ZAZEN TAX

Utilisation, Rates and Recovery

Billable share, honest rates and the realised day: the three numbers that run the agency, measured the way the good ones measure them.

Eight chapters, one worked floor, and every figure checkable on the free tools.

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Contents

The worked floor is Kestrel Works: six fee-earners, a 65 per cent target run at 58, a £700 card realising £610, and £125,268 a year leaking through those two gaps. The book is the method for finding, pricing and closing them.

1 Three numbers run the agency

Fee income is hours times rate times the share of hours that bill. Everything else in the management accounts is commentary on those three factors.

Kestrel Works: 1,760 working hours per person, a 65 per cent utilisation target, a £700 rack day realising £610. Run at target, the six-person floor sells about 6,864 billable hours; run seven points below with a 13 per cent writedown, it quietly sheds £125,268. The three numbers deserve a weekly page of their own.

This book takes each in turn: what utilisation honestly means, what an hour honestly costs, what the card must say, and where the realised rate leaks. The tools carry the arithmetic so the management carries the judgement.

2 Utilisation, defined honestly

Utilisation is billed hours over available hours, with both words defined before anyone is measured on them.

Available means contracted working hours: 1,760 a year at Kestrel, holidays out, no heroic denominators. Billed means hours a client is charged for, not hours worked hopefully. Internal work, pitching and admin are real work and zero utilisation, which is exactly why they need budgets of their own.

Targets by role beat one blended target: 75 per cent for production roles, 50 for player-coach leads, zero for the owner selling. The blended 65 at Kestrel is the roster's weighted answer, and the Capacity and Utilisation Planner holds it per person, per week, against target.

3 The cost of an hour

Every rate argument ends at the same number: what the billable hour costs. Compute it once, honestly, and the arguments get shorter.

The £42,000 fee-earner carries £6,623 of employer NIC and pension and a £15,000 share of the £120,000 overheads: £63,623 of full cost. Divide by the billable hours, 1,144 at target, and the hour costs £55.61. At 50 per cent utilisation the same person costs £72.30 an hour before a penny of margin.

That last sentence is the book in miniature: utilisation moves cost per hour more powerfully than any salary negotiation. The Agency Rate and Cost Multiple Calculator runs the arithmetic for any salary, overhead and utilisation.

4 Rates that carry the room

With the cost per hour in hand, the rate card stops being a rumour and becomes a policy with a margin in it.

A 25 per cent margin on Kestrel's £55.61 hour needs £74.15, £593 a day. The three-times-salary health test wants the £42,000 earner billing £126,000, which at 143 billable days needs £881 a day; the £700 rack reaches 2.38 times. Neither test is wrong: one prices the hour, one prices the year, and the card should survive both.

Build the card by tier with the Rate Card Builder, round up to card prices, and reprice when salaries or utilisation move. A card that has not moved in three years is a pay cut the agency gave itself.

5 Recovery: the quiet discount

Nobody at Kestrel authorised a 13 per cent discount, and yet the £700 card realises £610. Recovery is where good manners meet the P and L.

The gap is the sum of small mercies: free amends beyond the rounds, scope drift absorbed, hours shaved off invoices at billing, mates rates that outlived the mate. Across the year's billed hours it is £68,904, the larger of the two leaks.

The cure is visibility plus a clause: hours reports with invoices, included rounds counted in the statement of work, extra rounds at the card rate, and writedowns needing a named signature. The Retainer Over-Servicing Calculator prices the commonest case, and its own book sits beside this one.

6 Measuring without a surveillance state

Timesheets have a reputation problem because they are used as surveillance. Used as pricing telemetry, the team defends them.

The honest pitch to the floor: we price from cost, cost comes from hours, and bad hours data means underpriced work and missing pay reviews. Daily entry in under two minutes, project codes that match the portfolio tracker, no moralising about the gaps, and the numbers published weekly at floor level.

Measure utilisation per person but discuss targets per role; measure recovery per project and discuss it per client. The Capacity and Utilisation Planner and the Project P and L Tracker are the two pages the rhythm needs.

7 Moving the numbers

Each number has its own levers, and the order matters: recovery first, utilisation second, rates third.

Recovery first because it is pure margin with no new work: enforce the rounds, bill the changes, stop the quiet shaving. Utilisation second: fix the pipeline gaps and the non-billable creep before hiring anyone. Rates third, from the rebuilt card, announced with confidence and grandfathered briefly.

The worked payoff: closing half of each leak funds £62,634 a year, roughly a hire, without one new client. The Next Hire Break-Even Calculator then prices the hire against demand that actually exists.

8 The operating rhythm

The three numbers stay healthy on a rhythm, not a rescue: weekly, monthly, quarterly, each with its own page.

Weekly: the roster against target and the portfolio against budget, fifteen minutes, while the week can still change. Monthly: the WIP cut, recovery by client, the pipeline priced. Quarterly: the card against costs, the leaks sized, the hire plan against the pipeline.

An agency running this rhythm compounds: the same six people, the same clients, several points more margin every year, which is what the good ones quietly do. The tools are free; the rhythm is the practice.

Where to go next

Price last quarter with the Utilisation and Recovery Calculator today, then pick the larger leak and close half of it this quarter. The rest of the book is how.

Every calculator and workbook mentioned in this book is free on zazentax.com, with no email form. They use the same figures, the same conventions and the same worked agency as the chapters here.

Zazen Tax

Accountants for agencies and studios. If you would rather someone ran the numbers with you, that is what we are for.

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General information, not advice for your circumstances. Rates and thresholds are 2026/27 for the UK and change from time to time.