions have emerged as the leading form of consolidation, with nearly half of firms completing one in the past year. These acquisitions are widely seen as strategic opportunities to scale up, expand capabilities, and strengthen service offerings.

Private equity (PE) interest in the sector remains high, with one-quarter of respondent firms now PE backed, and some non-PE backed firms considering PE investment within the next three years. Conversely, a significant number of firms choose to remain independent to preserve their culture and long-term strategy, despite interest from PE houses.

¹ For clarity, throughout this report 2024 is a reference to the findings as reported in 2024. These are based on survey responses gathered between November 2023 and January 2024.

TALENT AND SKILLS

Talent remains a critical focus area. In the findings reported in 2024, the recruitment and retention of qualified staff were reported as the top talent challenges. However, this year there is a shift towards developing and acquiring the right skills.

Firms recognise that the pace of technological change together with the evolving demands of clients require accountants to have a wider and more agile skillset. Whether through internal training or strategic hiring, firms are investing in their people.

TECHNOLOGY

Data management and business intelligence, as well as cybersecurity and risk management, are the main areas that firms identified for investment. The pace of technological change remains a major concern, and firms recognise the ongoing imperative to continually train staff to keep pace with emerging and enhanced technologies. Despite these challenges, firms remain focused on leveraging technology to build resilient, future-ready practices.

SERVICE LINES

Traditional services remain the pillars of the firms' offering. Nevertheless, many are now focusing on expanding into rapidly growing fields such as Environmental, Social and Governance (ESG) and tech / app advisory. ESG is emerging as a strategic priority, with firms exploring how to shape their offerings and equip their teams with the knowledge needed to support clients. This marks a significant shift from the findings reported in 2024, when only a small minority of firms viewed ESG as a top growth opportunity.

Conversely, Public Interest Entity (PIE) audit remains an area of low appeal. The high regulatory and compliance demands, strategic misalignment and the substantial investment required for upskilling deter firms from venturing into this area.

A NOTE FROM THE AUTHOR

KAT HEARN

Senior Technical Manager, Practice

The 2024 report, which was based on survey responses gathered between November 2023 and January 2024, validated many of the trends that were widely discussed and acknowledged at the time. It offered a data-driven lens through which to quantify and understand the significant shifts taking place in the profession, allowing leaders to make sense of rapid change with greater confidence and clarity.

The story continues to unfold in 2025 and while the findings may be less surprising than last year, the pressures facing the profession remain formidable. With rising uncertainty driven by volatile markets and shifting political landscapes, independent and robust data is more essential than ever. This research provides an objective, analytical view to help firms navigate uncertainty with an informed perspective.

If you would like to discuss our methodology or findings further, please contact me at kat.hearn@icaew.com.



1. GROWTH AND TRENDS IN MID-TIER ACCOUNTANCY FIRMS



GROWTH IN THE MID-TIER IS STRONG

Professional services is one of eight sectors identified by the UK Government as the focus of its [Industrial Strategy](#). It is recognised as one of the areas with the highest growth opportunity for the economy and business, as it is key to building a highly skilled economy. ICAEW member firms advise businesses across the country, and they know how to boost productivity, take opportunities and create growth to build the tax base, increase employment and share prosperity.

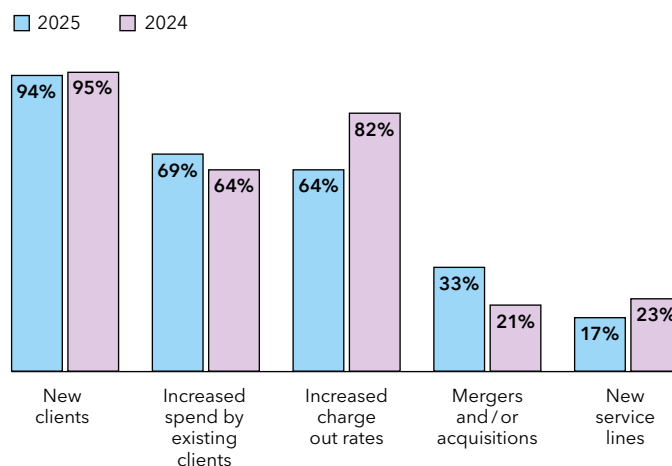
The research shows that 2024-2025 has been a strong year for mid-tier firms, with all respondent firms reporting fee growth (2024: 93%), a clear sign of a thriving market.

The primary drivers for fee growth were new clients and an increase in spend by existing clients. Mergers and acquisitions (M&A) was another key contributor and this was significantly more pronounced among private equity (PE) funded firms, of which 44% identified it as their top growth driver, in contrast to just 4% of non-PE funded firms.

Higher charge out rates have also contributed to fee growth and many firms have seen increased spend from existing clients, indicating strong, ongoing relationships and a continued demand for services.

Conversely, the introduction of new service lines was not seen as a major contributor to fee growth, suggesting that firms are successfully generating most of their fees from their established core offerings.

1.1. TOP THREE CONTRIBUTORS TO GROWTH IN THE MOST RECENTLY COMPLETED FINANCIAL YEAR



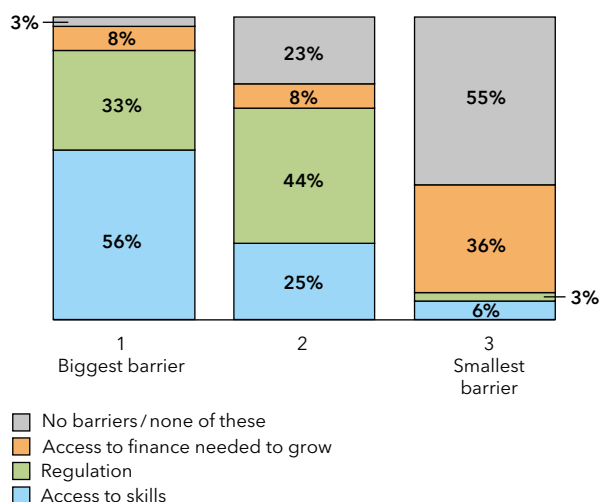
CHALLENGES TO GROWTH

The research reveals several challenges that could inhibit growth within the mid-tier. Chief among these is the ongoing challenge of developing and accessing the right skills – not just technical expertise, but also the professional skills that are essential for effective client service and firm leadership. Over half of firms ranked access to skills as the biggest barrier to growth with a further 25% ranking this second.

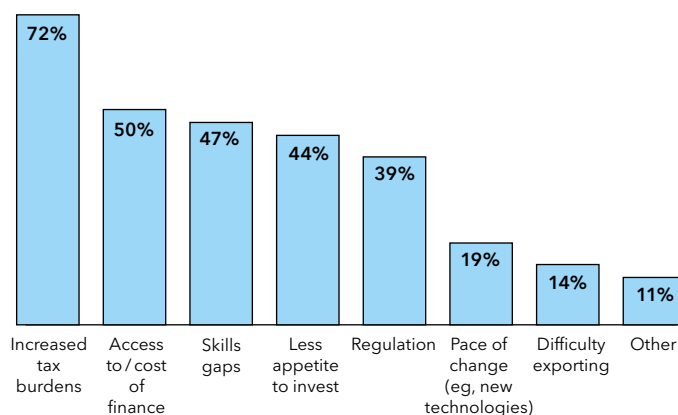
While firms themselves do not typically share the same challenges as their clients when it comes to growth, it is striking to see a shared concern around skills. The challenge of accessing the right talent and expertise is clearly not confined to the profession but resonates across the broader UK business landscape (Charts 1.2 and 1.3).

Regulation was also seen as a significant issue for firms (33% consider it their biggest barrier and 44% as the second biggest barrier) as firms must invest more resource into managing compliance risks due to the increasing complexity of requirements. Access to finance was much less of a concern for firms, reflecting the fact that many are primarily funded through partner contributions and, more recently, through private equity investment (PEI).

1.2: BARRIERS TO GROWTH FOR FIRMS



1.3: TOP THREE BARRIERS TO GROWTH FOR CLIENTS



ICAEW LENS

IAIN WRIGHT

Chief Policy and Communications Officer

The national agenda for growth continues to set a clear direction for the economy, focusing on innovation and investment to unlock long-term potential. Mid-tier firms are positioned to play a central role in supporting and enabling this progress by bringing critical insight, assurance and strategic guidance that help businesses plan, scale sustainably, manage risk and respond effectively to change. Whether advising on regulatory compliance, supporting investment decisions or helping organisations harness new technologies, the profession plays a vital part in translating policy ambitions into real economic outcomes.

Fee growth across the sector this year clearly reflects the value and trusted advice firms are providing to clients, who are navigating increasingly complex decisions amid geopolitical instability, volatile inflation and markets and shifting government policies worldwide. However, the opportunity cost of heightened regulation is significant, particularly for mid-tier firms, as resources are diverted from serving clients and driving business growth toward meeting complex regulatory requirements. Unlike most smaller firms facing fewer regulatory pressures, or the Big 4 with larger compliance teams, mid-tier firms face the dual challenge of navigating regulatory demands without the benefit of scale. This can place them at a disadvantage, consuming capacity that could otherwise be invested in growth.



MACRO TRENDS DRIVING CHANGE

Private equity investment

When asked about the macro trends facing the profession, PEI emerged as the top driver of change across all sizes of firm, with 86% of firms ranking this in their top three compared to 57% in the prior year. While most firms surveyed have not accepted PEI, its broader influence on the profession is still seen as a key force driving change.

As with last year's research, most firms (47%) continue to operate as Limited Liability Partnerships (LLPs) closely followed by a limited company structure (33%). In 2024 the proportion of firms structured as limited companies to LLPs was much lower, perhaps demonstrating the impact of outside investment on these more traditional structures. Of firms that had taken on PEI, 89% were limited companies.

Regulation and compliance

Regulatory and compliance changes were the second most selected macro trend, reflecting the substantial resource firms must dedicate to remaining compliant. The continued uncertainty surrounding the transition of the Financial Reporting Council (FRC) to the Audit, Reporting and Governance Authority creates further ambiguity around the future regulatory landscape and a lack of clarity around future demands on organisational resources and capacity.

Generative AI

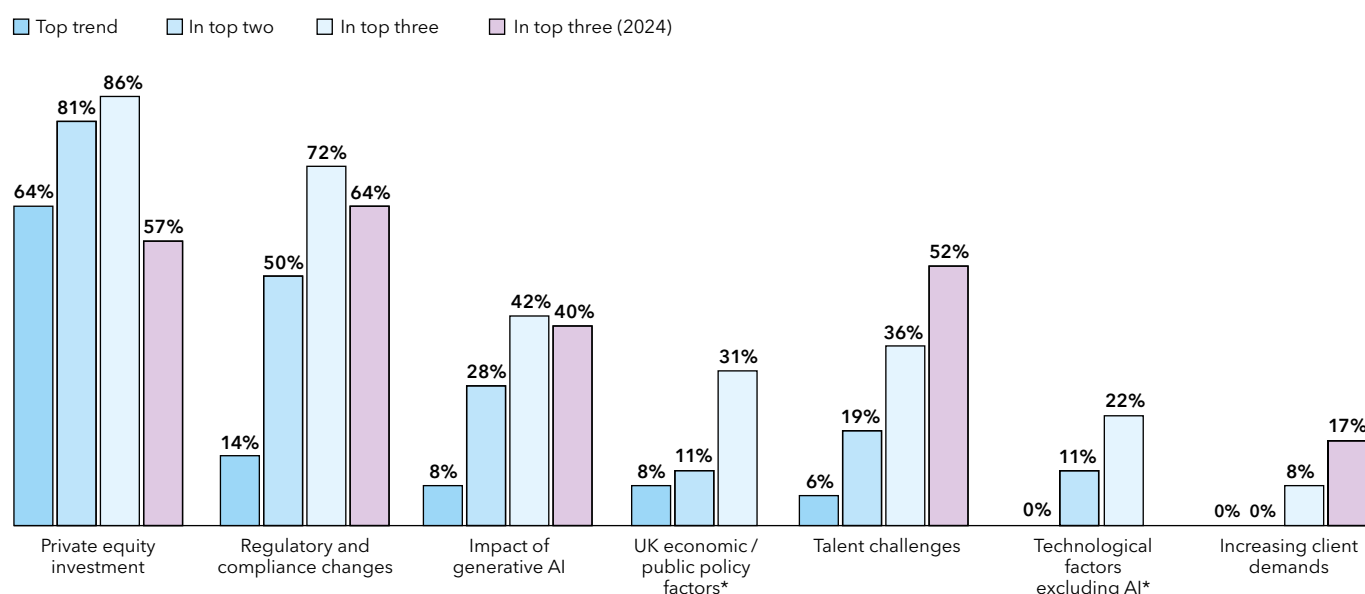
The impact of generative AI concludes the top three macro trends from this year's research. Generative AI is acknowledged for its transformative potential, yet remains not fully harnessed, posing both an opportunity and a challenge for firms. Firms with more than 50 partners were significantly more likely (58%) to cite the impact of generative AI as one of their top three trends compared to just 33% of firms with fewer partners.

UK economic / public policy factors, geopolitics and ESG considerations

One-third of firms identified the impact of UK economic / public policy factors as a top three macro trend, likely in response to the changes in government, both in the UK and in the US, and the subsequent influx of new policies and strategic direction.

Neither geopolitical factors, nor Environmental, Social and Governance (ESG) considerations ranked among the top three drivers of change. However, as global priorities evolve, firms may soon find these elements playing a more central role in shaping their growth strategies.

1.4. TOP THREE MACRO TRENDS IMPACTING THE ACCOUNTANCY PROFESSION



*There was no comparative data available for this option in 2024.

2. CONSOLIDATION IN THE MARKET



CONSOLIDATION ACTIVITY CONTINUES AT PACE

The profession has witnessed a surge in consolidation activity, marked by the continued influx of PEI and an ongoing trend for acquisition deals.

The rapid pace of activity has garnered considerable media attention, with numerous reports of firms that have secured PEI and / or made acquisitions. Despite this, many mid-tier firms continue to focus on organic growth strategies, emphasising the importance of maintaining their independence.

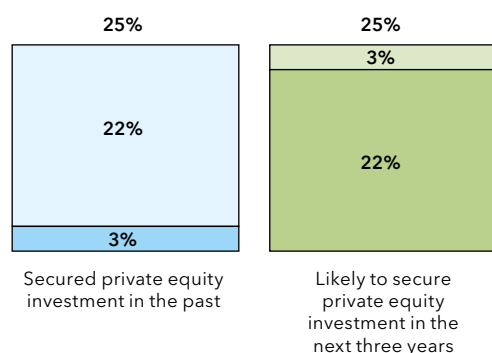
64% of firms ranked PEI as their top macro trend driving change in the profession, compared with just 12% in 2024. This rise in prevalence highlights how PEI can enable transformation, and that it is a major force shaping the evolution of the profession.

Common drivers for M&A and PE activity include the pursuit of growth, investment in tech and access to skills and talent. These are critical priorities for many firms, yet the strategies to address them differ vastly. While M&A and PEI offer accelerated paths through capital injections and strategic partnerships, other firms tackle these challenges organically, choosing to invest internally to maintain long-term independence.

2.1 CONSOLIDATION ACTIVITY

- Yes, in the last year
- Yes, more than a year ago
- Yes, discussed at board level
- Yes, not discussed at board level

Private equity investment

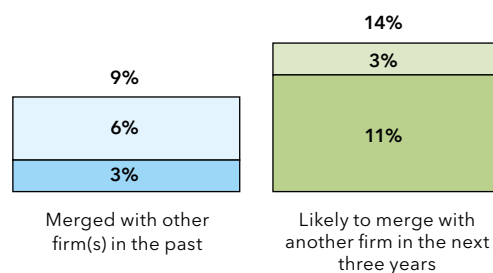


2024

12% had secured PEI in the past

12% were likely to secure PEI in the next three years

Mergers

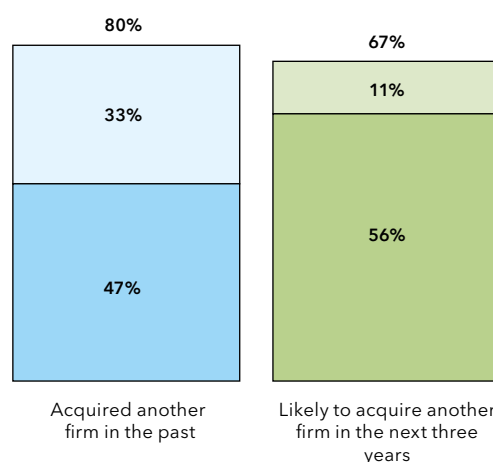


2024

17% had merged with another firm in the past

21% were likely to merge with another firm in the next three years

Acquisitions



2024

64% had made an acquisition in the past

55% were likely to make an acquisition in the next three years

MERGERS AND ACQUISITIONS

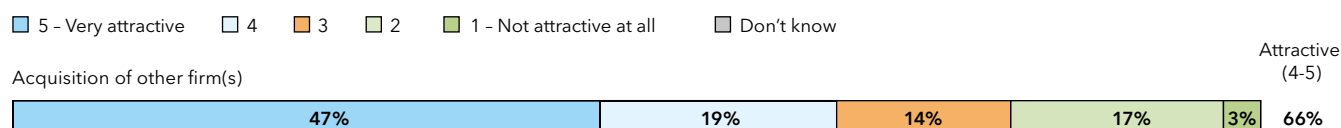
Nearly half of firms undertook acquisitions within the last year, and when combined with previous years' activity, this rises to 80%. In contrast, mergers were less frequent, with only 3% of respondents reporting a merger in the last year. Additionally, M&A were identified by one-third of firms as one of the top three contributors to fee growth, up from 21% in 2024 (Chart 1.1).

This trend looks set to continue as firms favour acquisitions as a consolidation mechanism, with 67% of firms responding that they are likely to make further acquisitions in the future and rating acquisitions as either attractive or very attractive.

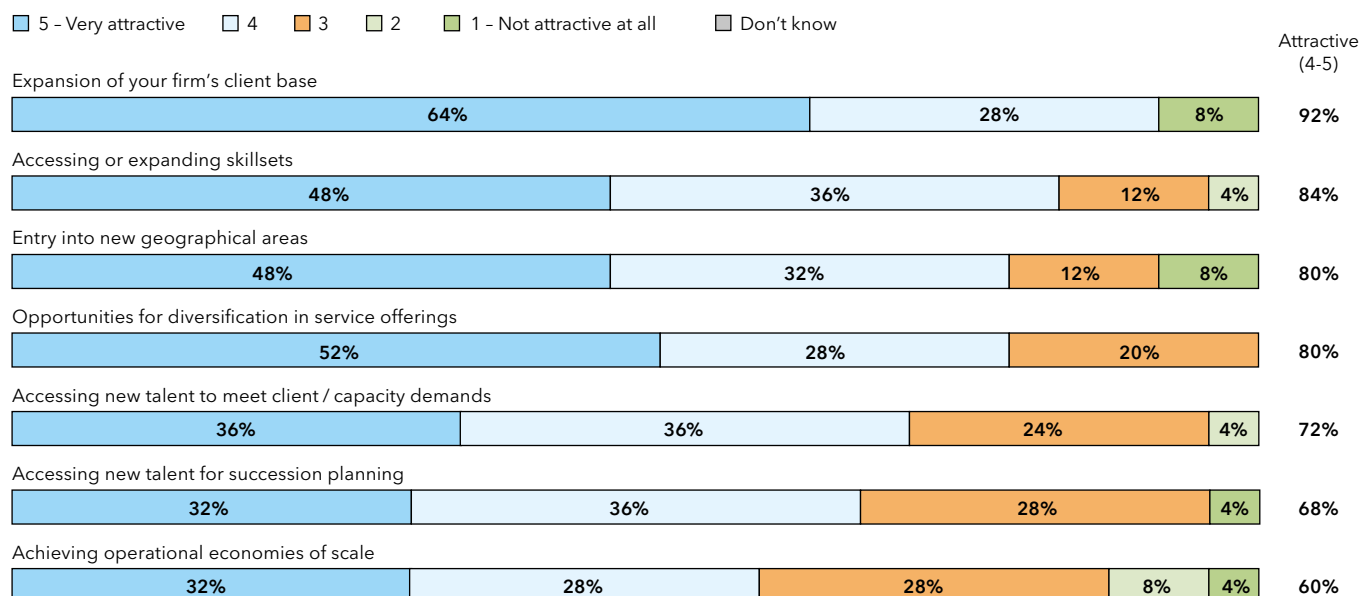
The main reason for firms considering a merger or acquisition is to expand their client base, according to 92% of respondents. New clients remain the biggest driver of fee growth (Chart 1.1), making acquisitions a logical strategy for accelerating income.

Other drivers for M&A activity include gaining access to or expanding skillsets (84%), corroborating findings from other areas of the research where firms are focusing on upskilling staff in areas such as technology and ESG. Additionally, geographic expansion (80%) and service offering diversification (80%) were also important drivers of M&A activity, reflecting firms' ambitions to broaden their reach, diversify their portfolios and strengthen their competitive edge in a rapidly evolving market.

2.2. THE ATTRACTIVENESS OF ACQUISITIONS



2.3. FACTORS IMPACTING THE ATTRACTIVENESS OF M&A ACTIVITY



ICAEW LENS

JULIE SMITH

Head of Practice

Acquisitions act as a catalyst for firm and fee growth, enabling firms to broaden their market footprint or service offering and gain access to new clients and talent. These deals bring in specialist skills, regional reach, or sector expertise that might otherwise take years to build internally. These frequent acquisitions mean that the composition of firms included in the mid-tier is ever-changing.

Mid-tier firms have evolved significantly from their audit focused origins, emerging as modern, multi-disciplinary practices offering a broad range of professional services. As firms continue to grow and adapt, there is a need to future proof, requiring leadership that brings diverse skills and expertise beyond traditional audit backgrounds. However, this evolution must be carefully managed within the constraints of audit eligibility rules. Balancing the need for inclusive, forward-thinking leadership with regulatory compliance is an ongoing challenge that firms must navigate to ensure sustainable success.



PRIVATE EQUITY

25% of this year's respondents have secured PEI, with only 3% having done so in the last year. Just over half of these PE backed firms are larger mid-tier firms with more than 51 partners. Although these firms represent a small portion of the total, PE continues to be a topic of significant interest and discussion among the research participants with 64% seeing it as the top macro trend driving change in the profession (Chart 1.4).

25% of firms expressed a likelihood of pursuing PEI in the next three years, compared to 12% in 2024. Notably, around half of these firms are already PE backed and an overwhelming 88% have already engaged in board-level discussions, signalling a serious intention to explore this option.

What becomes abundantly clear from the research findings is that PE houses are actively pursuing the accountancy sector. Of the firms that do not currently have PEI, nearly all have been approached by at least one PE house within the last three years.

93%

of independent firms have reported being approached by at least one PE house in the past three years

"Private equity has taken a real shine to accounting firms"

2025 RESEARCH RESPONDENT

The attractiveness of private equity

Irrespective of whether a firm has already accepted PEI or signalled an interest in exploring PEI, 22% of respondent firms indicated that PEI was an attractive option to them, compared to 19% in 2024.

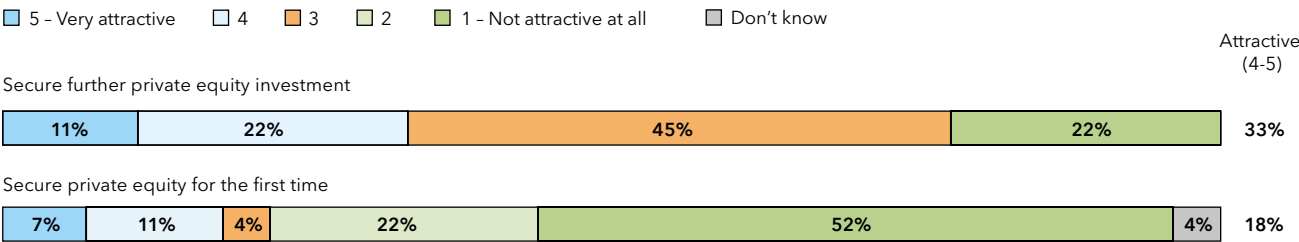
PEI is not attractive to 74% of firms that are currently independently owned (2024: 64%). The main reasons for wanting to remain independent include concerns for how PEI would impact a firm’s culture and people strategy. A significant 85% of firms have concerns that PEI might negatively affect talent retention, while 80% expressed concerns about the potential cultural and ethical alignment and the impact on their firm’s unique values and identity. Additionally, 65% thought that pursuing PEI would negatively impact succession to senior roles.

At the other end of the spectrum, several factors were not deemed as significant by firms in assessing the appeal of PEI. For instance, only 10% expressed concerns around regulatory scrutiny, and just 35% were concerned about potential shifts in client and external perceptions.

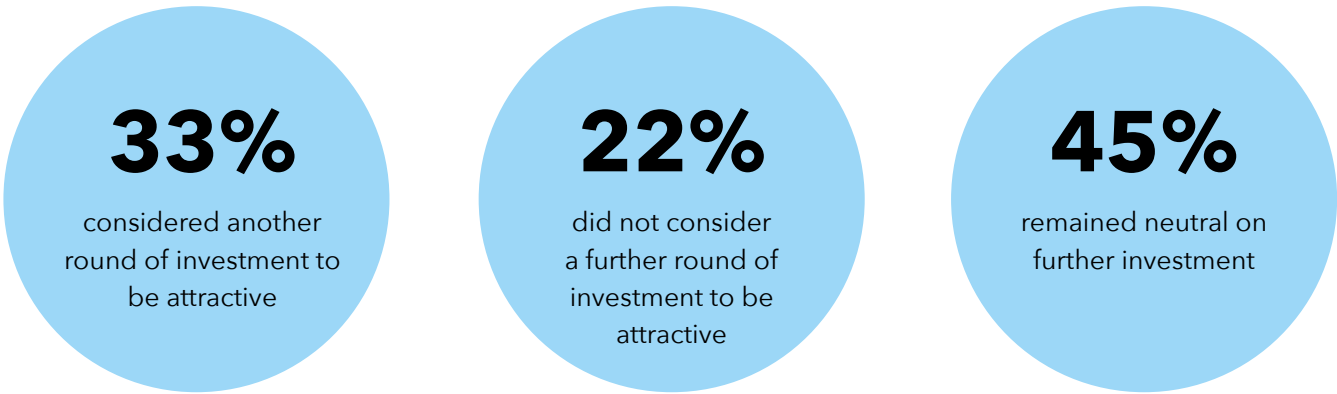
“We believe that there will be a competitive advantage for those businesses remaining independent rather than taking private equity.”

2025 RESEARCH RESPONDENT

2.4. THE ATTRACTIVENESS OF PRIVATE EQUITY INVESTMENT



Of firms that have already secured PEI:



2.5 REASONS WHY PEI IS ATTRACTIVE TO NON-PE BACKED FIRMS

Of firms that had not already secured PEI, 18% saw it as an attractive opportunity.

100% of these firms rated the following as important factors:



80% of these firms rated the following as important factors:



2.6. REASONS WHY INDEPENDENT FIRMS ARE NOT ATTRACTED TO PRIVATE EQUITY INVESTMENT

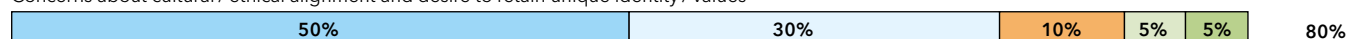
5 - Very significant 4 3 2 1 - Not significant at all Prefer not to say

Significant (4-5)

Concerns that investment could negatively impact talent retention



Concerns about cultural / ethical alignment and desire to retain unique identity / values



Your firm does not require external financing



Concerns that investment could negatively impact succession to senior roles



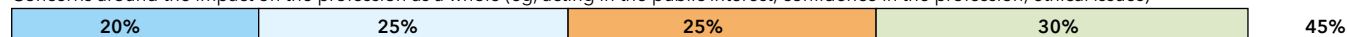
Partners want to retain traditional partnership structure



Concerns that investment could negatively impact talent acquisition



Concerns around the impact on the profession as a whole (eg, acting in the public interest, confidence in the profession, ethical issues)



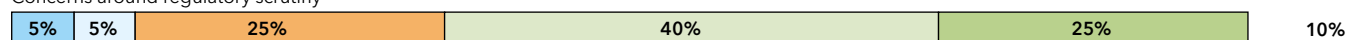
Concerns over operational integration



Fears that investment could lead to a loss of clients and / or local market position



Concerns around regulatory scrutiny



Private equity successes

Of respondents that are already PE funded, most were motivated to take the investment to fund M&A activity to broaden geographical reach and / or service line offerings (89% rated as a very high or high motivation for each). Additionally, technology and talent investment were strong motivations.

Respondents were asked to assess the degree to which their investment has delivered positive results thus far. In some areas, the hoped-for outcomes had already been realised, notably the ability to broaden geographic reach through M&A. In fact, 44% of these firms identified M&A as a top driver for fee growth, compared with just 4% of firms without PE backing.

In other areas outcomes have not yet been fully realised, for example where firms were looking to invest in infrastructure. However, in this case the positive impacts may require more time to materialise.

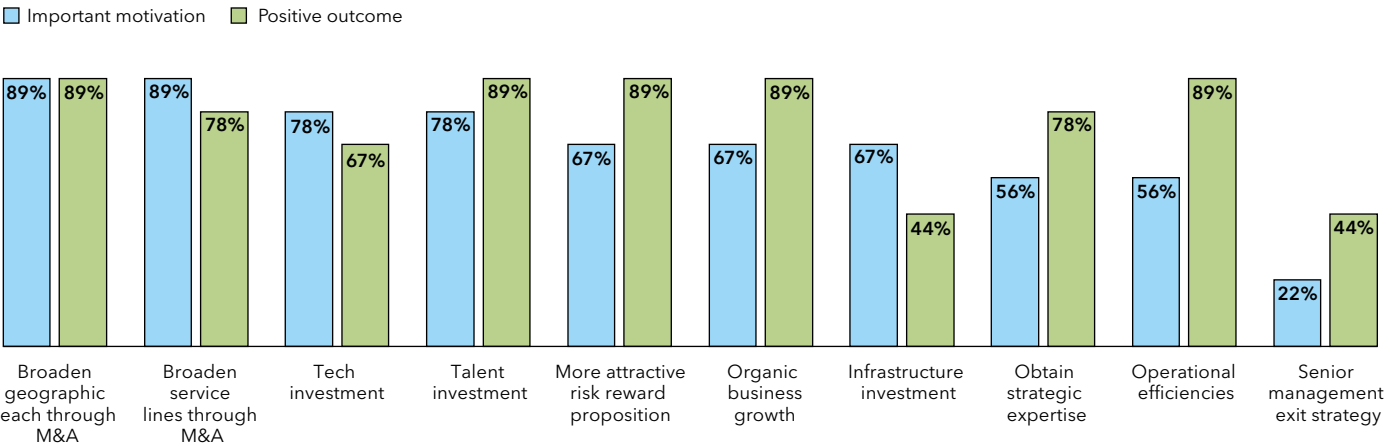
While some firms did not initially view factors such as organic growth, operational efficiencies, or access to strategic expertise as key motivations for securing PEI, they have reported positive outcomes in these areas.

A disconnect between perception and reality

In the context of drawbacks to PEI, increased scrutiny from investors (44%) and regulators (34%) were the only downsides reported. All firms that had secured PEI stated that there had not been any loss of, or negative impact on, staff or clients.

There appears to be a disconnect between perceptions firms have about PEI and the actual experiences of firms that have embraced it. While firms that are hesitant about PEI are concerned about its impact on talent, cultural alignment and identity, those that have received PEI report none of these as major challenges.

2.7. MOTIVATING FACTORS FOR FIRMS TAKING ON PEI, AND POSITIVE OUTCOMES ACHIEVED FROM PEI



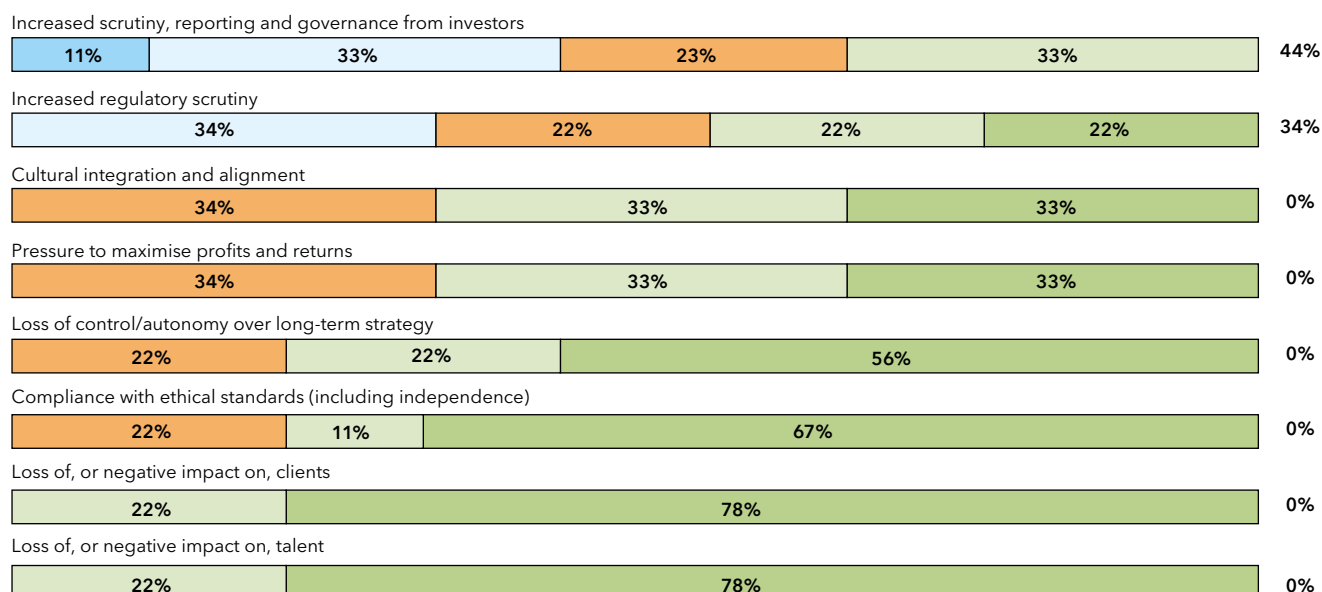
“Accountancy practices considering private equity investment need to think about the regulatory implications and are strongly encouraged to speak to ICAEW at an early stage. There is not a one-size fits all approach to brokering PEI, and early engagement with ICAEW allows for a full assessment of the proposed transaction with particular focus on the firm’s eligibility to hold any regulatory registrations post-investment.”

DUNCAN WIGGETTS, CHIEF OFFICER, PROFESSIONAL STANDARDS DEPARTMENT

2.8. CHALLENGES HAVING SECURED PRIVATE EQUITY INVESTMENT

■ 5 - Very significant □ 4 ■ 3 ■ 2 ■ 1 - Not a challenge

Significant
(4-5)



ICAEW LENS

SARAH GHAFFARI

Director Communities, Business and Practice

The UK accountancy profession continues to have strong appeal to PE investors, a trend that shows no signs of slowing. With high levels of deal activity and sustained press interest, it is clear that PE houses view the sector as a fertile ground for growth, innovation and long-term value creation. Within this context, we see a broad spectrum of approaches from firms – some embracing external investment to accelerate scale and capabilities, while others remain committed to independent, organic growth strategies. What matters most is that firms are empowered to make the decisions that align with their values, ambitions and strategic goals.

It is encouraging to see firms that have partnered with PE investors benefiting from the resources, expertise and momentum such backing can bring – often using it as a springboard to enhance competitiveness and broaden their market presence. At the same time, we fully support those firms choosing alternative routes to growth, whether through talent development, innovation or targeted service expansion.

Our profession has always been characterised by its diversity, with room for a wide range of models and approaches. That variety is a strength, and it will continue to define and enrich the sector moving forward.



3. TALENT AND SKILLS



TALENT CONTINUES TO CHALLENGE FIRMS

Just over one-third of firms identify talent challenges as one of the top three macro trends driving change in the accountancy profession (Chart 1.4). Skills remain a vital concern, with firms prioritising upskilling and attracting the right attributes to stay competitive.

In the background, firms are facing rising employment costs, new employment legislation and apprenticeship funding changes. The fast pace of technological change, a generational divide and a growing imperative to look at sustainability all contribute to a more challenging environment for workforce planning and retention strategies.

SKILLS SHORTAGES

Developing staff capabilities and / or addressing skills shortages emerged as a significant focus for many mid-tier firms, resonating throughout the 2025 research findings.

22% of firms see future proofing skills as their number one talent challenge with 44% placing it in their top three concerns. Additionally, issues such as contrasting work ethos, attitudes across different generations and the impact of remote working and Covid lockdowns on professional skills were widely regarded as one of the top three talent challenges.

When asked about priorities for their operating model, three-quarters of firms rated upskilling existing staff as a high priority for the next three years. A similar proportion (81%) said that upskilling employees' capabilities was a high priority when it came to their technology investment (Chart 4.2). LinkedIn's [Work change report: AI is coming](#) suggests that by 2030, 70% of the skills used in most jobs will change, with AI as the primary driver behind this shift. This emphasises the critical importance of firms prioritising staff development.

Some firms have identified M&A as a strategic solution to address their skills challenges, with expanding and diversifying skillsets cited as the second most compelling reason for pursuing M&A deals. Additional benefits included bringing in new talent to meet growing client demands or capacity needs, as well as strengthening the succession pipeline to secure future leaders for the business (Chart 2.3).

Skills shortages are a growing concern not just within the accountancy profession, as nearly half of firms reported that skills gaps are hindering their clients' growth (Chart 1.3). According to the [UK Workplace Learning Report](#), 57% of talent and development professionals agree with the statement "my executives are concerned that employees do not have the right skills to execute our business strategy". While it may be somewhat reassuring to know that this challenge extends beyond the accountancy sector, the primary focus for firms must be on addressing these gaps proactively to ensure a robust talent pipeline for the future.

"Good technical skills are not difficult to find. Good leadership skills are rare."

2025 RESEARCH RESPONDENT

ICAEW LENS

ANDREA COOK

Director, Specialised and Lifelong Learning

Skills are the backbone of a successful and future-ready profession and it's clear that firms will need to provide support, particularly when it comes to the professional skills that some did not have the opportunity to develop during the pandemic. Communication, collaboration and professional confidence often take root through experience, and several firms have told us they now have active programmes in place to help their cohorts strengthen these areas, which is encouraging to see.

At the same time, technology, particularly generative AI, is beginning to reshape accountancy from within. Firms are increasingly embedding AI into their operations, presenting a real opportunity to reframe the profession as forward-looking and technologically advanced. However, to fully realise this potential, firms must invest in supporting their teams to develop the necessary digital skills, including the ability to critically assess and question the integrity and validity of the data they use.

ICAEW's Next Generation ACA, launching in September 2025, introduces Specialised Learning. This interactive and engaging e-learning platform will give students practical tools and insights to develop both technical and non-technical skills. The Next Generation ACA also features an updated professional skills framework. This comprises 25 professional skills that support student development through a three-stage proficiency model to help students understand their unique skills portfolio.



“Learning how to develop chartered accountants in a future where more systems will be automated requires thought.”

2025 RESEARCH RESPONDENT

TALENT CHALLENGES

This year's research provided a richer insight into the talent challenges faced by firms.

58% of firms identified contrasting work ethos and attitudes across different generations as one of the top three talent challenges. While generational diversity can enhance creativity and understanding within teams, it also introduces varying expectations regarding communication styles and work-life balance, which can be difficult to reconcile. [Research by Chartered Accountants Worldwide \(CAW\)](#) highlighted that of those surveyed, 83% of 18 to 24-year-old chartered accountants are using AI at least once a week for simple tasks, such as data entry, but this usage declines with age. Specifically, senior leaders tend to feel less confident with engaging and using AI technology.

Additionally, 22% of respondents identified the impact of remote working and Covid lockdowns as another top three talent challenge. The lingering impact of studies that were disrupted by the lockdowns as well as missed developmental opportunities, such as reduced in-person mentoring, limited client exposure and fewer collaborative learning experiences, are still felt within firms.

This year, only 17% of firms identified recruiting qualified staff as their top challenge compared to 33% in 2024, and the number of firms ranking this in their top three has fallen to 56% from 67%.

Challenges in retaining qualified staff have significantly decreased, with only 28% of firms citing it as a top three concern in 2025, compared to 60% in 2024.

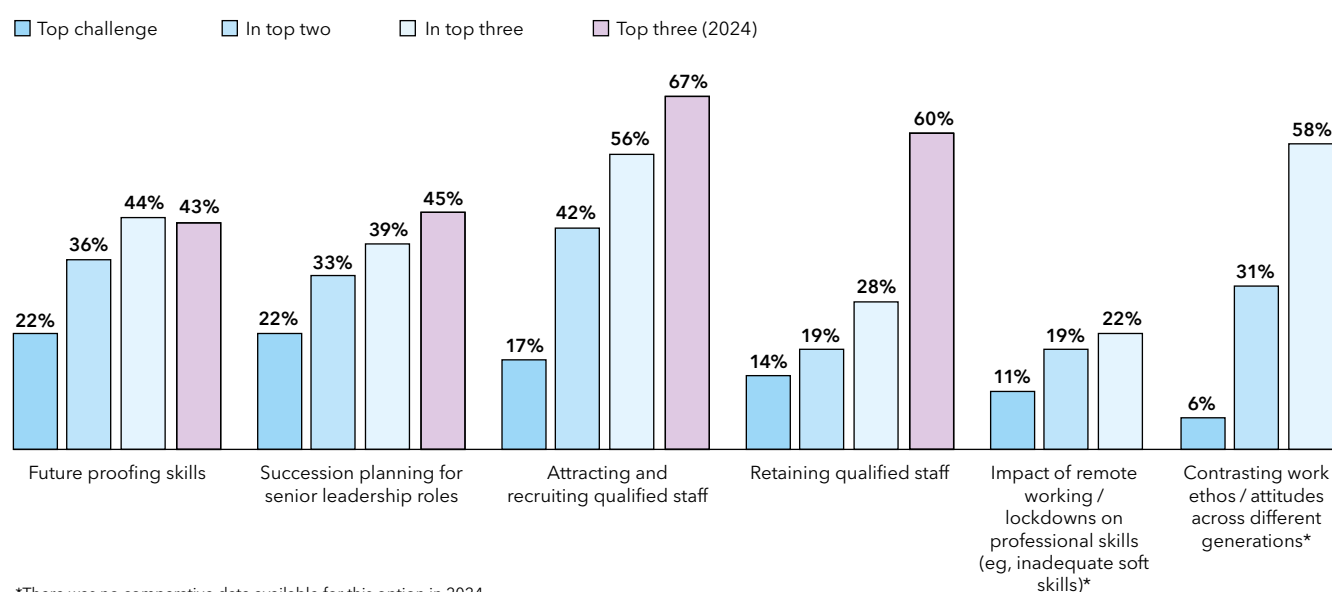
Year-on-year, the focus on future-proofing skills remains consistent, with 44% of firms prioritising it in their top three challenges in 2025, slightly up from 43% in 2024.

Similarly, succession planning continues to be a significant issue, with 39% of firms identifying it as a top three challenge in 2025, compared to 45% in 2024.

"In the current market there is no longer a one size fits all and we also need a model that is able to evolve and ultimately remain flexible."

2025 RESEARCH RESPONDENT

3.1. TOP THREE TALENT CHALLENGES FACED BY FIRMS

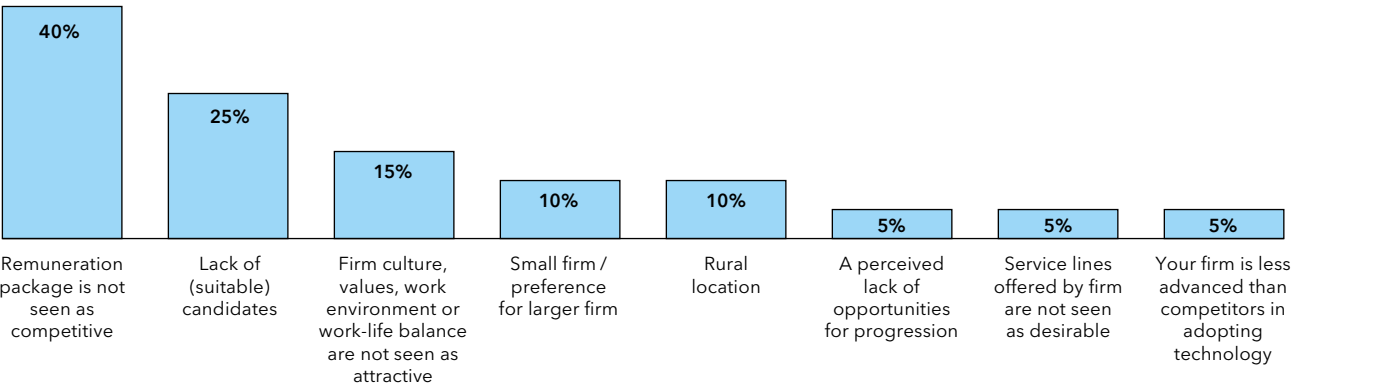


Attraction and recruitment of qualified staff

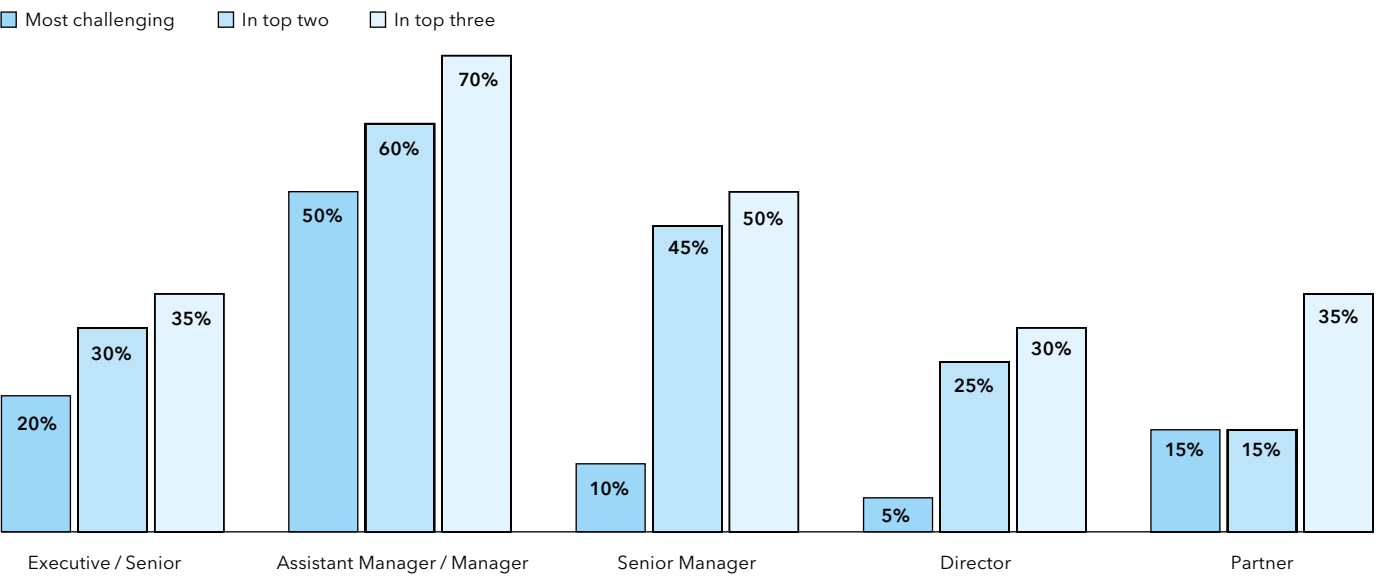
Of the 56% of respondents who identified the attraction and recruitment of qualified staff as a top talent challenge, 40% highlighted the lack of a competitive remuneration package as the most significant issue. A further 25% of respondents pointed to a shortage of suitable candidates, suggesting that the issue extends beyond financial concerns to include the availability of talent with the necessary qualifications and skills.

The most challenging role to recruit for in the firms was at the assistant manager / manager level according to 50% of respondents, while 70% placed it in their top three. This echoes the findings from the [FRC’s research](#) which also found that across all firms, recently qualified staff and audit managers were reported to be the most challenging roles to recruit and retain.

3.2. TOP THREE FACTORS THAT HAVE THE GREATEST IMPACT ON ATTRACTING AND RECRUITING QUALIFIED STAFF



3.3. QUALIFIED ROLES FIRMS IDENTIFY AS THE MOST CHALLENGING FOR RECRUITMENT AND ATTRACTION



Retention of qualified staff

Among the firms that identified retaining qualified staff as a top three talent challenge, the most cited factor was the appeal of alternative career paths outside of practice. Half indicated that the remuneration package was not considered competitive.

No firm identified firm culture, job stability, leadership style or technology as influencing factors for talent retention. As these are typically areas within a firm's control, this suggests that some of the pull factors driving staff departures lie beyond a firm's direct influence.

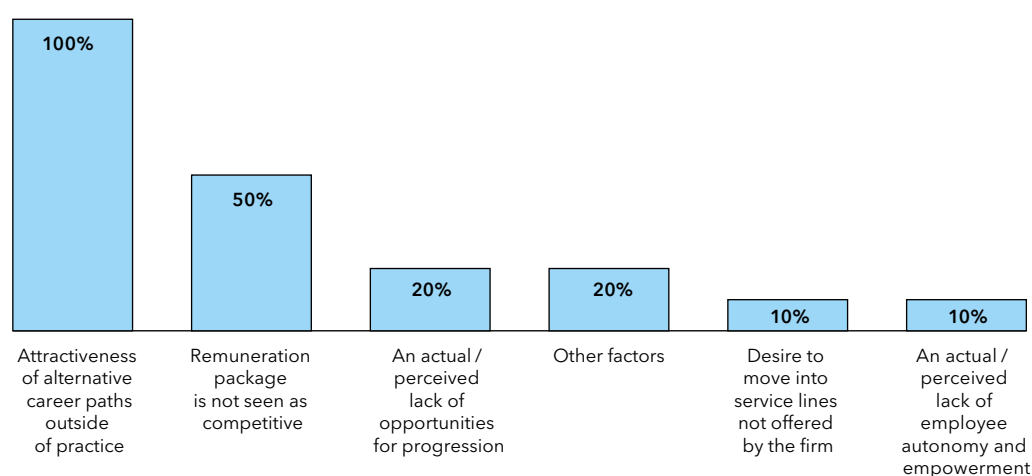
In 2024 one firm noted that "many graduates are coming in with no intention of staying" and according to the *Work Change Report* from LinkedIn, professionals entering the workforce these days are on track to hold twice as many jobs over the span of their careers compared to the workforce 15 years ago.

Succession planning

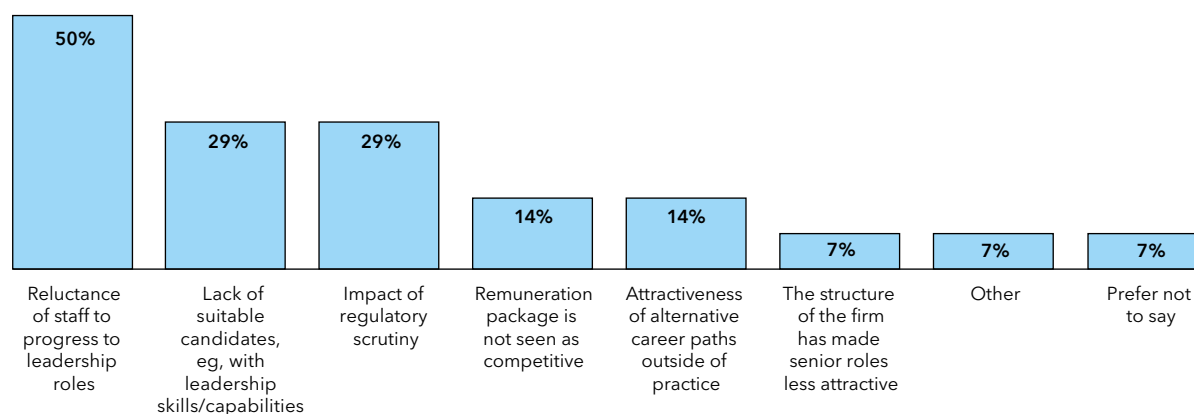
39% of firms identified succession planning as a top talent challenge and half of these were smaller mid-tier firms with up to 20 partners.

Of the 39%, half pinpointed staff reluctance as the primary obstacle for progressing into leadership roles. This reluctance may stem from concerns about increased responsibility, work-life balance, or confidence in their readiness for leadership roles. Additionally, 29% of respondents highlighted regulatory scrutiny as a factor, which can lead to increased personal risk, making leadership positions seem less attractive.

3.4. TOP THREE FACTORS THAT HAVE THE GREATEST IMPACT ON RETAINING QUALIFIED STAFF



3.5. TOP THREE FACTORS THAT HAVE THE GREATEST IMPACT ON SUCCESSION PLANNING FOR SENIOR LEADERSHIP ROLES



TRAINEE RECRUITMENT

In keeping with the findings from 2024, recruitment of trainees is less of a challenge for firms, with only 3% of firms ranking it among their top three concerns compared to 10% in 2024. This reflects the numerous pathways into the profession and a strong pool of candidates seeking positions in accountancy firms.

Looking ahead, 47% of firms expect to increase their annual trainee intake in the next three years, while 36% expect numbers to remain the same, and 17% anticipate a decrease. Additionally, there seems to be a shift in recruitment patterns, with firms likely to focus more on school leavers rather than graduates.

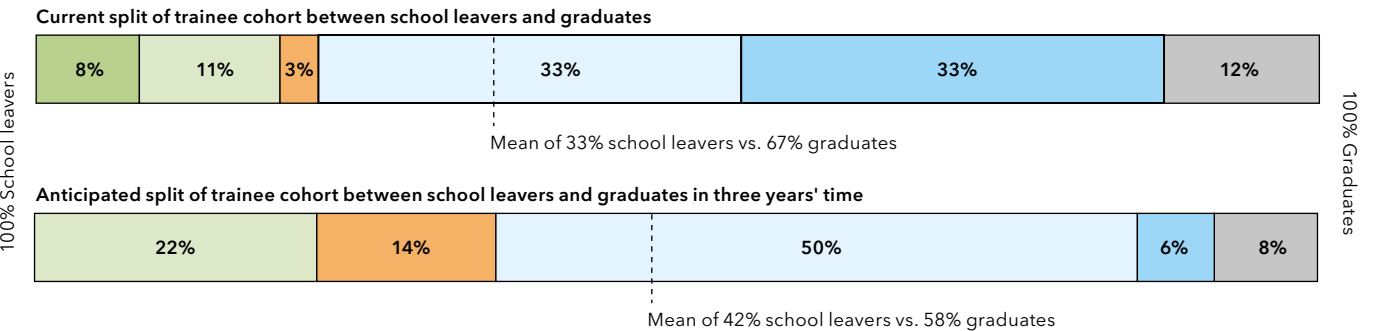
It is important to highlight that the UK Government’s announcement in May 2025 regarding the withdrawal of funding for Level 7 Apprenticeships was not confirmed at the time the research was conducted. Consequently, the findings relating to trainee recruitment may no longer accurately reflect the firms' perspectives.

“The [trainee] cohort will reduce as AI removes some of the tasks that our current teams do.”

2025 RESEARCH RESPONDENT

3.6. EXPECTED CHANGES IN TRAINEE COHORT

76-100% School leavers 51-76% School leavers Equal split (50 / 50) 51-75% Graduates 76-100% Graduates Don't know / Prefer not to say



“Our vision is there will be less people, but we will require higher quality with a different training route - ie, more of a requirement to understand data, to interpret data and to have conversations with clients.”

2025 RESEARCH RESPONDENT

THE FUTURE FOR FIRMS' PEOPLE

As firms look to the future, two key priorities are emerging. Firstly, turning to generative AI and automation to handle routine, time-consuming tasks, allowing employees to focus on higher value add activities that drive innovation and growth. Secondly, unsurprisingly and reassuringly, firms consider investing in upskilling their staff to be a high priority. People are at the heart of the profession and focussing on these two priorities will ensure firms continue to be agile, efficient and competitive.

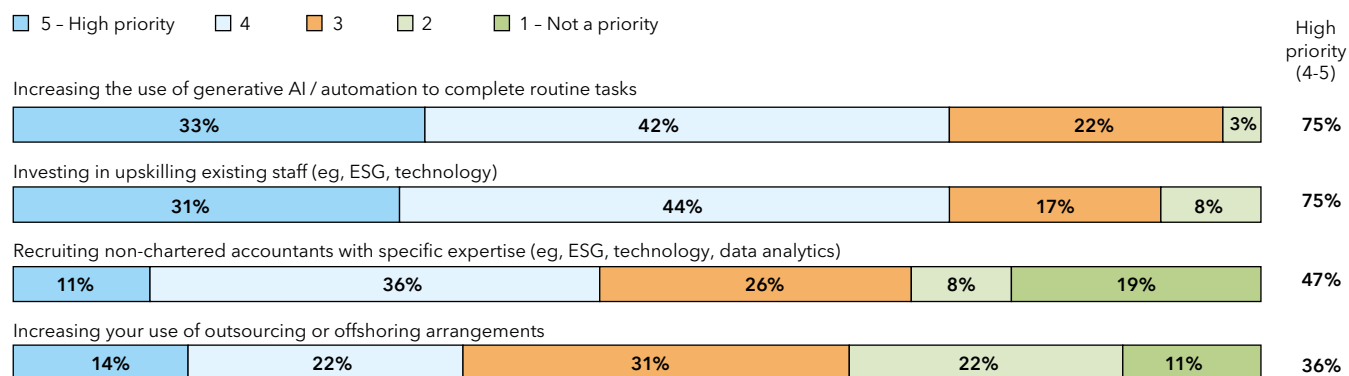
In addition to upskilling their existing workforce, just under half of firms are seeking to supplement their capabilities by recruiting non-accountants with specialised skills in areas such as ESG, technology and data analytics. Bringing in such specialists is an opportunity for firms to offer non-core services and enhance existing services.

Among the priorities for operating models, the increased use of outsourcing and offshoring was identified by just over one third of firms as a key priority for the next three years. One respondent explained: "Removal of the apprenticeship levy is likely to lead to an acceleration of offshoring changing the model", a view shared by others. It suggests that external factors significantly influence this trend.

Some firms are turning to M&A to support their talent needs. Among those attracted to M&A, 84% cited access to, or expansion of, skillsets as a key driver and 68% were motivated by the opportunity to secure new talent for succession planning. Firm size was not a differentiating factor in these motivations.

Similarly, 78% of PE backed firms identified talent acquisition as a core reason for accepting PEI. In contrast, 65% of firms not attracted to PEI expressed concerns that investment could negatively impact their ability to attract talent.

3.7. PRIORITIES FOR FIRM OPERATING MODELS FOR THE NEXT THREE YEARS



ICAEW STRATEGY, DIRECTION 2030

By 2030, ICAEW envisages careers in the profession to be ever more specialised with deep domain expertise in areas such as AI-driven analytics and decision making, sustainability assurance and business transformation. At the same time, ICAEW recognises the growing influence of alternative qualifications in recent years. Promoting the relevance and value of the ACA qualification over others in these areas of expertise will need to be a key consideration over the life of [this Strategy](#).

ICAEW LENS

WILL HOLT

Managing Director, Education and Training

Accountancy remains an attractive and rewarding career path, and chartered accountants possess a broad range of adaptable and highly valued skills that are needed to support businesses everywhere.

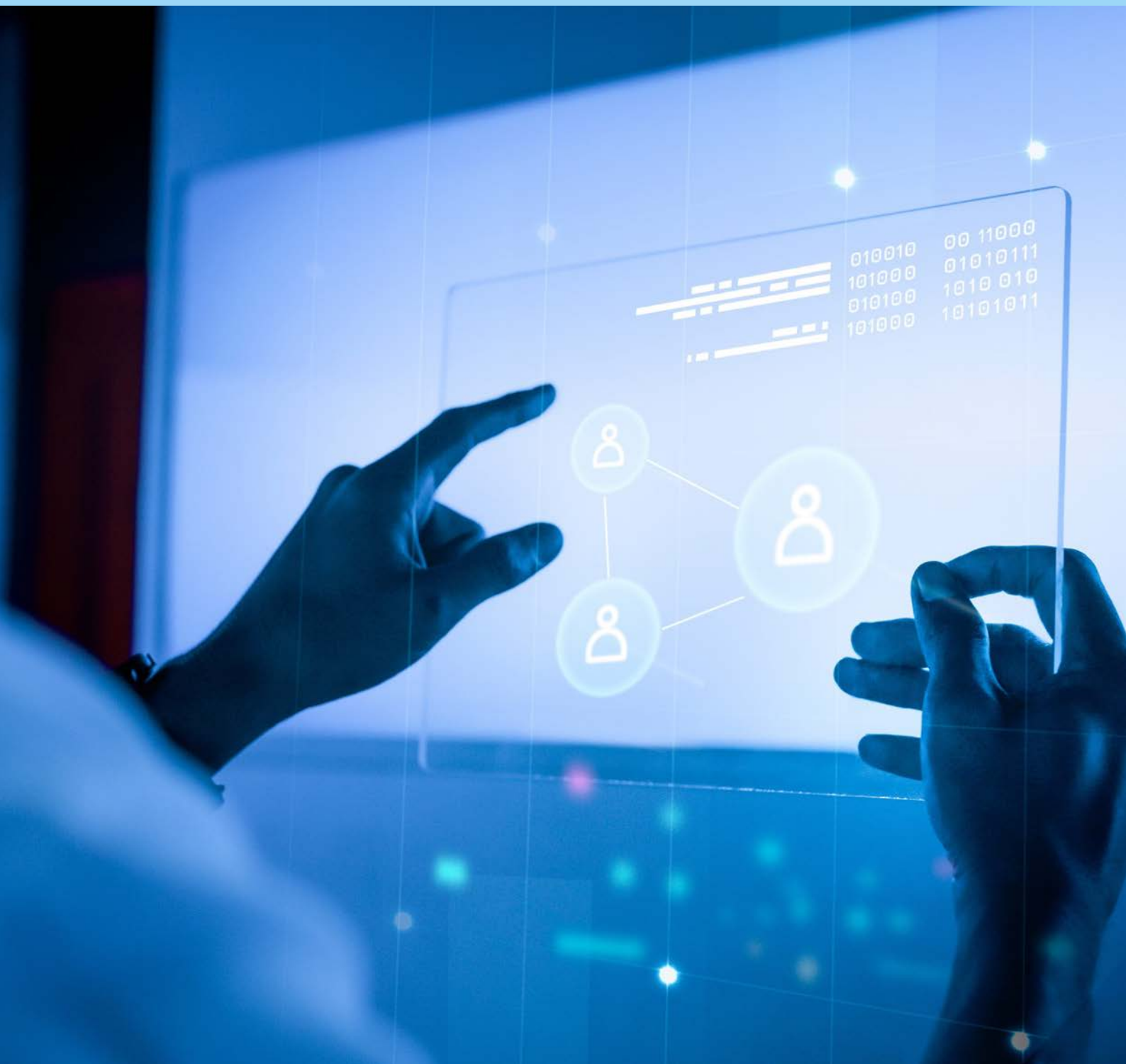
As organisations increasingly rely on a firm's expertise for strategic decision-making advice, the demand for highly skilled qualified accountants continues to grow. This demand means that firms must compete not only with other firms but also with the draw of roles in industry and other sectors. Retaining talent has become a top priority, prompting firms to innovate in areas such as career development, lifelong learning, work-life balance, and compensation to remain competitive.

People are at the core of the profession, and they are navigating a new era defined by rapid technological advances and evolving operational models. To secure long-term success firms must take a proactive stance by closely examining their talent pipelines, nurturing their workforce, and cultivating cultures that encourage growth, adaptability and ambition.

The recent announcement on funding restrictions for those starting Level 7 Apprenticeships aged 22 and over was disappointing, particularly given the UK Government's commitment to a growth agenda. Skills are critical to the growth prospects of businesses and economic growth, and apprenticeships help to close that skills gap and improve social mobility. Professional and business services is a key growth-driving sector in the new industrial strategy. The unintended consequences of this decision will undoubtedly impact many firms, the skills pipeline, and the health of the wider economy.



4. TECHNOLOGY



TECHNOLOGY IN THE PROFESSION

Investment in technology continues to be a top priority for mid-tier accountancy firms, with 42% (2024: 40%) of respondents ranking generative AI as one of their top three macro trends impacting the profession. Additionally, 22% selected 'technological factors other than AI' as one of their top three trends, assumed to be driven by the promise of increased efficiency and competitiveness (Chart 1.4).

Research from CAW in April 2025 highlighted that 85% of their respondents are willing to use AI if given the opportunity, echoing sentiment that AI can play a positive and pivotal role in the profession.

INVESTMENT BENEFITS

An overwhelming majority considered improved operational efficiency was the greatest benefit of investing in technology. Other key benefits included providing firms with better data-driven decision-making, enhanced client experience and allowing professionals to focus more on value add tasks and strengthening client relationships. Only a small number of respondents viewed talent attraction and retention, or improved compliance and risk management as key benefits.

INVESTMENT PRIORITIES

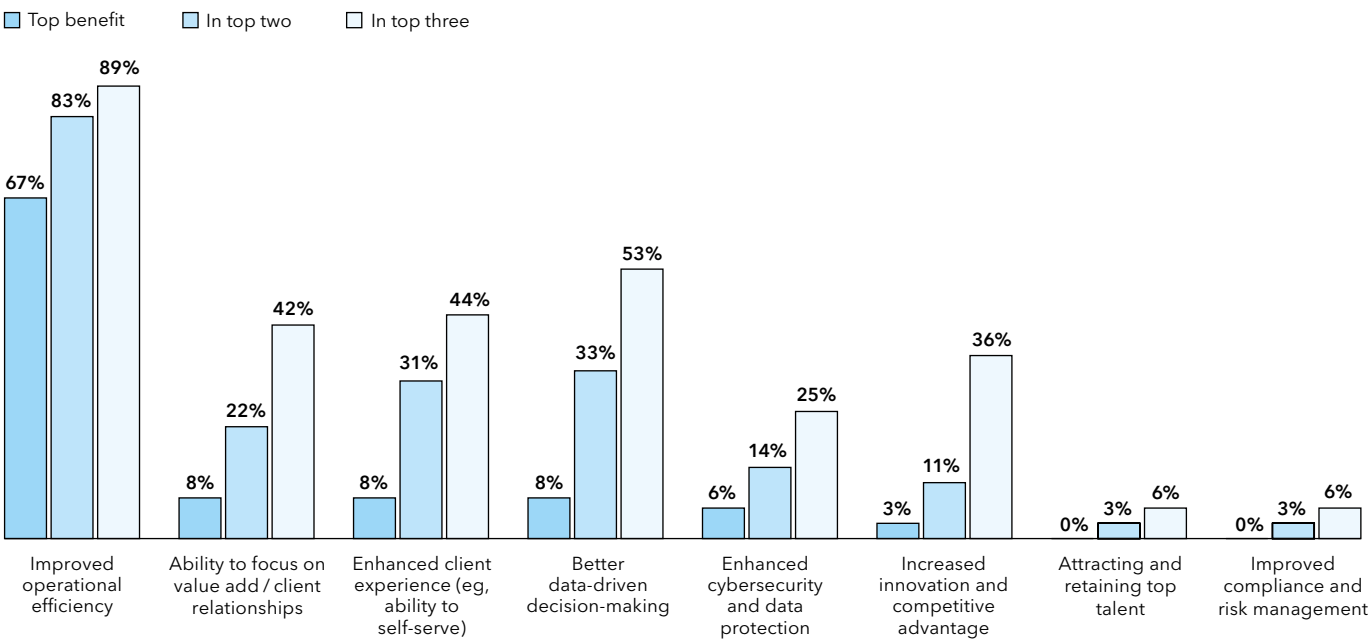
While firms clearly recognise the value of technology, resource constraints mean they must carefully prioritise their investments.

Cybersecurity and risk management emerged as the top priority for firms when it comes to investment. This highlights a strong focus on protecting sensitive client data and safeguarding a firm's reputation in an increasingly digital world with rising threats. According to CAW's research, concerns about data security was the primary reason C-suite executives cited for not using AI more frequently.

"The amount of investment required in software, systems and training is huge and will be our greatest challenge."

2025 RESEARCH RESPONDENT

4.1. THE TOP THREE BENEFITS TECHNOLOGY INVESTMENT WILL DELIVER TO FIRMS

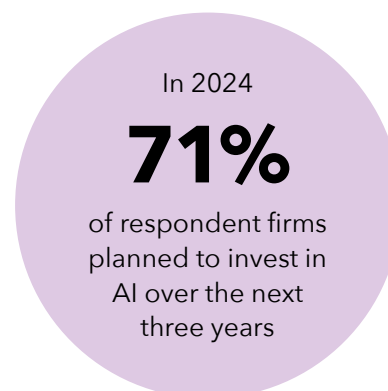


Another key investment focus for firms is enhancing data management, analysis and business intelligence. These areas are essential for unlocking insights that can lead to smarter decision-making, greater efficiency and added value for both firms and their clients.

In the talent-focussed aspects of the research, 75% of firms highlighted upskilling staff as a priority over the next three years (Chart 3.7). Upskilling staff is critical to making the most of technology investment, with 81% of firms identifying it as a priority to ensure employees can confidently adopt, use and maximise new tools and systems. At an ICAEW Mid-Tier Tech forum this year, participants agreed that building digital skills not only involves understanding technological processes, it also requires encouraging confidence, curiosity, adaptability and a willingness to experiment and learn. Critical thinking and the ability to choose the right tools for the task were also highlighted as integral components.

72% of firms regard AI, including generative AI, as a priority investment area. In 2024, 29% of firms anticipated an increase in client demand for AI-powered self-completing solutions. Those firms prioritising AI technology investment are proactively positioning themselves to meet these evolving client expectations.

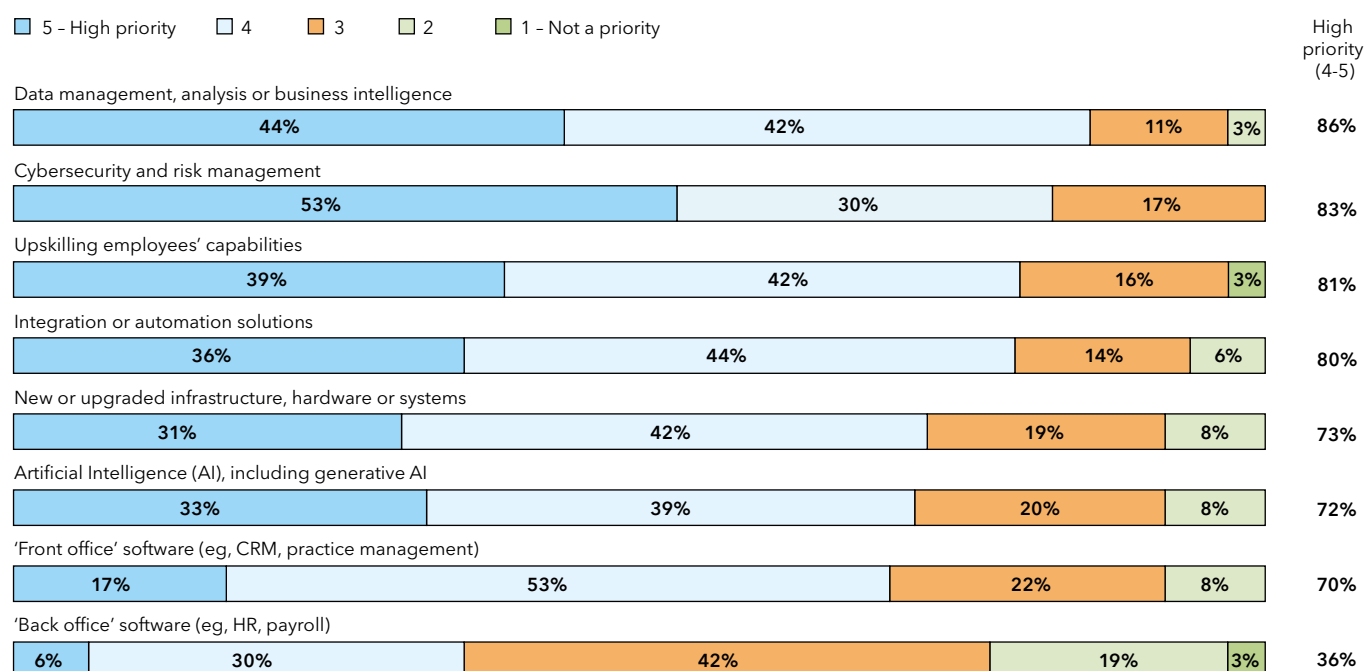
80% of firms cited integration and automation solutions as key priorities. In 2024, 52% of firms anticipated clients wanting greater access to current or live data and 48% of firms expected clients to have an increased need for automation. These trends highlight the vital role seamless data integration and automated processes play in meeting client expectations.



"Technology strategy should go hand in hand with HR strategy."

2025 RESEARCH RESPONDENT

4.2. TECHNOLOGY INVESTMENT PRIORITIES FOR THE NEXT THREE YEARS



ICAEW LENS

ESTHER MALLOWAH

Head of Tech Policy

Accountants have long embraced technology as fundamental to their work, making the profession one of the earliest adopters of digital tools to enhance accuracy, efficiency, and insight. From cloud-based accounting platforms to data analytics and automation, technology already underpins much of the profession's daily operations. This strong foundation positions accountants not as passive users, but as active partners in shaping how emerging technologies are integrated into business.

It naturally follows that accountants are well-placed to capitalise on the rise of generative AI. Their natural blend of curiosity and healthy scepticism, both core traits of the profession, positions them to both explore the potential of new technologies and critically assess their risks.

Acquiring technology skills is a continuous, incremental process that requires ongoing attention and effort to keep up to date. Firms can support development by fostering a culture that encourages an inquisitive mind and openness to change, and by providing regular time for employees to invest in their skills.



INVESTMENT CONCERNS

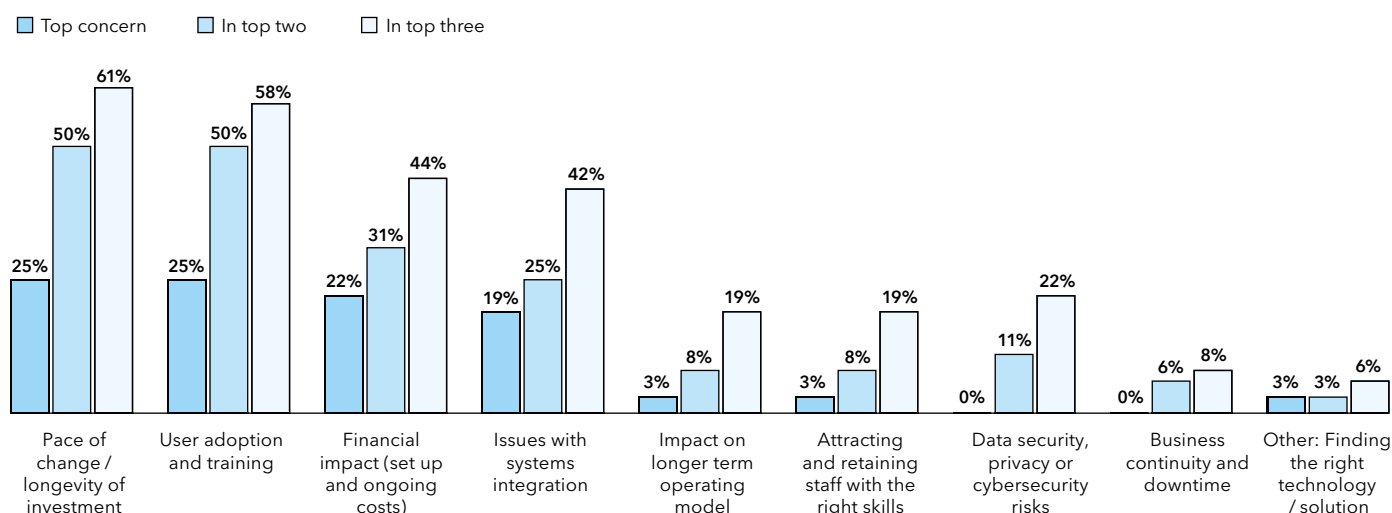
Firms have identified the rapid pace of technological change and the limited lifespan of investments as their primary concern, with 61% citing this as a top three issue. Additionally, 44% of firms selected concerns about the financial impact, including both initial costs of implementation and the ongoing expenses. The need to constantly re-evaluate technology options and upgrades, combined with high upfront costs, put increasing pressure on payback periods.

Another top concern, as cited by 58% of respondents, is the challenge of user adoption and training. Without widespread engagement and effective use by staff, even the most advanced technology investments can fail to deliver. This aligns with findings from the CAW research, where 52% of surveyed chartered accountant members identified insufficient skills and training as the biggest obstacle to adopting AI in accountancy.

“As a medium sized independent firm we do not have the deep pockets of the nationals or PE backed firms.”

2025 RESEARCH RESPONDENT

4.3. TOP THREE CONCERNS IN RESPECT OF NEW TECHNOLOGY INVESTMENTS



ICAEW LENS

IAN PAY

Head of Data Analytics and Tech

It's great to see accountancy firms placing a strong emphasis on the fundamentals when it comes to technology. This grounded, methodical approach is not only practical, but essential.

Data and digital skills are the foundations on which more ambitious capabilities such as AI can be built, and it is right that firms are looking to prioritise these investments. It is also reassuring that firms are taking cyber risks seriously and are looking to invest in minimising these. By focusing on these hygiene factors, firms are setting themselves up for sustainable progress rather than chasing trends without the necessary structure to support them.

At the same time, the reality of the rapid pace of change facing the profession is becoming increasingly clear, and there's no sign of it slowing. In this context, concerns about the longevity and financial impact of investment are legitimate. To address these concerns requires a mindset shift: firms need to be more agile, ready to re-evaluate strategies and pivot quickly when needed. Gone are the days of long-term tech investments that remain relevant for a decade. These days, firms must come to terms with shorter innovation cycles and the possibility that some tools may have a shorter shelf life than expected. The value of technology investment should be measured not just in terms of the financial pay-off, but whether it delivers on its objectives and accepting this is key to staying competitive and resilient.



5. SERVICE LINES



MULTI-DISCIPLINARY FIRMS

Mid-tier firms continue to offer a range of services to meet client needs in a one-stop shop. While core offerings remain strong as expected, emerging service lines present clear opportunities for expansion.

All firms reported fee growth over the past financial year, largely driven by gaining new clients or increasing charge out rates, rather than the introduction of new service lines (Chart 1.1).

The key growth service lines for the next three years are expected to be ESG services and tech / app advisory, including cybersecurity, reflecting a shift in sentiment compared to 2024 when only a minority of firms identified these service lines as top opportunities for growth.

There is also an anticipated rise in the provision of consultancy, forensic services and personal finance and wealth management. Perhaps unsurprisingly, firms have shown little interest in expanding into offering Public Interest Entity (PIE) audit services unless they are already active in this area.

CORE SERVICES

Six service lines emerged as core offerings this year, all provided by over 90% of firms. These areas are well-established, widely recognised and understood across the market. Clients value the service provided by firms in these core areas, appreciating their ability to deliver high-quality, trustworthy support. This strong foundation ensures firms are well-prepared to adapt and expand their offerings to meet the changing needs of their clients.

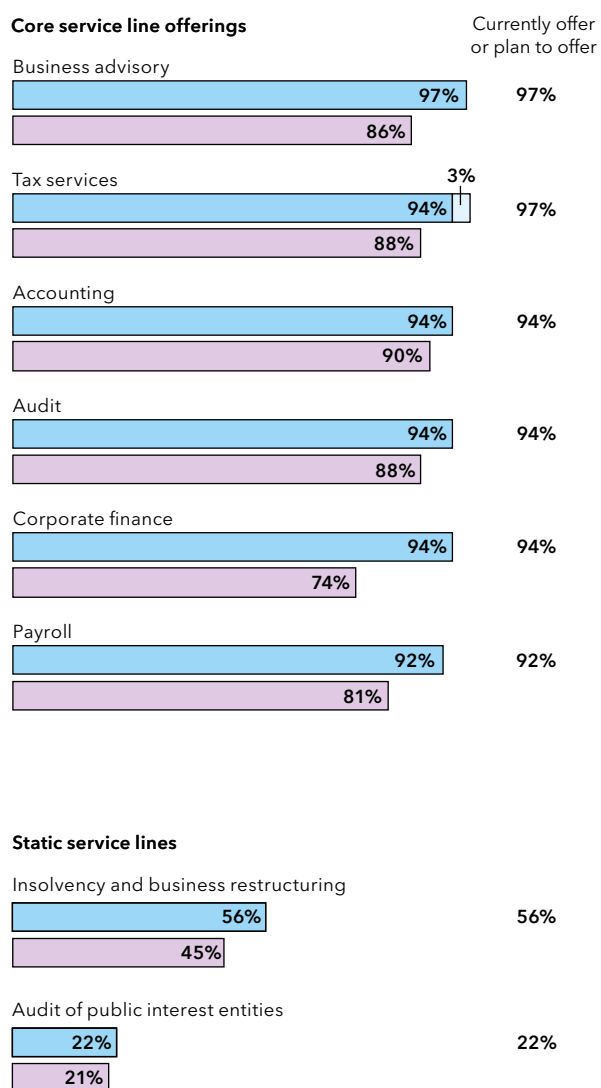
STATIC SERVICE LINES

Insolvency and business restructuring services are currently offered by just over half of firms, and the other half show no intention of entering this field. This highlights the specialised nature of these services, which are typically offered by larger mid-tier firms.

Similarly, only 22% of firms are currently offering PIE audit services (2024: 21%), with no interest currently from other firms to pursue this highly regulated area.

5.1. SERVICE LINE OFFERINGS

■ 2025 □ Plan to start offering in the next three years ■ 2024



PUBLIC INTEREST ENTITY AUDIT INSIGHTS

Firms offering PIE audit services

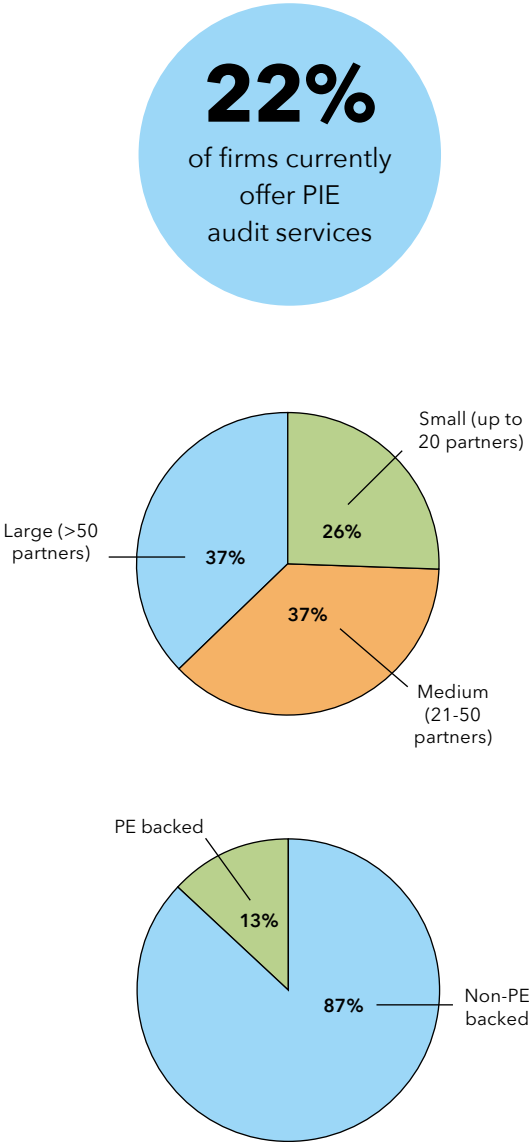
22% of respondent firms currently offer PIE audit (for context [30 firms provided this service in the UK in total in 2024](#)).

Among the few respondents active in this area, 62% anticipated growth in the number of PIE audits they conduct, primarily driven by opportunities for expansion and disregarding any potential changes to the PIE definition. One respondent specifically pointed to the “fallout of small PIEs, from top 10 firms” as a contributing factor, suggesting a gradual shift of PIE audit work cascading down from the Big 4 to mid-tier firms.

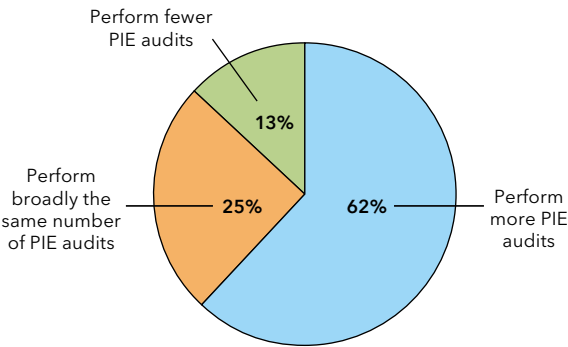
These findings are in line with the FRC’s report, [Views of firms on entry, growth and exit in the markets for smaller PIE audits and non-PIE audits](#), which found that 70% of the PIE auditors they surveyed expected to grow the number of PIE audits they carried out. Most of this growth comes from firms with 10 or more existing PIE audit clients.

However, the sentiment for growth was not shared by all firms acting in this space, and one respondent felt quite negative about the wider impact that PIE audit was having on their firm, stating “the effect on the business as a whole, outside of the areas working on PIEs, is becoming a severe regulatory, bandwidth, and cost burden that is starting to put us at a competitive disadvantage in the general market”.

5.2. BREAKDOWN OF FIRMS OFFERING PIE AUDIT SERVICES



5.3. THE FUTURE OF PIE AUDIT WORK FOR THOSE ALREADY OFFERING THE SERVICE LINE



Firms not offering, nor planning to offer PIE audit services

Over three-quarters of firms neither offer, nor plan to offer PIE audit services with 93% of those firms confirming that to do so would not align with their firm's strategy or risk appetite.

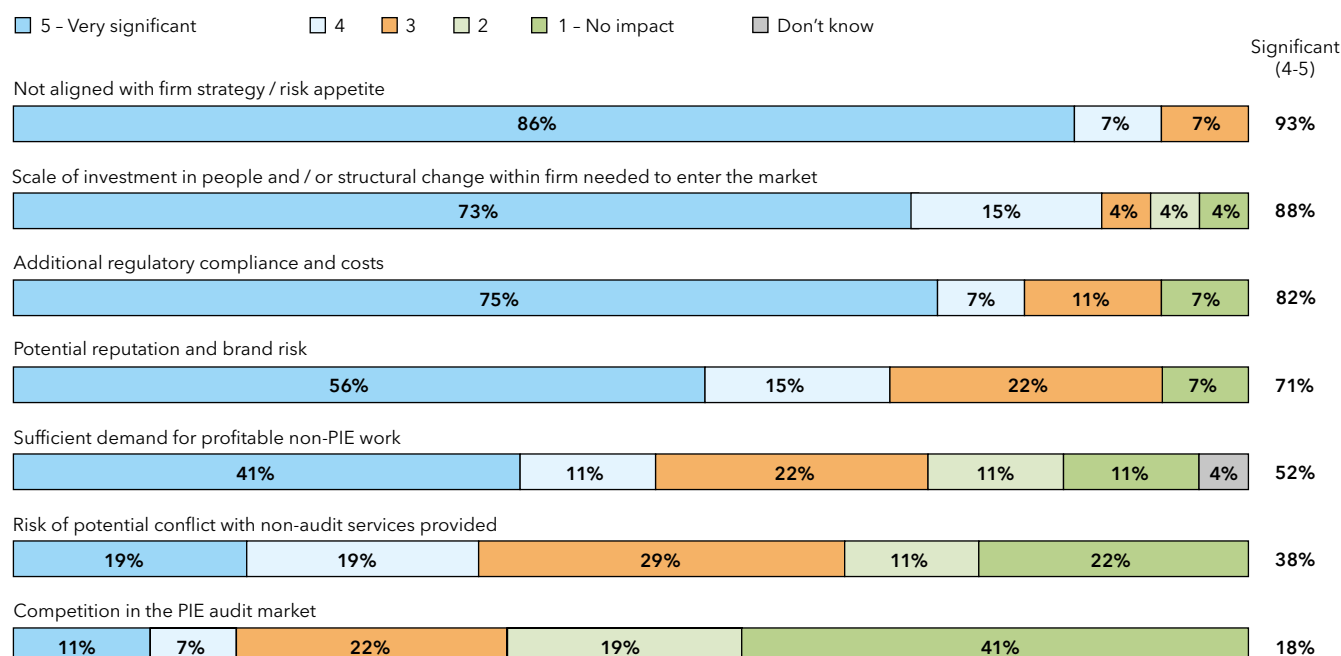
Additionally, 88% of these firms highlighted that the significant investment required in personnel and structural changes was a major reason for not entering the market. This resonates closely with the FRC's findings, which identified "the difficulty of attracting and retaining suitably qualified audit professionals" as a primary cause of capacity constraints.

Additionally, 82% considered regulatory compliance and its associated costs as a key factor. Again, this mirrors the FRC findings where 80% of their survey respondents cited the regulatory regime as a deterrent to entering the PIE market.

The research also revealed that 71% saw the potential reputation and brand risk as a barrier to entering the PIE market. This reflects ongoing concerns that the high levels of scrutiny and public accountability could negatively impact how the firm is perceived in the market.

Overall, the findings do not paint an optimistic picture and indicate that there are significant obstacles to firms entering the PIE audit market. From concerns about reputation and brand to limitations in capacity and resources, there are substantial barriers to the [FRC achieving its objective](#) of increasing the number of PIE audit providers in the market. Additionally, uncertainties surrounding the scope and remit of the PIE regime and definition further reduces the attractiveness of PIE audit.

5.4. REASONS FOR NOT OFFERING OR PLANNING TO OFFER PIE AUDIT SERVICES



ICAEW LENS

NIGEL SLEIGH-JOHNSON

Director, Audit and Corporate Reporting

PIE audit work remains unattractive to many mid-tier firms. Despite efforts to widen the pool of providers, the regulatory complexity and heightened scrutiny associated with PIE audits continue to be deterrents. This is compounded by the availability of other audit and advisory opportunities that allow firms to grow profitably without the increased investment, risk and oversight associated with PIE audit. In general, market appetite for PIE audits remains limited, raising serious questions about how best to encourage broader participation in this critical service line.

These challenges are exacerbated by planned changes to the PIE definition, which could bring more entities into scope. An increase in PIE audits may have implications for audit firm capacity that could lead to further concentration of this work among a relatively small number of firms.

ICAEW's response to the FRC's recent [*Small and Medium-Sized Enterprises Market Study*](#) stresses the need to look at the audit market as a whole, and outlines actions needed to help increase capacity and participation in all segments of the audit market. It calls for a more supportive regulatory regime and inspection culture to offset the significant challenges facing auditors considering entering the PIE audit market. More broadly, ICAEW calls for targeted support across the audit market, noting that some auditor independence rules and challenges related to less complex entity (LCE) audits are limiting growth among SME audit firms. These constraints, in turn, affect the ability of firms to enter and compete in the PIE audit market.



OPPORTUNITIES FOR GROWTH

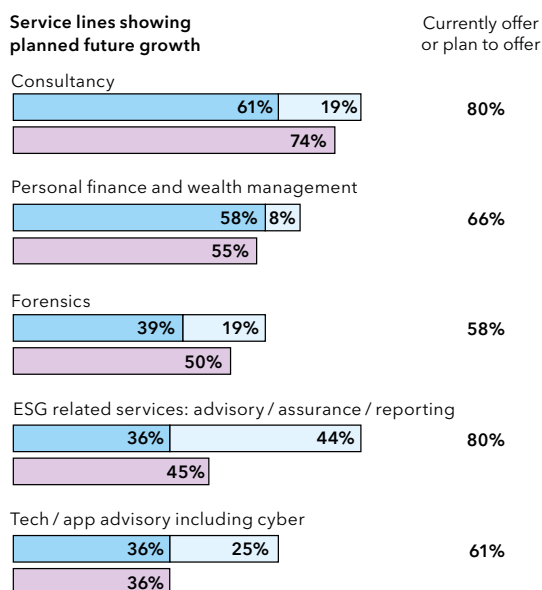
Firms have highlighted several service lines as key for future growth. Although these offerings are currently less widespread than traditional core services, there is growing momentum signalling their increasing significance in the mid-tier market.

The biggest shifts are seen in tech / app advisory including cyber, ESG services and forensics. Last year, a modest number of firms identified these areas as offering the greatest opportunity for growth. This year's research highlights a significant increase in the number of firms planning to offer these services within the next three years. These services position firms to support clients through digital transformation, their sustainability journey and rising levels of litigation and investigative activity.

80% of firms attracted to M&A and 80% of those attracted to PEI highlighted service line expansion as one of their motivating factors (Charts 2.3 and 2.5).

5.5. SERVICE LINE OFFERINGS

■ 2025 □ Plan to start offering in the next three years ■ 2024



In 2024

10%

of firms saw ESG as a top service line for growth

In 2024

14%

of firms saw tech / app advisory as a top service line for growth

ESG RELATED SERVICES INSIGHTS

Despite ESG factors not being selected by any firm as a top three macro trend driving change in the profession, the service line that the largest proportion of firms are planning to introduce in the next three years is ESG services.

According to the CBI Economics report *The future is green: The economic opportunities brought by the UK's net zero economy*, the UK's net zero economy is a major engine of growth and innovation, delivering £83.1 billion in Gross Value Added. This represents a 10% increase on the previous year, underscoring the service line's immense growth potential.

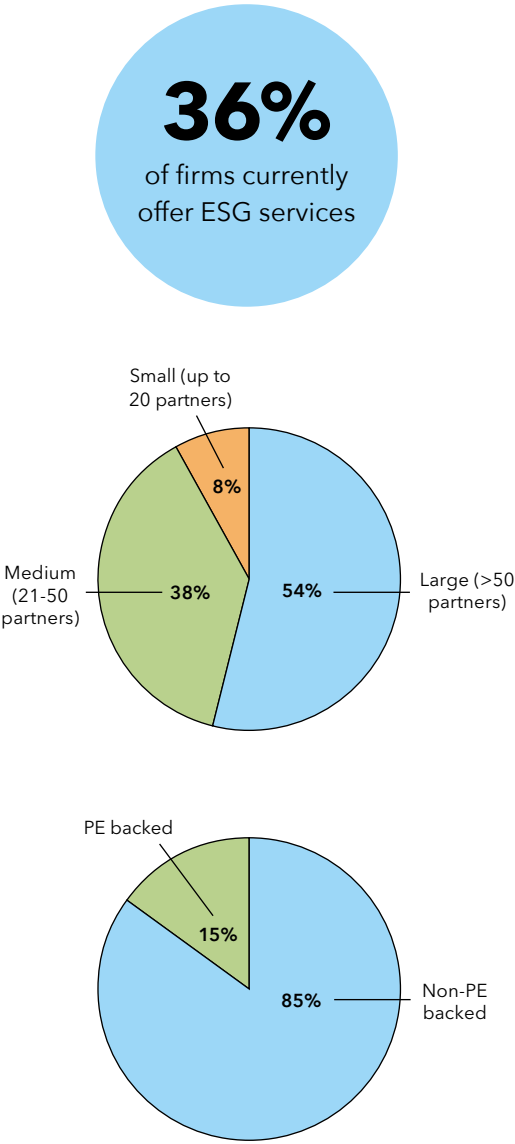
Firms currently offering ESG related services

36% of this year's firms are already offering ESG services (2024: 45%). The majority of these firms are large firms. They are also more likely to be non-PE backed.

Advisory and external assurance services are currently the focus of the ESG offering for most firms, which aligns closely with the traditional strengths and expertise of the accountancy profession. In contrast, regulatory compliance reviews are less commonly offered by the firms, which potentially reflects a lower demand for this type of work and / or a lack of skills to deliver.

Many firms currently offering ESG services are only handling a limited number of engagements. Since not all clients require ESG support, the opportunities for these services remain relatively niche. Although interest in ESG is growing, it continues to be a specialised service offering with a varying level of adoption across the broader client base.

5.6. ESG SERVICES LINE COMPONENTS OFFERED BY FIRMS



5.7. ESG SERVICE LINE COMPONENTS OFFERED BY FIRMS

■ Yes - provide to many clients (10+) ■ Yes - provide to small number of clients (<10) ■ No - do not offer

Advisory services (eg, strategy development / reporting)		
23%	62%	15%
External assurance services / third-party verification (eg, sustainability reporting assurance, verification of carbon emissions)		
23%	46%	31%
Regulatory compliance reviews (including health and safety assessments)		
15%	8%	77%

Firms planning to offer ESG related services in the next 3 years

This year, 44% of firms indicated that they plan to start offering ESG services within the next three years. This is in sharp contrast to last year when only 10% identified this as a top three growth opportunity. Of the firms planning to offer ESG services, three-quarters are either small or medium sized mid-tier firms (those with between 11-50 partners), and only 31% are PE backed firms.

With growing awareness and expectations around ESG, businesses are increasingly in need of expert guidance, assurance and support. This trend offers firms a strategic opportunity to expand their service offerings and meet the rising demand.

Mirroring the offerings by firms already acting in this space, advisory services and external assurance services look set to be the biggest areas for growth.

Firms planning to offer ESG services in the next three years appear to be taking concrete steps to ensure they are ready. 69% are looking to build capacity and invest in training their staff to enhance ESG expertise, while 50% are forming partnerships with ESG experts to access specialised skills. Additionally, 13% are actively recruiting ESG professionals to join their teams. This highlights a clear move toward acquiring the right talent for this growing demand. Additionally, 38% of firms are engaging directly with their clients to better understand their needs, demonstrating their drive to be responsive and adaptable in their approach.

However, of those firms planning to introduce ESG services, just under a fifth are yet to take proactive steps for implementing this service line. A similar portion are still uncertain about the specific components of ESG they will offer. This uncertainty may stem from the complexity and evolving nature of ESG regulations and market demands. ESG also needs to be seen as a profitable service line for firms.

Firms neither offering nor planning to offer ESG related services

17% of firms are neither offering nor planning to offer ESG services in the next three years, with 83% of these citing a lack of client demand as the reason. 67% stated that they do not have sufficient internal expertise and resources, which is likely further compounded by the challenges firms are already facing in respect of skills.

One third suggested that offering this service line does not align with their firm's strategy, while 17% felt that ESG services are not a profitable service line. No firms suggested that the lack of mandatory UK regulatory requirements was a reason.

“The Big Four are the largest four providers of assurance to FTSE 350 companies and have increased their collective market share to 40%.”

[FRC ASSURANCE OF SUSTAINABILITY REPORTING MARKET STUDY \(FEB 2025\)](#)

5.8. ESG SERVICE LINE COMPONENTS FIRMS PLAN TO OFFER IN THE NEXT THREE YEARS

■ Yes
 ■ No
 ■ Don't know

Advisory services (eg, strategy development / reporting)



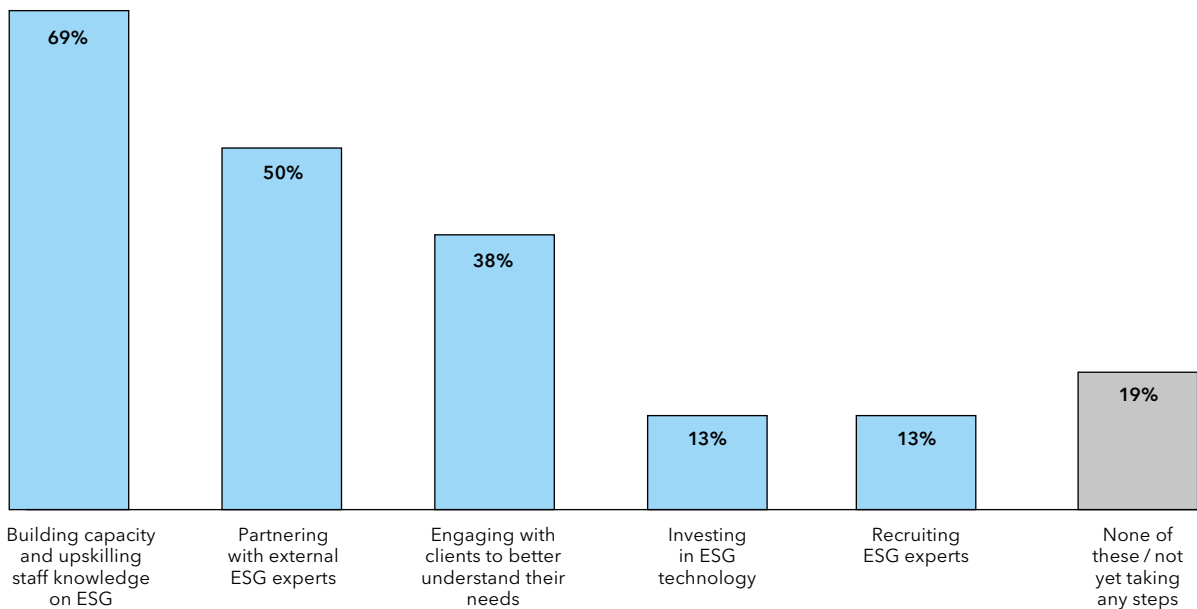
External assurance services / third-party verification (eg, sustainability reporting assurance, verification of carbon emissions)



Regulatory compliance reviews (including health and safety assessments)



5.9. STEPS TO PREPARE FOR OFFERING ESG SERVICES



5.10. REASONS FOR NEITHER OFFERING, NOR PLANNING TO OFFER, ESG SERVICES

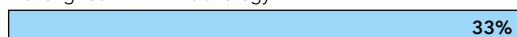
Lack of client demand



Insufficient internal expertise / resources



Not aligned with firm's strategy



Not profitable



Prefer not to say



ICAEW LENS

RICHARD SPENCER

Director, Sustainability

Accountants are well-positioned to offer ESG services and expand their role as trusted business advisors. While ESG is often seen through a compliance lens, it is also a strategic and operational story of physical risk: the crises of climate, loss of nature and people have huge economic cost and impact. However, the transition to a low carbon economy brings significant economic benefits and will play a major part in the UK's growth ambitions, securing jobs and building prosperity. With a professionally sceptical and curious mindset and expertise in data analysis, reporting, assurance and regulatory compliance, they can support clients with navigating the complex landscape of ESG requirements, risks and opportunities. Their strategic insight and deep understanding of business operations enable them to integrate ESG considerations into broader decision-making, adding significant value. Our profession is well placed to support clients in building sustainable, responsible and resilient businesses.

The steps that most firms are taking to prepare for ESG service delivery demonstrate commitment and readiness to provide exceptional value to clients. Many are investing in specialised training, developing ESG frameworks and integrating sustainability metrics into their advisory practices. Firms are also building cross-functional teams that combine financial, environmental and social expertise to offer holistic solutions. By aligning internal capabilities with emerging client needs, these firms are positioning themselves to lead with confidence and deliver high-quality, forward-thinking ESG services.

Firms that have yet to establish a strategy for offering ESG services could well be missing out on the opportunities ESG presents. They can start by building internal capability, engaging clients and assessing their needs and strengthen their offerings by building partnerships and referral networks.



CONTINUED GROWTH AND EVOLUTION IN MID-TIER FIRMS

Findings from the 2025 research clearly indicate sustained growth within the mid-tier accountancy sector. All participating firms reported fee growth in the most recent financial year, with further expansion anticipated in key service offerings such as ESG and tech / app advisory. Firms continue to evolve and adapt to market changes and this positive trajectory is expected to continue, despite ongoing challenges including skills shortages, regulatory demands, and broader economic and societal pressures.

Mid-tier firms are actively adapting to these challenges by investing in talent development and leveraging technology to drive operational efficiency and innovation. This period marks a significant phase of transformation, presenting both opportunity and momentum. As part of one of the eight sectors identified by the UK Government for growth, mid-tier firms are well-positioned to contribute meaningfully to the broader national agenda.

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 210,000 members and students around the world. 98 of the top 100 global brands employ ICAEW Chartered Accountants.*

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor more than 11,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

ICAEW is working towards becoming net zero, demonstrating our commitment to tackle climate change and supporting the UN Sustainable Development Goal 13.

ICAEW is a founding member of Chartered Accountants Worldwide (CAW), a global family that connects over 1.8m chartered accountants and students in more than 190 countries. Together, we support, develop and promote the role of chartered accountants as trusted business leaders, difference makers and advisers.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create sustainable economies and a better future for all.

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* includes parent companies. Source: ICAEW member data
March 2025, Interbrand, Best Global Brands 2024