

This Month

- **Essential Actions for June and July**
 - **My view**
 - **Accountants Views and Priorities**
- **An Alternative Finance Source**

We are at a very critical time with the market potentially beginning to change and firms having to organise effectively for that at the same time as having to manage cash flow issues generated by the last 3 months trading. Unfortunately, for some it will be too late – we are already hearing of acquisitions and insolvencies - but it is avoidable if actions are taken within the next two months.

The last section of last month's article

<http://www.professionalchoiceconsultancy.com/articles/May2020.pdf> and the first 15 minutes of this webinar <https://attendeegotowebinar.com/recording/6138889384590534414> (the balance is useful too).

Very important is

- 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 1st, 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

From a management perspective we have no alternative but to start these actions now, make it very clear to staff as to their responsibilities and actions and make sure we have the right people in place that can and will get on with it.

Third Party Accountants Perspective

I have taken the opportunity to consult with partners of three firms of accountants all of whom with a presence in the legal sector as accountants and/or auditors and offering added value. Their perspective on the priorities for June and July and the future are below. I don't think we can afford to disagree with any of it

First - Peter Noyce PNoyce@menzies.co.uk of <https://www.menzies.co.uk/>

1. *Spend time interrogating your pipeline including any transactional work that dropped off at the end of March and other opportunities arising. This will help you to assess the level of activity and the likelihood of these coming on stream. Be aware that where business diversification has taken place, this may have changed. Particularly relevant with conveyancing with the property market coming back on stream. A sensitivity analysis of the above is also recommended to identify any possible delays in expected upturn. Continue to analyse your staffing levels within your return to work plan being sure to measure both*

positive and negative capacity issues. For individual teams, this will involve analysing each team, as they will all come back online at different speed. This can be flexed around the now extended furlough scheme.

- 2. Stay close to existing and previous customers/clients. Whether this is done by email, social media or, most effectively by phone/conferencing facilities - your clients will feel valued and looked after which in the long run may help you build your trusted advisor/partner/key supplier status. Your aim should be to feed the pipeline by re-confirming (or re-engaging entirely) in order to add certainty to a period which could be very difficult to predict*
- 3. Invest in your ongoing internal communication strategy. This will be critical to ensure that everyone within the business knows what is expected and any appropriate parameters to work within. This is especially important in relation to pricing and all client / customer facing personnel need to have a full grasp of the current pricing model, so that value can be clearly articulated and where possible margins understood and protected.*

Second - Andy Poole Andy.Poole@armstrongwatson.co.uk of <https://www.armstrongwatson.co.uk/>

- 1. Cash - At this point, cash really should be king. Although it may feel as though cash flow is fine right now, it is likely to have been boosted by pre lockdown work and supported by payment deferrals and government support. As that support is removed and fee earners start to (hopefully) build work levels again, working capital requirements will increase (just like a start-up, doing the work and then waiting for payment some time later). That will be when firms struggle and now is the time to build cash and cash flow processes that fee earners stick to in the coming months. Build the good habits now for when you will need them.*
- 2. Flexibility - Review, review and review - and then be flexible enough to change (and reverse) approaches at short notice. Whether that is on utilisation and furlough decisions; short, medium and longer-term forecasts; or on use of office space and which (and how) people may be brought back into office environments - management teams should be constantly checking and re-checking that their approach is appropriate; nobody knows for sure how this will go and the more regular the reviews and the more adaptable you are, the more successful you will be.*
- 3. Process - Take advantage of the forced changes. Lawyers are a tough bunch to change unless they need to. Now your teams have become used to working remotely, using technology and making do with reduced support; management teams should be using their time now to re-engineer how services should be provided going forward – retaining the beneficial parts of the forced changes. This should be built as a formal process work type by work type to operate as efficiently as possible now and also when a semblance of normality resumes.*

Third, Andrew Hague AndrewHague@howardworth.co.uk of <https://www.howardworth.co.uk/>

- 1. Cash collection systems - Review your internal systems to see that they are working efficiently. Consider different payment methods to enable clients the ability to pay as easily as possible. Also introduce phone calls to customers soon after a matter has been billed to ensure everything is okay with the bill and when you can expect payment.*

2. *Keeping your internal team engaged - It was easy to catch up with colleagues over a cup of tea in the office kitchen. We could easily assess how they're performing and talk about customers. Staying in touch now is much more difficult, we need to make that effort to talk about clients, pricing and our colleagues own mental wellbeing.*
3. *Using your external advisors effectively - Talk to your accountants and advisors regularly. Government guidance is changing all the time and your accountant can be key to helping you pivot your business into an efficient organisation for this new normal.*

Alternative Financing

There is no denying the challenges for law firms currently, and cash flow is very much top of the agenda with the impact of the last three months and the potential impact of business recovery – resources back in place (cost), more work but payment when?

Many of the banks are very overstretched in supporting their clients and implementing the new government initiatives with financial exposure a severe risk. I have seen and heard of many instances of poor communication both ways.

Obviously costs are involved but dependent on individual firm situations cash flow is more important. In the Manchester Law Society Advantage Group we have <http://www.vfslegal.com/> represented by Rick Gregory Rick@vfslegal.com – Associate Director.

In dialogue with him he has confirmed from his perspective *“Firms may have managed costs by furloughing staff and reducing overheads. Billing may have been healthy in April but many firms have turned to their banks for assistance. The processing of applications has been slow in a sector where traditional banking is already overexposed. Many third-party funders have withdrawn from what is perceived to be a risky market.”* *“The crisis has exposed how financially fragile many firms are”*

Rick has set out where VFS could be of use in the current situation with

- Cash flow solutions to Medical Negligence and Personal Injury Solicitors. The benefit to lawyers is it releases cash back into the business for incurred disbursements, settled cases and work in progress.
- On settled cases with an issued bill of costs, there are long delays between submitting a draft bill and receiving costs. Why wait? Let your costs draughtsmen reverse the balance of power and negotiate better costs without having to accept a lower offer.
- VFS can advance up to 80% of the estimated bill which can be used for whatever purpose with the business.
- On more complex cases with an admission of liability, VFS can release funds from the firms WIP and disbursements upon assessment.

“An application can be turned around quickly and the firm can use the facility when required. There is no minimum term and the facility is open-ended. VFS does not charge a non-utilisation fee and charges a competitive rate of interest monthly.”

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