

LAW FIRMS IN LOCKDOWN – WEEK 2

SURVEY RESULTS / REPORT – 7TH APRIL, 2020

Introduction

From the feedback I got in response to my Week #1 Lockdown Report, I remain convinced that law firms can benefit from the experiences of other law firms. I know there are a lot of people waiting to see how other firms fared in Week 2 of the Lockdown.

A huge thank you as ever to the firms that shared their Week 2 experiences. To other firms - please do get involved as the more information that is shared, the better for everyone.

The results of my Week 2 survey are set out below. I think the answers to my particular questions are interesting and valuable, but so too is the “Anything else you’d like to add?” section at the end.

Obviously, there are a wide range of law firm types and some of the feedback will be irrelevant to some firms. I bet it’s not all irrelevant though.

It looks like firms have adapted quickly to a new norm – and that this would have been impossible without strong IT hardware, software, IT professionals, and all-round teamwork.

At a guess, firms are living off their “fat” at the moment so are not yet seeing any real impact. They are working on files that they already have, and are using cash that they already have access to. The real test will come if new files stay lower, chargeable hours stay lower, and the new cash that is being generated is less than a business needs to stay in ruddy health. You will see various references below to firms having had a bumper March, but to being worried about April and beyond.

I’ll do a further survey at the end of Week 3. If you would like your firm to participate in this, please just email me at simon@mccrumandco.com

In my next briefing I’ll focus on how firms can get the most out of existing cases and out of existing clients. You can get real profit-rich and cash-rich growth without getting any new matters or any new clients. This is what “The Perfect Legal Business” does before it then uses its powerful differentiators to attract and retain new clients with ease.

Some of these areas have already been discussed in my Briefing 1 (which can be seen in the “Briefings” section on my website) - I will look at them afresh and will also give you now further relevant sections of my forthcoming book “The Perfect Legal Business” so that you can look at these areas without delay.

In closing, I hope again that the following survey / report helps you to see that you are not alone.

Best wishes

SIMON MCCRUM - MCCRUM CONSULTING

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LAW FIRMS IN LOCKDOWN – WEEK / SURVEY #2

QUESTION	ANSWER
<p>How has Week 2 been?</p>	<p>We are functioning well now. Week two has seen a decline in some areas of work but with Employment, Wills, and Probate seeing an increase.</p> <p>We have closed all offices with one receiving post and DX for all which is being sorted and scanned twice a week. Roughly a quarter of our staff are now furloughed with three quarters working from home relatively smoothly and we seem to be settling in to a new “normal”</p> <p>Week 2 hasn’t been too bad - still some teething difficulties but we are coping with getting the work out. Certainly, better than Week 1. Our fee-earners have always had the ability to work remotely but digital dictation for secretaries was more of an issue to get working remotely.</p> <p>We are settling into new working methods. It’s hard work but it’s working well. The chaos is subsiding but some furloughing is new so that needs to be bedded in.</p> <p>Most of the glitches we experienced last week have now been resolved and matters are being progressed</p> <p>Surprisingly, one of the biggest headaches in the first couple of weeks was getting our post/DX scanned and distributed and also receiving instructions from fee-earners back at the office for letters and enclosures to be printed and collated for sending out – we’re on top of it now though</p> <p>Some 90% of our staff are working from home. Still a few IT issues but functioning reasonably well.</p> <p>We’re busy, functioning normally, with no chaos</p> <p>The initial ‘chaos’ has subsided, however the chinks in other organisations are having a knock-on impact. (Postal service has been interrupted, DX changes to delivery, local Banking facilities reduced opening hours etc)</p> <p>We have been bogged down dealing with suppliers and also with defendant firms wanting agreements to certain working practices during this time.</p>

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Staff are starting to get used to working from home and actually seeing some of the advantages. However, things are still very much up and down though as the whole situation is unsettling.

Generally, it is business as usual. This seems like the new 'normal'. We are functioning okay. This second week has been spent on the management side in terms of furloughing, pay reductions, and HR issues generally.

We have indeed been able to work and operate from home and keep all lawyers' desks full. Any work that needs to be done "externally" though – such as notaries, government departments for licenses – has stopped completely

Things have settled down. Our staff have been amazing. A new normal has started to emerge.

Yes, all now running smoothly. Phones are quieter. We are using the time to catch up on matters and push them forward.

We were all agile anyway so there has been no interruption to our service to clients. We always used Skype/Teams so it's second nature to everybody. We are having numerous meetings and even Friday night drinks and quizzes etc. Our IT team has been brilliant.

Implementation started in January. The whole firm is working off-site - including all support staff. The results we are now getting are better than we got with everyone in the office in terms of chargeable hours.

We have prepared financial projections to 31 March 2021 with severe interruptions for 4+ months to work volumes. We are assessing work down by 50%, and assuming a similar short-term effect on billing. We have taken advantage of Furlough Scheme and announced the decisions this week, aimed primarily at support staff, office workers and a small number of junior fee earners who rely on work fed to them or who need significant supervision, for introduction on 6 April. This reduces staff costs by 40% effective fully in May.

We have begun a significant drive on Business Development across all departments with support from our in-house BD team.

We have had no lay-offs for the time being. We always operate with 10-month operation costs "cushion" ahead of us

This week has seen a focus on cost saving now, to support cash flow further downstream. We have furloughed staff, predominantly from the conveyancing teams, a few support staff from commercial property, some of the core admin team.

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	<p>Our move to home-working w/c 23 March was very smooth. Last week was about consolidating and ensuring resilience in the support functions to be ready for the inevitable reduction in headcount as more people self-isolate</p> <p>Our technology is working well. We have furloughed 20% of our staff, with more to come. Our main problems come from some staff having weak or poor internet or WiFi in their homes.</p>
<p>How was March month-end in billing terms?</p>	<p>March was actually better than previous 3 months</p> <p>We had a strong March and billed over target.</p> <p>March was broadly the same as prior months.</p> <p>March was our year-end – we exceeded our firm-wide target. What comes next remains to be seen.</p> <p>March was up on previous months.</p> <p>We settled a number of cases in litigation, some earlier than initially forecast, so billing was up.</p> <p>Ironically, we smashed all records in March – our best ever month. However, within March, monies coming in after “lockdown” were about 20% of what we had been generating pre-lockdown.</p> <p>Month-end billing in March was not as bad as we feared but inevitably we saw a drop in fees billed by about 15%.</p> <p>March was our highest billing month of the current year to date.</p> <p>Not too bad – not a great month but an OK one</p> <p>We performed better than previous months due to nature of our work – wills, probate etc.</p> <p>It was good. No real drop-off because we gently chased monies owed. A huge caveat is that we expect a big drop in April.</p> <p>March was our best month this financial year because we ran our year-end campaign a month-early to get bills onto clients’ desks and to convert the WIP into bills / cash</p> <p>March represents our year-end, and both billing and cash collecting held up well and were (as is usually the case) better than any other month of the financial year.</p>

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	<p>March billing (our year-end) was very high and exceeded budget. However, predictions for April are lower than budgeted, and thereafter our forecasts reflect “monies in” declining rapidly.</p> <p>We have ended the year broadly as originally anticipated. However, due to the fact that most of our work is still billed at the completion of a matter we are anticipating the impact to start hitting us more in the coming three months.</p>
<p>Have you reduced headcount?</p>	<p>We have addressed performance issues and have also placed people on furlough – both fee-earners and support staff.</p> <p>We have agreed pay reductions with our staff which we will review each month.</p> <p>We have had no reduction in headcount nor is this envisaged. In fact, we hope to continue to recruit – although there are logistical challenges to this and we are reluctant to recruit without face to face meetings.</p> <p>With current activity levels being high in all litigation practice areas, and as we are already operating with a bare-minimum headcount, there are no current plans to furlough any more staff.</p> <p>We furloughed 20% of staff this week – mainly admin staff who couldn’t function at home or people who couldn’t work at home because of personal circumstances. We asked for volunteers first. We are making up the 80% payment to 100%.</p> <p>We have reduced our headcount by furloughing support staff. This has been good at enlightening some of the solicitors on what they can do independently!</p> <p>We will be making redundancies. The uncertainty of it all is very difficult with regard to timing.</p> <p>Longer term, we are forecasting 20% redundancies.</p> <p>We have furloughed 25% of our staff. Some areas have been impacted more than others e.g. all receptionists</p> <p>We have (or are about to) furlough 10% of our staff</p>
<p>What is the one dial that you are watching most?</p>	<p>All of them! Overdraft level, and April/May/June billing forecasts especially.</p> <p>Cash/Overdraft/ Cashflow</p>

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	<p>Cash level – we are pushing clients to settle the invoices, and to issue new ones as fast as possible</p> <p>Chargeable hours</p> <p>File-openings by department is the first indicator from a prediction perspective as to what we may need to do next, and then cash flow with regard to what, if any, further support we may seek.</p> <p>We keep a keen eye on the amount of post coming in</p>
<p>What has happened to “file opening” numbers?</p>	<p>We have seen big drops for residential conveyancing and insurance PI work, a modest increase for our Life-time Planning team, and a bigger increase for the Employment team. Others remaining steady.</p> <p>File-openings have reduced by 75% but this has been temporary, and the phone is starting to ring.</p> <p>Things have slowed down, but we are not concerned as we have enough work in the pipeline to keep the firm going.</p> <p>File-openings in Week 1 were up but they’re down in Week 2</p> <p>Numbers have held up in Personal Injury and Private Client, but they have fallen off a cliff in Property.</p> <p>File-openings have held up in terms of number and value.</p> <p>File openings are as normal</p> <p>There has been a small reduction</p> <p>In Week 2, with the exception of Private Client, file-opening levels have varied between “stopped” entirely (some parts of Property and Family) and being down 50 %.</p> <p>File openings in litigation are down, but up in Private client</p> <p>File openings are down by 70%</p> <p>Conveyancing - before the crisis we were running at 30-40% above budget, and we are now at 50% below budget</p>

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	<p>Our Re-mortgage team is running at just 70% of normal level. In Trust and probate, there is no reduction at all.</p>
<p>What has happened to chargeable hours?</p>	<p>These have improved on Week 1 of the Lockdown</p> <p>We have seen a drop of c.20%</p> <p>Chargeable hours aren't up or down – just normal</p> <p>These have dropped by 30-35%</p> <p>Chargeable hours down 20%</p> <p>Chargeable hours are up due to increased Private Client work but possibly also due to greater efficiency – e.g. fewer internal meetings and distractions.</p> <p>Chargeable hours are down 15%</p> <p>In week 1, our chargeable hours actually went up compared with the two previous weeks, indicating that home working has not in itself damaged productivity.</p> <p>Currently chargeable hours are holding up. With some teams seeing a fall in file openings, we believe that their hours holding up is only temporary as they complete instructions already received. We anticipate a drop in hours in Week 3</p> <p>Chargeable hours are down overall, but up from Week 1.</p> <p>This week has seen an improvement of chargeable hours over last week</p>
<p>Are clients still engaged and wanting their cases progressing, or have they pressed “pause” or gone into hiding?</p>	<p>Clients are still engaged, even on litigious matters</p> <p>We have seen three categories of client – freeze, pause, and abort. Corporate is more “freeze”, commercial real estate is seeing a lot of “pause”.</p> <p>Our client base being Personal Injury claimant clients, we are unaffected – they still want their cases settling</p> <p>We have a mixed response with some clients pausing everything and others trying to push matters through harder than ever.</p> <p>It's 50/50. Some Personal Injury clients want to settle even if the offer is less than we recommend they accept. In Conveyancing, clients with imminent completion dates want it sorting – the rest are on pause.</p>

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	<p>Clients had paused cases at the end of March as a whole. However, we are starting to see clients wanting to progress, some new ones, and we are seeing communications from other firms again as they get into the swing of things.</p> <p>All those cases where the parties can move forward on their own have continued to move forward</p> <p>In Conveyancing, aborts are running at no worse than normal levels. Some are aborting because of corona but this is a tiny number. Most seem to be letting the cases run on.</p> <p>Clients are acting normally</p> <p>We have seen an increase in requests for progress updates- clients perhaps have more time to think and worry about their matters?</p> <p>Most clients have pressed pause and are not progressing.</p> <p>Clients want to get their Will instructions concluded. We are very busy there.</p> <p>In Conveyancing we are experiencing a rush where clients are trying to get as far as possible before everything comes to a total halt</p> <p>Court of Protection work has skyrocketed due to practical problems with care teams, and also due to a vast amount of information and reporting coming in from investment managers</p>
<p>Have clients stopped paying you – are debtor days increasing?</p>	<p>Yes. But Public funding has accelerated – we have seen a huge level of cooperation from the Legal Aid Board. Bills that are to be assessed by court have slowed down.</p> <p>Things are currently under control with this. We expect it to worsen but we are and always have been militant with our lock-up management.</p> <p>Not yet, but we expect it to come. We are increasing our focus on financial risk. Our financial plans now assume that lock-up will increase and that cash recovery will drop. We have changed policies on acting for new clients and also in acting for existing clients with new matters where there is an historic issue in relation to paying bills.</p> <p>Certain clients have tried not to pay but we have been able to nip it in bud quickly with a firm but fair approach.</p> <p>We have had no issues as yet. We have made it clear to clients that if they don't pay, we won't work.</p> <p>Our end-March Debtor days were less than at end of February</p>

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	<p>We have stopped chasing debtors as we feel it's in bad taste</p> <p>Not yet. We are sure they will. Most will be in the "can't pay" not the "won't pay" category and we are not going to desert them. Because of the downturn in work we have capacity so happy to do work on a deferred basis.</p>
<p>Is your bank being supportive?</p>	<p>So far, yes.</p> <p>In lip service, but not in results.</p> <p>Communication with our bank is slow and significantly delayed.</p> <p>The bank has consistently failed to support us over the years so we're not in the least bit surprised at lack of support now</p> <p>So far, they haven't been tested as we are operating within agreed facility limits.</p> <p>Our bank is being very helpful – we had a call today and they confirmed we could extend the overdraft facility without any problem. They also confirmed that contrary to earlier opinion it now seems that we would qualify for the Government CBIL loan scheme.</p> <p>We are talking with our bank, and they are obviously looking at risk on a commercial basis. We are not highly-g geared (yet) so it will be interesting to see how far they go without wanting personal guarantees. They definitely don't want to sell the Government-backed scheme yet.</p> <p>Yes, although little in the way of support is currently required.</p> <p>Not really. Lots of platitudes not much action.</p> <p>Yes - we have a number of banking relationships and all are being supportive.</p>
<p>What work-types are suffering least impact?</p>	<p>[Across all firms who responded and who do these areas of work, Employment, Wills, Probate, LPA's, and life-time planning, are universal winners. Also very successful at the moment are Personal Injury, Clinical Negligence, and Court of Protection lawyers.]</p> <p>We have been surprised at how work has held up, but some deals have obviously fallen over in some sectors. There has to be a drop in transactional activity in the future so our new pipeline will be significantly challenged. But some new deals have been won even since lockdown.</p>

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	<p>Too early to say yet. Slow-downs in the court system, expert witness testimony, etc, have not impacted on our work. Defendants may in fact be more likely to agree early settlement, thereby improving our short to medium term forecasts. Remains to be seen.</p> <p>Personal Injury has seen least impact so far. Defendants are seemingly keen to settle cases. Hearings are however still being delayed.</p> <p>Practically, supporting our vulnerable clients poses increased challenges – for example where we act as professional Deputy maintaining services when carers are under pressure, absence has increased, and PPE is limited. Poorly clients wishing to sign Wills also poses additional practical challenges. There is lots of new work in all of these areas, but all are demanding of more resources.</p>
<p>What work-types are suffering worst impact?</p>	<p>[Across nearly all firms who responded and who do these areas of work, Corporate, Conveyancing, and Commercial Property, are all much reduced].</p> <p>In terms of Mergers & Acquisitions, our 4-month pipeline shrunk overnight with deals on hold or just not going to proceed. The speed of change in decisions was to be expected, but hard. For example – we got instructions to act in a corporate deal on a Friday, but the clients pulled out on the Monday.</p> <p>In Family law, clients and new clients have frozen and importantly all of this has negatively impacted on clients’ ability to pay. Cases involving children come back to life sooner because that is always a central issue, and “financial” cases then follow – we are starting to see this pattern already. There are also tactical considerations for some clients – eg now might be a good time for a business owner to divorce etc.</p>
<p>Are any of the Government support initiatives working for you?</p>	<p>We are going to take advantage of the hiatus on VAT payments this coming quarter and are still considering whether we need to apply for time to pay on PAYE.</p> <p>We will defer the next VAT payment to March 2021</p> <p>Furloughing will help but the portal is not going to be open for some weeks, it’ll then no doubt overload, and it’ll then take a long time to get the payments flowing back, so we are assuming ongoing and significant outflow of cash and then a rebate lag.</p> <p>The furlough thing will be a big help. The CBIL loan will also help but we consider we would have received that help from the bank in any event, but the fact it is CBIL will save us a bit in interest payments</p> <p>The furlough arrangement is assisting in protecting jobs. We do not know yet if we will want to avail ourselves of the CBIL arrangements, but our banks have said it would take two months to put such arrangements in place (although this may change).</p>

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	<p>None of the Government schemes have yet produced results. We are awaiting the result of our application for a CBIL loan and contact from the local authority regarding the grant for those who benefit from small business rate relief, and the portal not yet up and running for furlough payments. We are still paying those who we have put on furlough.</p>
<p>Anything else you'd like to add?</p>	<p>We are seeing extensions to time limits in Directions in litigation</p> <p>We are projecting that next financial year, if the lockdown lasts for three months, we will be at just 60% of budgeted turnover.</p> <p>We have realised that one challenge is how to effectively monitor remote-working staff.</p> <p>We have now got into a groove that is working for us. On the whole, our staff have been excellent and have adapted well. There is a real 'team spirit' across the firm which makes us very proud.</p> <p>We are focussed on maintaining morale of the team and on keeping everyone engaged, which we see as a priority.</p> <p>We have counter-cyclical strengths so they are performing well. We are also a broad church so we are less exposed than pure commercial or one-service-line businesses.</p> <p>I think the all-rounder fee-earner, the person who has a following or the personality and sales skills to develop one, who is also proficient and can churn the work themselves, will come out the other side a lot better than those who can just do the work.</p> <p>We have stopped advertising our Clinical negligence work for the short term as we feel that this would be in bad taste at the current time.</p> <p>We fear we are in for a huge recession, unfortunately.</p> <p>One problem we have is the very slow costs assessment procedure in the Court of Protection. We are currently trying to organise a consortium of COP practitioners to urge the Vice President of the COP to issue a guidance note to allow us to draw down on the bills stuck in Court for assessment</p> <p>We are doing daily updates to all staff – just a summary of where we are and trying to remind people that this is short term (no matter what definition of "short" you choose to use). We are encouraging staff to facetime each other – unconnected with work – to try and stave off feelings of isolation.</p> <p>We encourage staff to drop into the office (in a safe way) at times to suit them in order to collect and drop off work and see other people. We find that bit of variety helps with the homeworking.</p>

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This situation at least shakes the tree and brings performance issues to the surface. It reaffirms the message to team members that 'cash is king' and why we have always had that as our main focus. Now they can really see the importance of this directive in terms of sustaining the firm and actually paying their salaries. The money for salaries does not grow on this tree.

The team overall has been very supportive in terms of furloughing and pay reductions. Good communication has played its part.

There is implicit trust and we have all pulled together.

Cash flow forecasting is critical for the next 3 – 6 months. There are mixed reports about the engine being re-started and the key thing is making sure that clients are 100% serviced whilst other firms may drop the ball. Being a support for clients – not just on the matter – but outside of their matters, has never been more key.

The campaign on the "Roll on Friday" website to persuade law firms to resist putting in place furlough arrangements, whilst no doubt well intended, is in our view dangerous. Persuading firms to continue to spend cash whilst the income lag many firms are likely to see (due to the fact most still bill after work is completed) is on the horizon may mean they are needlessly pushed to the wall and will ultimately have to sacrifice jobs rather than using the furlough arrangements that are there to protect jobs. We are proud "Roll on Friday" Villains as we are looking out for the long-term future of all our staff and not looking for short-term sound bites.

There are tough times ahead but nothing yet to jump off a cliff about....