

## This Month

- **Progress on essential actions**
- **Current Compliance Challenges and Risk**
- **The Fears of Pii renewals – actions needed now**
- **Savings and Flexibility option**

Last month we made it very clear about some very urgent priorities because of the current infrastructures and pressures all geared to surviving the inevitable cash flow crisis, lack of profitability, client support and demands

- Self-assessment – what are we and what do we want to be, recognition of client demands, own staff retention and development
- Finance – a new strategy, new budget/forecast from say August 1<sup>st</sup>, adoption of formal perpetual forecasting (2+10, 3+9), total control on working capital management in line with forecasts and finance availability, the right bank and additional finance skills (NED?)
- Productivity and efficiency – HOD accountabilities, IT use and staff process involvement and enhancement – and mean it. Need a controlled return to work plan that reflects potential business and organisation needs.
- Mobility and agility – get it right with the right vendors – it needs to be right and secure.
- Business development – clients will remember your behaviour and communication – good and bad. Make the plans happen right now segmented by work-type and existing clients and potential new business – no delay

This month the points above need emphasising along with some additional challenges being unearthed as we go – **Compliance priorities**, efficiency and division of labour, outsourcing to save money, reduced overheads and enhance client service and ensuring security and resilience.

A number of firms have developed an immediate actions hot list, revenue profit and cash flow forecasts for next 2-3 months and a new strategy from then on – who we are, where do we want to be, how are we getting there – essential.

## Compliance Priorities

There are some current essentials which involves the law firm managers maybe not just COLPs – the SRA will potentially be pragmatic but there could also be a major impact on the ability to renew Pii and the cost of it.

This month I have learned for previous MLS President [michelle.garlick@weightmans.com](mailto:michelle.garlick@weightmans.com) who leads [compli.weightmans.com](http://compli.weightmans.com) – the compliance consultancy that is part of the MLS Advantage Group

Michelle has made clear that *“A COLP’s duties are extensive even at the best of times but the pandemic will have served as a reminder of how much COLPs have to think about and be made aware of to ensure compliance and to manage the risks involved. **The key is to make sure that the risks and mitigation steps taken are documented to protect the COLP/firm from criticism from the SRA**”*.

It is that need for proactivity again

Michelle breaks down compliance essentials into 3 key areas:

- Staff – supervision and health and safety/mental health
  - What is effective supervision for office working may not be effective when working remotely.
  - Conversations over the telephone which might identify a complaining client won't be picked up by the supervisor. If staff have been furloughed, what steps have been taken to ensure that any key dates/deadlines have been allocated to another fee earner to deal with? Is anyone checking team diaries for these key dates so that nothing gets missed?
  - Exposure of staff to home working risks need to be identified as do the risks of returning to the office. A detailed documented risk assessment will be needed to include staff's mental health.
  
- Client – Data protection/ Money Laundering/client service
  - **Data protection**
    - The risks of client data being kept on dining room tables and the increase in cyber threats need to be managed. How effective and secure are the firm's systems?
    - If firms are looking to effect an orderly closure, making sure that any sale/transfer of clients data to the buyer is done in compliance with the DPA. Get advice on this as it isn't straightforward.
  - **Money Laundering**
    - Criminals seeking to take advantage of potential weaknesses in systems and procedures around customer due diligence, particularly when unable to meet a client face to face, increases the risk of money laundering as will the eagerness of firms to take on new clients post-pandemic and perhaps turn a blind eye to the red flags.
  - **Client Care/service and competence:**
    - Communication will be key. Clients will remember either, feeling looked after (or not as the case may be) and the relationship will either be enhanced or potentially lost depending upon how you have communicated with them.
  
- Business – financial stability and PII
  - Financial stability –it is the COLP's duty to report issues of financial stability if the worst case scenario arises.
  - We are in a much harder PII market and firms may struggle to get cover. Demonstrating compliance and financial stability to insurers will be key. Get an independent health-check carried out to support your renewal proposal.

## **Pii Renewal – Be proactive from today**

Michelle's last point is a great lead into our look at the frightening prospect of gaining and paying for our Pii renewal. I have done my own research but also have had some interesting feeds from two of the lead brokers for this sector

<https://www.locktonsolicitors.co.uk/> - Contact - [brian.boehmer@uk.lockton.com](mailto:brian.boehmer@uk.lockton.com) &

<https://www.howdengroup.com/> - Contact - [John.Wooldridge@howdengroup.com](mailto:John.Wooldridge@howdengroup.com)

This year's renewal undertaking needs from many far more attention than maybe previously given – general trend but also hyped by the current lockdowns.

- We need to be far more proactive in the preparation and completion of our submission
  - The proposal form needs time and care
  - Don't hide issues and be clear on actions taken to resolve
  - Make it clear there is a business strategy
  - Seek a meeting with the underwriters where history, changes, process and business can all be explained
  - Compliance is a key – an independent health check a good idea
  - Demonstrate the type of clients and security
  - Recognise that the insurance company will be aware of trends and volatility in claims by work – type, client type, geography, law firm sizes and address them in the submission
  
- Talk to your Broker early
  - Agree a timeline
  - He like the insurance company is a supplier to you and you need to know him better
    - Is there efficiency and process for claims?
    - Is there a team work between the firm and the broker?
    - Which insurance companies are they approaching on your behalf and why?
    - Have we had explained all the potential insurance options available?
    - Have they financing options available?
    - The broker should be enabling as appropriate direct meets with underwriters – who because the relatively small insurance sector they are becoming more cautious and it could be more than one pair of eyes that need convincing
  
- Budget and cash
  - This needs recognising early. It is highly likely that there will be increases so the sooner that is known the better. That then needs to be placed in the P&L forecast and the cash flow/working capital forecast and the sooner the better to enable it to be managed
  - Options
    - Own funding
    - Use of brokers linked to finance house – they will be extra careful this year
    - Independent finance options including own bank
    - Potential funding through loans against WIP (eg VFS as per June article <http://www.professionalchoiceconsultancy.com/articles/June2020.pdf> - Advantage member.

## **Savings & Flexibility**

At a MLS webinar in June ..... <https://attendee.gotowebinar.com/recording/7524059631462311431>

We demonstrated potential savings and cash flow enhancements with document management, and furloughing of mobiles and Microsoft licenses. Worth a watch

I also consider it worth mentioning here the services from <https://www.documentdirect.co.uk/> - MLS Advantage supplier that has offered a document production/transcription service to law firms and lawyers during the lock down period enabling client demands to be met despite staff being furloughed. Many firms are considering staff returns but it is also time for serious consideration of outsourcing not just to support remote and homeworking but also the whole operation going forward. This obviously applies to other outsourced services too. Office space savings and reductions, IT cost savings (mobile phone application), payroll savings, 24 x 7 support and service (no overtime costs). As well as the client/lawyer support there is apparent evidence of 50% cost savings. Meets ISO standards too. [Martyn.Best@documentdirect.co.uk](mailto:Martyn.Best@documentdirect.co.uk)

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