A CLEARSUM GUIDE

Know Your Numbers.

A financial guide for agency owners who want clarity, confidence and better decisions.

BY CLEARSUM ACCOUNTING

INTRODUCTION

Better decisions start with knowing your numbers better.

Most agency owners didn't start out in finance. They started as designers, developers, marketers or strategists, and built something from there. The focus has always been on doing great work for clients, winning new ones and keeping the team moving forward.

That's exactly how it should be. But it means the financial side of running the business often gets less attention than it deserves. Not because it doesn't matter, but because it was never the thing that came naturally.

The result is that many agency owners make important decisions, hiring, pricing, investing, taking on new clients, without a clear picture of what the numbers are actually telling them. Not because the information isn't there, but because nobody has made it simple or useful enough to act on.

The good news is that it doesn't take a finance qualification to get on top of this. There are a handful of numbers that, tracked regularly, give you the clarity to make confident decisions about where your agency is heading.

This guide covers five of them, along with how to read your accounts, where to look for easy tax wins and what to expect from an accountant who's actually adding value.

SECTION ONE

The 5 numbers every agency should track monthly.

> These are the numbers that give you a real picture of how your agency is performing. Not vanity metrics, not nice-to-haves. These are the ones that should be informing how you price, hire, plan and spend.

1 Gross margin by project or client

WHAT IT IS

The revenue from a project or client minus the direct costs of delivering the work (subcontractors, freelancers, direct staff time, software or tools used solely for that project).

WHY IT MATTERS

Revenue on its own tells you very little. A client paying you £10,000 a month looks great until you realise it costs you £9,000 to service them. Gross margin shows you which clients and projects are actually profitable, and which ones are quietly draining the business.

HOW TO CALCULATE IT

(Revenue - Direct Costs) ÷ Revenue × 100. If a project brings in £8,000 and the direct costs are £4,800, your gross margin is 40%.

WHAT GOOD LOOKS LIKE

For most agencies, a healthy gross margin sits between 50% and 70%. Below 40% and you're likely underpricing, over-servicing or carrying too much direct cost for what the work is worth.

2 Cash flow forecast

WHAT IT IS

A forward-looking view of the cash coming into and going out of the business over the next 8 to 12 weeks, at minimum.

WHY IT MATTERS

Profit and cash are not the same thing. An agency can be profitable on paper and still run out of cash if clients pay late, costs land early or a big project doesn't convert. A cash flow forecast stops you being caught off guard.

HOW TO CALCULATE IT

Start with your current bank balance. Add expected income week by week (based on invoices raised and contracted work). Subtract expected outgoings (salaries, rent, software, tax, VAT). The running total shows you where pinch points are before they arrive.

WHAT GOOD LOOKS LIKE

You should always be able to see at least 8 weeks ahead. If you can see 12, even better. The goal isn't perfection, it's visibility. A forecast that's roughly right is far more useful than no forecast at all.

3 Revenue per head

WHAT IT IS

Your total revenue divided by the number of people in the business (including the owner).

WHY IT MATTERS

This is one of the simplest ways to gauge efficiency. If revenue per head is declining, it usually means you're growing the team faster than the revenue, or your pricing hasn't kept pace with your costs. It also helps you think clearly about whether a new hire will pay for itself.

HOW TO CALCULATE IT

Total Revenue ÷ Number of Full-Time Equivalent Staff. If your agency turns over £400,000 with 5 people, revenue per head is £80,000.

WHAT GOOD LOOKS LIKE

This varies by agency type, but as a general guide, £80,000 to £120,000 per head is a reasonable range for a small agency. Significantly below that and you're likely either undercharging or carrying more people than the revenue supports.

4 Staff utilisation rate

WHAT IT IS

The percentage of your team's available hours that are spent on billable, revenue-generating work.

WHY IT MATTERS

If your team is busy but utilisation is low, it means too much time is going on internal work, admin or non-billable activity. That's not always a problem, some internal time is essential, but if utilisation drops too far it directly hits your margins.

HOW TO CALCULATE IT

Billable Hours ÷ Total Available Hours × 100. If someone is available for 40 hours a week and spends 28 hours on client work, their utilisation is 70%.

WHAT GOOD LOOKS LIKE

For most agencies, 65% to 80% is a healthy range. Below 60% is worth investigating. Above 85% often means your team is overloaded and there's no capacity for new work, business development or simply thinking.

5 Contracted vs uncommitted revenue

WHAT IT IS

The split between revenue you've already secured (signed contracts, retainers, confirmed projects) and revenue you're expecting or hoping for but haven't locked in.

WHY IT MATTERS

This is your forward visibility metric. If 80% of next month's target revenue is already contracted, you can plan with confidence. If only 30% is secured, you know exactly where to focus your energy. It takes the guesswork out of pipeline management and stops you making commitments based on hope rather than certainty.

HOW TO CALCULATE IT

Add up all confirmed, contracted revenue for the period ahead. Compare it to your revenue target or forecast. The gap is your uncommitted revenue, the amount you still need to win.

WHAT GOOD LOOKS LIKE

Aim to have at least 70% of next month's revenue contracted at any given time. For the quarter ahead, 50% or more gives you a solid foundation. If you're consistently below these levels, it usually points to a reliance on ad-hoc project work rather than recurring or retained income.

WHERE TO START

Don't try to do all five at once.

If you're not tracking any of these today, start with gross margin by client and your cash flow forecast. These two alone will change the way you think about pricing, resourcing and where to focus your attention. Once those are in place, layer in the others over time.

SECTION TWO

Making sense of your P&L and balance sheet.

Your profit and loss statement is probably the most useful financial document your accountant produces, but only if you know what to look for.

At its simplest, a P&L shows you three things: what came in, what went out and what was left over. But the detail within it tells a much richer story about how your agency is actually performing.

A simplified P&L for a small agency

LINE ITEM	£	WHAT TO LOOK AT
Revenue	**400,000**	Is this growing, flat or declining? Are you reliant on a small number of clients?
Direct costs Freelancers, subcontractors, project costs	**160,000**	Are these proportionate to revenue, or creeping up?
Gross profit	**240,000**	This is your margin before overheads. Track the percentage, not just the number.
Overheads Salaries, rent, software, insurance, marketing	**180,000**	Which costs are fixed and which flex with revenue? Are any growing faster than income?
Net profit	**60,000**	**What's actually left. Is this enough to pay you properly, cover tax and reinvest?**

Revenue is not profit. It sounds obvious, but many agency owners focus on the top line without understanding what's left after costs. A £500,000 agency with thin margins can be in worse shape than a £250,000 one running at 30% net profit.

Gross profit is where the real insight sits. This is the number that tells you whether your pricing and delivery model is working. If gross profit as a percentage of revenue is slipping, it usually means you're absorbing more cost per project than you're charging for.

Overheads deserve regular scrutiny. Software subscriptions, tools and platforms have a way of stacking up quietly. A quarterly review of what you're actually using versus what you're paying for often surfaces easy savings.

The balance sheet

Your P&L tells you how the business performed over a period. Your balance sheet tells you where the business stands right now, a snapshot of what you own, what you owe and what's left.

It's split into three parts: assets (cash, money owed to you, equipment), liabilities (what you owe to suppliers, HMRC, lenders) and equity (the value that belongs to the owner). Two things are worth paying attention to.

Net current assets

This is your current assets (cash, debtors, anything due to you within 12 months) minus your current liabilities (what you owe within 12 months, including tax, suppliers and VAT). A positive number means the business can comfortably cover its short-term obligations. A negative number, or one that's trending downwards, is an early warning sign that the business may struggle to pay its bills on time, even if the P&L looks healthy.

Retained earnings

This is the total profit the business has built up over time after dividends have been taken out. It shows you how much value has been left in the company rather than extracted. A healthy retained earnings figure gives the business resilience. It means there's a buffer for quieter months, funds to invest when opportunities come up and less reliance on external finance. If retained earnings are consistently low or negative, it often means too much is being taken out of the business too quickly.

THE ONE THING TO TAKE AWAY

Have a quarterly conversation, not just a handover.

Ask your accountant to talk you through your P&L quarterly at minimum. Not just to hand it over, but to sit down and explain what's changed, what's working and what needs attention. If that conversation isn't happening, it should be.

SECTION THREE

Simple tax decisions that save agencies money.

Tax planning doesn't need to be complicated. For most small agency owners, there are a handful of straightforward decisions that can make a meaningful difference to how much you keep. These aren't loopholes or aggressive schemes. They're sensible, legitimate choices that your accountant should be raising with you.

Salary vs dividends

As a director of a limited company, you have flexibility in how you pay yourself. A combination of a low salary and dividends is usually more tax-efficient than taking a full salary, because dividends are taxed at lower rates and don't attract National Insurance in the same way.

The optimal split depends on your personal circumstances, other income and the company's profits. It changes when tax thresholds move, so it's worth reviewing each year rather than setting it and forgetting it.

Pension contributions

Paying into a pension through your company is one of the most tax-efficient ways to extract value from the business. Company pension contributions are typically deductible against corporation tax, and you don't pay income tax or National Insurance on them either. For agency owners with surplus profits, this can be significantly more efficient than taking additional dividends.

There are annual limits on how much you can contribute, and the rules around carry-forward of unused allowances can work in your favour if you haven't contributed much in previous years. It's worth understanding what headroom you have.

Annual investment allowance

If your agency invests in equipment, computers, furniture or other qualifying assets, the annual investment allowance lets you deduct the full cost against your profits in the year of purchase rather than spreading it over several years. For agencies making significant investments in kit or office fit-outs, this can reduce your tax bill meaningfully in that year.

The key is timing. If you know a big purchase is coming, planning when it falls in your accounting year can make a difference to how much tax you pay and when.

VAT scheme choice

Most small agencies register for standard VAT, charging VAT on invoices and reclaiming it on costs. But depending on your cost base, the flat rate scheme can sometimes work out better. Under the flat rate scheme, you charge VAT at the standard rate but pay HMRC a fixed lower percentage of your gross turnover. If your agency has relatively low VAT-reclaimable costs (which many service businesses do), this can mean you keep more of the difference.

It doesn't suit every business, and the rates have changed over time, so it needs a proper comparison based on your actual numbers.

THE ONE THING TO TAKE AWAY

These should be ongoing conversations.

Not once in a rush before your year-end, but proactively, as part of regular planning. If these topics haven't come up, it's worth asking about them.

SECTION FOUR

When to worry, and when not to.

Not every financial problem needs immediate action, and not every healthy-looking number means things are fine. Here's a quick reference to help you tell the difference.

! Red flags

- You're guessing at project pricing rather than basing it on actual cost and margin data
- You don't know which clients are profitable and which ones you're effectively subsidising
- You have no visibility on cash beyond the current bank balance
- Most of your revenue for next month is still unconfirmed or in conversation
- You find out about tax bills after the fact rather than planning for them in advance

✓ Green flags

- You can name your gross margin across your main clients without checking a spreadsheet
- You have a cash flow forecast that runs at least 8 weeks ahead and gets updated regularly
- The majority of next month's revenue is already contracted or confirmed
- You review your P&L at least quarterly and understand what's driving the numbers
- Tax decisions like salary, dividends and pension contributions are planned ahead of your year-end

SECTION FIVE

Your accountant should do more than tick boxes.

There's a difference between an accountant who files your returns and one who helps you run a better business. Both will keep you compliant. Only one will give you the clarity and confidence to make good decisions.

COMPLIANCE LOOKS LIKE

The minimum.

- Your accounts are filed on time
- Your tax return gets submitted before the deadline
- VAT returns are done quarterly
- You get a bill once a year and not much conversation in between

VALUE LOOKS LIKE

The standard worth setting.

- Your accountant reviews your numbers with you regularly and explains what's changed
- Tax planning happens proactively, not in a rush at year-end
- You get advice on pricing, remuneration and cash flow, not just a set of accounts
- You feel more confident about the financial side of your business after every conversation, not less

Compliance is the foundation. It has to happen. But it's the minimum, and on its own it doesn't help you make better decisions or build a stronger agency.

ABOUT CLEARSUM

Clarity and confidence in your numbers.

ClearSum exists to give business owners clarity and confidence in their numbers. We're a CIMA-qualified accountancy practice with senior finance experience across complex, high-growth businesses. We work with small companies who want more than just a tax return, owners who want to understand their numbers and use them to plan ahead.

If anything in this guide has prompted a question or made you think about how your finances are being managed, we'd welcome the conversation.

Book a free discovery call →

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