

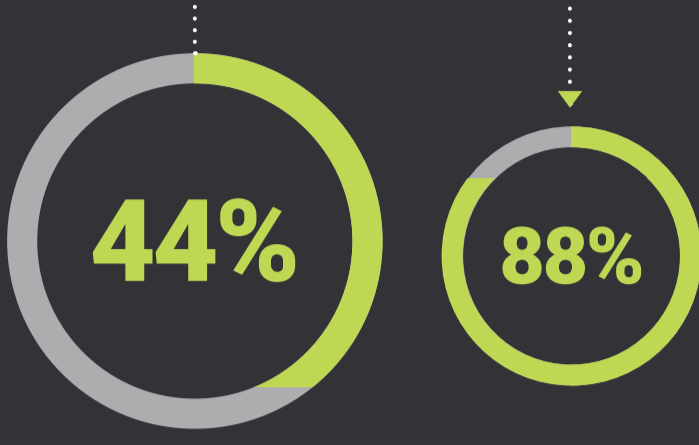


Legal Sector Survey Results Now, for Tomorrow

Cash flow

Cash reserves

Government supported loans



In May 2020, 44% of respondents had taken out a Government supported loan. As the scheme was extended, so too were the number of law firms who used it.

Of those Firms who have such a loan, 88% have not yet used that cash reserve in their business. Many are holding the cash as a "comfort blanket".

Cash reserves

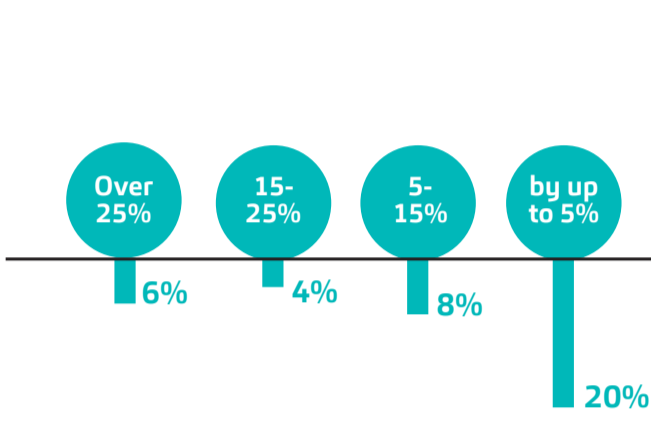


95% of Firms said that they have sufficient cash reserves to pay the upcoming tax and deferred liabilities through to March 2021.

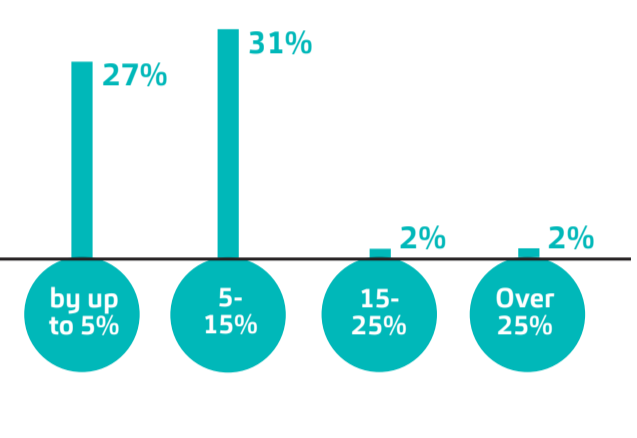
5% As the Government extends its support via various tax deferral schemes, this may not be such a critical timescale. However, it is worrying that 5% of Firms do not have cash reserves and are instead considering HMRC Time to Pay arrangements or additional loans.

Since March 2020 has chargeable time recorded per fee earner increased or decreased?

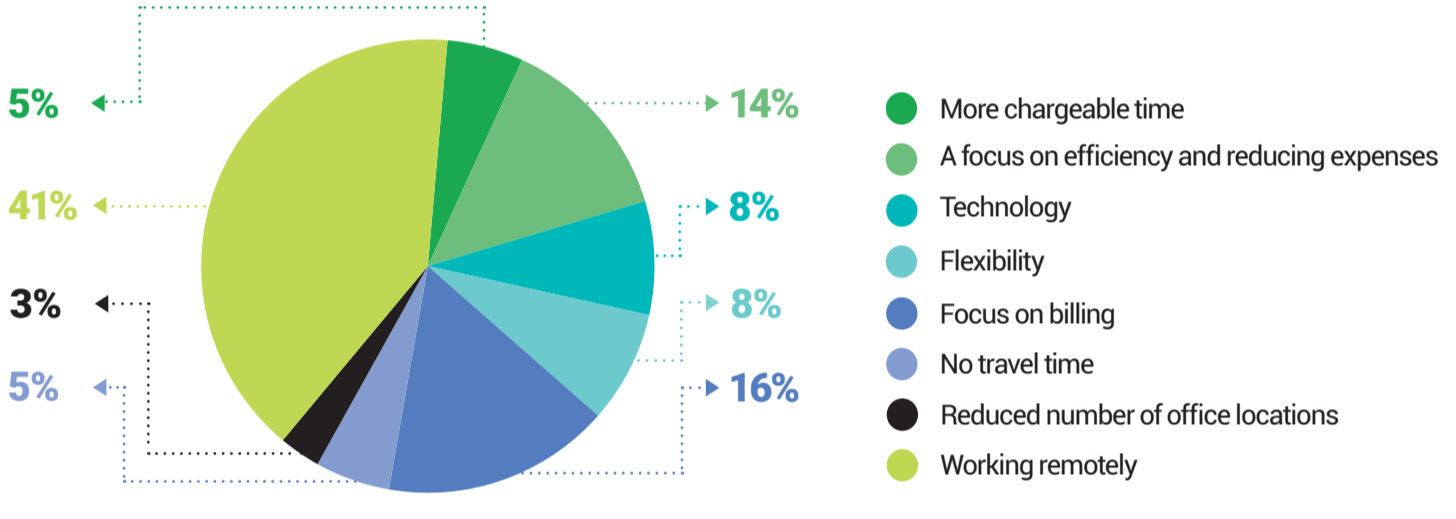
Decrease



Increase



With 62% of Firms recording an increase in chargeable time logged, what did they do differently since March 2020?



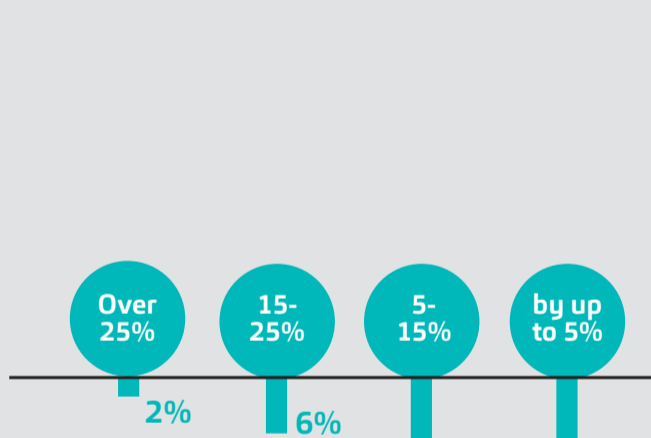
There are critical factors affecting these results. The key impact is working remotely, where 41% of Firms noted that this is different to pre-March 2020. Because of lockdown, "a lack of anything else to do had an increase in productivity". But generally, "remote working improved productivity" with fewer distractions than the office environment and "greater attention paid to recorded time".

16% of Firms recorded a "more intensive and regular focus on billing and cash collection". A number of Firms brought in new procedures, "introduced time recording for all", "focused on costs, with weekly KPI's", with "better insight into firm's finances through analysis by FD".

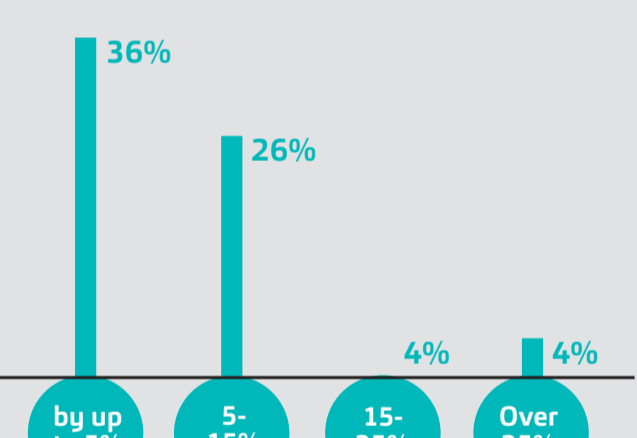
14% of respondents have focussed on efficiency and reducing expenditure with "centralised admin tasks", "greater policing and direct management", "efficiency drives" and some "upskilling employees to deal with support tasks".

Since March 2020 has your WIP increased or decreased?

Decrease



Increase



62% of Firms recorded an increase of up to 15% in WIP since March 2020, whereas 22% saw a fall of up to 15%.

Some firms view an increase in WIP as a positive, because of the perceived increase in work levels. But it can also be viewed as negative, because if WIP is growing then the work it is not being billed and the cash not collected.

19% of respondents claimed WIP was directly impacted by billing procedures. Some were positives of "better billing practices" but there were also issues noted because of remote working; "electronic bill problems" and "delayed billing due to work pressures and falling behind with file closures" being some notable comments.

19% of respondents have also been affected by external factors that slow a file completion. These centred around Court closures and delays, and slower turnaround of Probate applications and property searches.

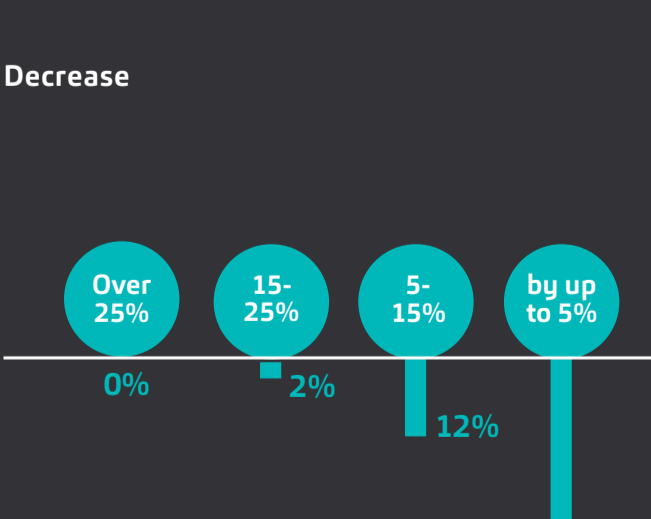
15% noted that chargeable hours have increased as "more people are time recording" and "staff are not commuting or going on holiday and this has all impacted on stronger utilisation levels".

11% claimed an impact from staff shortages and reduced staff hours, some due to childcare commitments, have had an impact as "matters do not get billed as quickly".

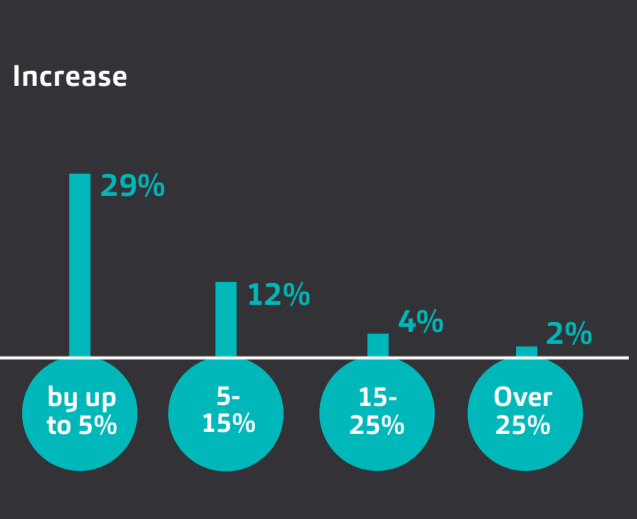
7% of Firms said remote working has made it difficult to "close matters and write off old WIP" and there is an "increased need to communicate with the client remotely and keep all staff updated with the progress of the matter, whereas this comes naturally when you are in the office not remote working."

Since March 2020 have your debtors (unpaid bills + unbilled disbs) increased or decreased?

Decrease



Increase



47% of Firms have increased unpaid bills and unbilled disbursements.

41% of respondents saw increases in debtors of up to 15% since March 2020, whereas 51% recorded a decrease in debtors of up to 15%.

Similarly to WIP, an increase in debtors can be generated with an overall upturn in business, but negatively from the lack of physical cash collection.

Survey respondents mainly split responses into two reasons – internal procedures and issues with clients paying.

11% With regards to internal procedures, 11% claimed "less efficient debt chasing" and "lack of staff resources" as negatives. On the other hand, 36% of Firms worked hard on "focus on cash collection" with improved procedures around "better credit control, declining instructions, money on account".

25% of Firms recorded some variation on "clients are slower in paying using Covid as the reason".