This Month

- **Time of Year**
    - **Pii and Funding – be ready**
- **Future Security and Support**
    - **Changing World – be ready**

It is that time of year again

Not only are we as law firms facing major challenges with our strategy, expectation of the economy, ensuring profitability (with efficiencies) and cash flow, finding new and ensuring satisfied clients, having the right resource in place, having the right BI/MI in place to ensure decision making especially around what has to be perpetual forecasting.

As law firms we then get the added challenges of regulation and compliance achievement with the SRA getting much more aggressive as firms are failing in many. Much of the challenges were covered in the August2023.pdf (professionalchoiceconsultancy.com) with strong contributions from Michelle Garlick and Brian Rogers.

All of those issues have a major impact on our bi-annual challenges with the achievement of **Professional Indemnity Insurance**. A big topic for September and October impacting the ability to keep trading, the cost and the working capital availability.

As previously advised firms should be well into the negotiation process by now and proactively dealing with qualified and experienced brokers and also directly with insurers.

Assuming we achieve the offer of insurance there are for many challenges around finding the required cash to pay what can be a very significant overhead.

Many law firms report challenges around financial management, whether it be own capability, working with accountants and even in some situations the absence of banks and certainly diminished communications. I have had a couple of sessions in August with banks that are very positive and proactive with the legal sector – doesn't apply to all.

There will be a mixture of funding methodologies. There will be firms with the cash available and with their perpetual forecasting – including working capital, the banks may be prepared to offer a loan or up the overdraft.

A strong alternative is to deal with an established and well experienced with law firms insurance broker. This time around I have sought the advice of Paul.mccluskey@gemstonelegal.co.uk of www.gemstonelegal.co.uk/lawfirmfinancing can also be viewed on LinkedIn www.linkedin.com/in/paul-mccluskey/ Not only a broker with experience but also an adviser to firms on how to generate more income.

Brokers will have access to multiple potential funders and potentially straight forward identification of the most appropriate. There will be a fee/commission but also a potentially long-term relationship

Paul has some clear messages

- Arranging funding early, should not wait until the negotiations with the insurers are complete
    - This can assist in avoiding the next expected interest rate hike

    - Avoids existing funders declining an arrangement and having at the last minute to find funds with excessive costs
    - Avoids having to dig into the firm or partners bank account if the existing funder can only part fund
- Do not delay a funding request until the new premium is known. Being straight forward utilising previous year's premiums as the baseline – apply a 10 – 15% increase for the discussion and evaluation by the funders – a solid foundation and negotiable adjustments as the financial terms are already in place
- When meeting a broker have some basic financial data available
    - Finalised accounts
    - Latest management accounts – my belief here to is data trended by month and a forward forecast
    - Three to six months of bank statement
    - A supporting narrative demonstrating understanding of trends and management actions in place

Future Security and Support

Back in June [June2023.pdf (professionalchoiceconsultancy.com)] I wrote a summary of my perceived essential actions for law firms to be considering as well as the acquisition of skill and resource needs.

Over the last few years there has been a whole series of mergers and acquisitions of what were, previously, client focussed practice and case management suppliers. During that time, myself and many other consultants and advisers to the sector have been contacted by law firms with significant complaints about supplier's commercial behaviour – which has very highly ramped up recently and also a lack of clarity with regards to future product strategies – what is being developed, how and when.

There are also a number of new potential vendors arriving, some internationally based, with new technology.

There is a major demand from law firms for added value applications to meet business needs, along with a number of new potential software vendors arriving, some internationally based with new technology.

There will be more from me about this in the next few months but in the meantime, it will do firms a great deal of good to have clarity around their own requirements and contributions from their IT

- Compliance and regulation
- Cyber and e-mail protection
- Meeting client expectations – efficient use of applications and client communication – handling the right division of labour for cost and resourcing challenges
    - On boarding
    - Document and forms integration
- Meeting and supporting the strategy and development of the business
    - The management of revenue generation, gross profit, net profit, cash flows ad working capital
    - Trended data of key issues/measurements followed by the ability to perpetually forecast key issues

- The right KPIs, MI and BI to enable decision making and providing the right data and communications at the right time to staff members for performance and job satisfaction.

Bill Kirby is a director of www.professionalchoiceconsultancy.com offering advice to firms on business issue from strategy, planning, business development, the effective use of IT applications and IT hosting for compliance, business continuity and DR. He can be contacted at billkirby@professionalchoiceconsultancy.com and www.linkedin.com/in/bill-kirby-ab01632/