

LAW FIRMS IN LOCKDOWN – SURVEY / REPORT #1 - MARCH 30th, 2020

Introduction

At the end of last week, I sent out a set of short and straightforward questions to law firms around the country, to see how “Lockdown - Week 1” had gone.

With huge thanks to those firms who shared their experiences, I set out below the questions I posed and firms’ comments that I received in reply. Save where I make a few general observations at the start of some sections, the body of the report is made up of comments made by firms.

I found the answers and comments very telling and useful, and I hope you will too.

Of course, this is a fast-moving feast, so this first survey is just a snapshot. What we need are trends. I’ll therefore do a further survey at the end of Week 2. If you would like your firm to participate in this, please just email me at simon@mccrumandco.com

On the basis of the findings of this first survey, and in the reasonable expectation that issues and opportunities that arise in the first will be echoed in the second and subsequent surveys, I am now going to start work on my next Briefing.

In that Briefing, I will look at key issues arising and - where these have not already been discussed in my Briefing 1 (which can be seen in “Briefings” on my website) - I will look at them afresh and will also give you now relevant sections of my forthcoming book “The Perfect Legal Business” so that you can look at these areas without delay.

In closing, I hope the following survey / report helps you to see that you are not alone, and that it helps you to see the wood for the trees. Please participate in the next one, and please circulate a link your partners and colleagues or just tell them to go and look at it on my website – shared knowledge is strength right now.

Best wishes

SIMON MCCRUM
MCCRUM CONSULTING
www.mccrumandco.com

LAW FIRM SURVEY #1 – 30th MARCH, 2020

QUESTION	ANSWERS
<p>How has Week 1 of the lockdown been?</p>	<p>We have solidified our working at home arrangements and are functioning pretty much as normal. We have a handful of staff in the office with Partners coming in on a rota for signing etc.</p> <p>I did a quick survey of the staff asking them this question. All of them said that they were pretty much functioning as normal subject to a few teething issues</p> <p>Pretty much as normal for this week with 25% of staff at home but likely to increase homeworking next week</p> <p>It has been tough. All staff are working from home but with IT challenges. Although we had trialled remote working, we hadn't trialled it all together.</p> <p>It has been hectic. Most people are working from home, with a skeleton staff in the office. Some areas are operating fairly normally, but others are not.</p> <p>The week has been a challenge. Our people have responded magnificently. We are functioning much as normal.</p> <p>We have furloughed about 20% of our people and the rest are working from home with full functionality. We have a skeleton staff in the office (under strict rules).</p> <p>We have a handful of people in the office each day scanning post, banking physical cheques, and covering some IT/senior management functions (all under strict rules).</p> <p>Probably 90% of staff are set up at home. More work is needed in Week 2 to send second monitors, other bits of IT, and to help a few people who have poor broadband. Our phone and IT systems mean that lawyers' mobile phones are their extensions.</p> <p>The week has been quite draining due to internal issues and uncertainty.</p> <p>There is a lot of planning going on in relation to staffing levels, costs/saving, dismissals/furloughing, and each day has brought new challenges.</p>

PRACTICES · PARTNERS · PEOPLE · PROFIT

	<p>We have invested over the years in IT and have been able to work remotely without interruption. However, given the current climate a lot of client work is 'on hold' so there has been a downturn.</p> <p>Some 60% of staff have been furloughed.</p>
<p>What has happened to "file opening" numbers across your teams?</p>	<p>File openings have reduced a little</p> <p>Numbers are reducing across the board.</p> <p>So far file opening numbers have held up</p> <p>Numbers are steady in Matrimonial, Litigation, and Private Client but are 60% down already in property work</p> <p>File openings have held up well, with Corporate the only team that has been hit hard.</p> <p>Numbers are steady in Private Client and Personal injury. Litigation is down. Conveyancing has dropped off significantly.</p> <p>It's a bit too early to tell. We have had some IT issues in talking to new clients so that's hit numbers, but our sources of new work (the internet, particularly for Personal Injury work) are still operating at "okay" levels at the moment.</p> <p>Everything has slowed generally so we are seeing a 60% drop in enquiries and new matters. However, it is early days and it depends on quality rather than quantity.</p> <p>File opening is high in Private Client. Conveyancing work is still coming in but starting to slow down now.</p> <p>New divorce files have dropped off a cliff.</p>
<p>What has happened to chargeable hours across your teams?</p>	<p>Numbers here are steady in everything but property work</p> <p>We are about 10% below normal</p> <p>Numbers have reduced as we all get used to the new way of working</p> <p>Chargeable hours are down significantly.</p>

PRACTICES · PARTNERS · PEOPLE · PROFIT

	<p>We saw a fall of about 20% in Week 1, but we expect this to improve as everyone gets the hang of working from home. We hope to limit the fall to between 5% and 10%</p> <p>Last week, new Work in Progress was down about 25% on usual weeks, but it was picking up towards the end of the week and as we got the last few people fully working from home.</p> <p>WIP recorded last week was 30% down on usual weeks.</p> <p>There has been a reduction in the contact we have had with our clients. It is quite stark that their actions and responses turns our wheels. There is a real impact on us of client inaction whilst a lot of clients have gone to ground (for now).</p>
<p>Have clients stopped paying you – are debtor days increasing?</p>	<p>Cash is good so far</p> <p>Cash collection is a priority.</p> <p>No sign of any problems here so far. Indeed, cashflow improved slightly last week, mainly due to our tremendous credit control team.</p> <p>We are seeing the value in our Personal Injury work here as we get paid when cases settle – we aren't waiting for invoices to be paid that are sat on clients' desks.</p> <p>Some clients have stopped paying, yes. There have been a few who owe us but who are basically saying they can't pay any more – so rather than just complain/gripe, they are now simply putting their hands up and saying 'can't pay'.</p> <p>This is our biggest exposure and I think the biggest struggle. We are looking to bill weekly/fortnightly now, and to request money up front more than ever, rather than have to chase cash.</p> <p>Everyone was billed last week to increase cash flow.</p> <p>We are focusing on moving Probates forward as fast as possible so we can get money from banks.</p>

PRACTICES · PARTNERS · PEOPLE · PROFIT

<p>Is your bank being supportive?</p>	<p>Yes, very</p> <p>I wouldn't say they are being supportive in a proactive way. They have simply passed on to us a generic document in relation to the "Coronavirus Business Interruption Loan Scheme". It was us that made contact with them.</p> <p>We haven't had to ask for support yet - we are managing</p> <p>Yes - although communication between us and the bank has been quiet this week. The test will come over the next few weeks if we exceed our facility.</p> <p>Yes, the Bank are fine.</p> <p>They have said they will be supportive but it is too early to tell</p> <p>We haven't needed to engage with them that much yet.</p> <p>Our bank is trying to be supportive, but they seem to be in the dark.</p> <p>We know there are funding schemes that are open to us, but we don't want to borrow our way out of this.</p> <p>We don't want loans. We are not increasing our indebtedness again.</p>
<p>What work-types are suffering <i>least</i> impact?</p>	<p>[Repeatedly, firms who responded said that the teams that are performing well are Employment, Court of protection and Deputyship, Private Client, and Personal Injury.</p> <p>Interestingly, in relation to Personal injury work, industry groups are saying that due to the lockdown there is a substantial reduction in road accidents and accidents-at-work that'll work its way through the system in due course.</p> <p>Teams with ongoing and long-running case-loads like Matrimonial, Personal Injury, Clinical Negligence, Commercial Litigation are all holding up (subject to the lawyers getting to grips with working from home)].</p> <p>Our Clinical Negligence, Court of Protection/Personal Injury Trusts, and Wills and Probate teams are doing the best.</p> <p>In Matrimonial work, clients appear to be 'frozen' and are putting things on hold. We have seen some new work in respect of "children" aspects (ie - care arrangements, parents not being able to see the children, etc). Tactically, this may be an advantageous time to press on with a divorce for some clients.</p>

PRACTICES · PARTNERS · PEOPLE · PROFIT

<p>What work-types are suffering the <i>worst</i> impact?</p>	<p>[Repeatedly, firms that responded said that Commercial Property, Conveyancing, and Corporate are the three teams that have been hardest hit in Week 1. This is not just due to a lack of new instructions – clients are pulling out of deals]</p>
<p>Are any of the Government’s support initiatives working for you?</p>	<p>[Some firms have acted very quickly indeed to take advantage of the Furloughing scheme.</p> <p>Of those who did, some firms that are furloughing are paying the 20% shortfall so that all furloughed staff are effectively paid in full.</p> <p>Some firms have had to make difficult decisions quickly – for example in relation to pay cuts and new starters and trainees who weren’t covered by the Government's furlough scheme.</p> <p>Other firms have furloughed people who can currently do no useful work, such as people focussed on recruitment or training or other things that have been stopped for now.</p> <p>Many firms will most certainly be taking advantage of the tax, VAT, and business rates opportunities that are on offer. The VAT holiday is welcome as is the July payment-on-account delay, but firms know it’ll all have to be paid some time]</p> <p>Other than furloughing, the government have offered us nothing. We earn over £50k. We can’t get a rates reduction either.</p> <p>We will negotiate a delay in tax payments in July or recover prepayments.</p> <p>As of next week, we will be using the “furloughing” provisions, but we are still working out who will go and who will remain</p> <p>We will be applying for Time-to-Pay on PAYE and VAT if we don’t have the cash. Otherwise it will be payment as usual on the basis that we don’t want to store up debt repayment issues for the future.</p> <p>In two weeks if conveyancing has ground to a halt more people will be furloughed.</p> <p>Furloughing, potentially yes – it will help cashflow and hopefully save jobs</p> <p>We will have to look at pay cuts now.</p>

PRACTICES · PARTNERS · PEOPLE · PROFIT

Anything else
you'd like to add?

It's been bloody hard work, but I feel very reassured that we have been able to keep the business going in a settled way in a very short period of time.

We have continued our marketing on social media, and it's actually raising our profile more as other firms have gone quiet.

We have addressed performance and behavioural issues.

Our various Landlords have reacted differently, ranging from being very helpful to being very unhelpful.

Our IT team have proved to be a fantastic resource and have worked very long hours.

Our IT and Finance teams have stepped up to the plate and gone beyond the call. A law firm is not just about the fee-earners.

Overall, we have been surprised at just how many people we have been able to get up and running working from home in a short space of time.

We could see this coming, so we had bought additional licences and equipment. Our phone system lends itself to working from home so that was a great investment.

Overall, so far so good but for us it's about how long the lockdown continues because ultimately there has to be some reduction in new work coming in and some slowing down of cash coming in.

Whilst there is time, we are looking at alternative ways to market ourselves. We are coming out fighting. Now is the opportunity to be creative and innovative.

We believe that fatigue across society will set in, clients ultimately will want to get on with their cases, and that there could be a spike in work generally. With this comes a difficult balancing exercise in terms of furloughing staff/cash flow savings and having sufficient resources to do the work, record/bill the time and handle new enquiries.

Everything seems to change on a daily basis

Two weeks ago we looked at bad debts for the firm and were delighted to see how low they were as a result of our having got to grips with this.

PRACTICES · PARTNERS · PEOPLE · PROFIT

The lease on our building expires in a few years' time so that might be an opportunity to operate from smaller premises

We are looking very closely at how each member of staff responds to the current challenge. Cometh the hour...

This might be a great opportunity to review the extent to which we want to increase "working from home" as an option for staff on a more regular or even permanent basis

The situation is currently serious but tolerable – for now.