

# strategic planning in law firms

Strategic planning is effectively the process of agreeing and committing to a plan that focuses on the material decisions that drive an organisation, in an agreed direction. In people businesses with multiple owners this is inherently political as material decisions are often difficult to make unless forced. It requires a careful balance of insight, objectivity, commerciality, medium term thinking and, crucially, engagement and support from key people. Our experience is that many professional firms struggle to access these characteristics and transform them into plans that are delivered and work.

Most law firms we meet say fee income is driven by relationships. As the markets shift and a new generation of clients (and fee earners) emerge, this traditional strategy needs to evolve in order to avoid becoming a Curate's egg. Challenges around accessing consistent profitable work, appropriate leverage and transferring relationships are rarely actively managed by partner teams. Perhaps more worryingly, our experience is that many associates / junior partners look, to their senior colleagues, to be not as skilled in ploughing and reaping their own relationships. The reality for many sectors of law is that the dynamics of the market have shifted and, what will work in the future may be different to what worked in the past.

Working with partner teams to help form a unified understanding on what really drives profitability is crucial to improving performance. Understanding how the firm leverages staff across service lines,

and then how utilisation and recovery rate form to drive income, and gross margin is key - especially as staff expect to be paid, and paid well!

Different areas of law require different staff structures. These structures often represent shapes, ie a traditional triangle, where a partner wins work and pushes it down, and diamonds where the value is delivered by higher calibre mid-tier staff. These structures are actively planned, sometimes they exist by accident, where as a result, firms find themselves with the wrong leverage and volatile levels of profitability year-to-year.

Each model has a different implication for budgeting, work force planning and ultimately, the

type of work that can be delivered. Linked to this are the challenges around recruitment, retention and the debate on deploying flexible working.

From May 2015, Lexcel v6 set out mandatory strategy requirements for accredited firms, and we recommend you gain advice from a good consulting team to help provide the insight, objectivity, to plan and deliver effective strategies for your firm's growth.

UK200Group Legal Group members are accredited to present 3-hour Profit Improvement workshops for Solicitors (PIPS) and to find out more on this service, see our contact details on the back page.

**UK200Group Legal member**





# Law Society warns that pro bono services cannot replace legal aid

The Law Society has cautioned that free legal advice cannot be used to replace legal aid. According to the Law Society President Robert Bourns, pro bono “must never be viewed as a substitute for a properly funded legal aid system”. Mr Bourns’ warning was published in November 2016, as part of the launch of the Law Society’s Pro Bono Charter and Pro Bono Manual, which are intended to enhance the voluntary work carried out by Law Society members. Other pro bono initiatives expected soon include an online service to match lawyers with pro bono providers and the publication of a pro bono toolkit and scheme directory by the Bar Council.

By signing the Law Society’s Pro

Bono Charter, solicitors commit to improving access to justice for people who cannot afford professional legal help, or who are not eligible for legal aid. The Pro Bono Manual provides practical advice and guidance to help individual solicitors and law firms develop “sustainable, reliable and effective pro bono programmes”.

National pro bono charity LawWorks received more than 43,000 legal advice enquiries in 2014/15, compared to around 28,000 enquiries during the previous year, and also reported a significant increase in cases concerning family law, asylum and immigration, housing law and employment over the same period.

The availability of legal aid for these types of cases was almost extinguished by the Legal Aid, Sentencing and Punishment of Offenders Act 2012. Commenting on the statistics, LawWorks Chief Executive Officer Martin Barnes stressed that pro bono “*is not an alternative to funding for local law centres and advice agencies or legal aid*”, adding “*pro bono works most effectively when it compliments and supports wider legal and advice provision*”.

Read more about the Law Society Pro Bono Charter and Pro Bono Manual at: <http://bit.ly/2gzkcpJ>  
More information about the LawWorks statistics is available at: <http://bit.ly/2hcxQ1l>

## solicitors face cybersecurity

A survey commissioned by the Law Society of Scotland for its Technology Audit Report, which was announced at the Law Society’s Technology and Cybercrime Conference in October 2016, has revealed that cybersecurity is a major issue currently facing solicitors.

The survey, which was carried out by Ipsos MORI, received 672 responses from solicitors who are members of the Law Society of Scotland. It found that 92% use the internet for business purposes on a daily basis and 59% use their smartphone to access the internet for business.

In addition, while 81% of survey respondents said they viewed technology either very positively or fairly positively, 42% said that cybersecurity was a major challenge facing them and 34% said they would benefit from training in cybersecurity matters.

The research also revealed that 78% of respondents believe that technology is creating new business models and innovative ideas for law firms and 73% agreed that

technology supports the way that clients commission work. Over a third (34%) also said that costs within the legal sector have been reduced by the use of artificial intelligence systems.

Helena Brown, a member of the Law Society’s technology law and practice committee, who chaired the conference, said that although the report revealed solicitors’ generally positive view of technology, it also highlighted certain challenges

facing them. She said: “*The findings also highlight areas that we will want to explore further. The vast majority of respondents took steps to protect themselves online, such as not clicking on suspect links and using passport protection on their devices, however 35% of those who had experienced a cyber-security issue did not report it to anyone.*”

There is more information about the report at: <http://bit.ly/2h1XMyr>



# in brief...

## Increase in complaints against Scottish firms

The Scottish Legal Complaints Commission (SLCC) received 1,132 complaints about legal service providers in Scotland from July 2015 to June 2016, the SLCC's 2015/16 Annual Report has revealed. This represents a significant increase of 12% from 1,009 complaints received over the previous 12 months. The number of complaints received that were ineligible to be investigated by the SLCC increased from 438 in 2014/15 to 498 in 2015/16. However, this can mostly be attributed to the number of complaints dismissed as premature almost tripling from 90 to 268. The Law Society of Scotland has promised to look closely at the report in order to ensure its members are provided with the right guidance and training about handling complaints.  
<http://bit.ly/2h22Hz9>

## Promise of whiplash reform legislation mocks consultation process

Chancellor Philip Hammond has been criticised for announcing that the Government will legislate to “*end the compensation culture surrounding whiplash claims*” in 2017, just six days after the Ministry of Justice opened a consultation on potential reforms. According to the Motor Accident Solicitors Society, Mr Hammond’s announcement “makes a mockery of the supposed consultation process”. The Chancellor’s Autumn Statement also confirmed that the rate of insurance premium tax will increase from 10% to 12% in June 2017 and that a ban on cold calling in relation to personal injury claims has been ruled out.  
<http://bit.ly/2gay4W8>

## Employment tribunal claims continue to fall

Statistics published by the Trades Union Congress (TUC) indicate that the number of claims brought to employment tribunals has fallen by around 9,000 a month since the introduction in 2013 of fees which must be paid by anyone bringing a claim against their employer. Before the fees (which can be up to £1,200) were introduced, around 16,000 people per month took a claim against their employer to an employment tribunal. However, this number fell to 7,000 a month in 2015/16. Unfair dismissal claims also fell by 73% over the same period, dropping from just over 49,000 in 2012/13 to around 12,600 in 2015/16. The TUC has called for the fees to be abolished so employees are not priced out from pursuing claims.  
<http://bit.ly/2g5Ph7W>

## Scottish Law Society publishes ambitious 2016/17 plan

The Law Society of Scotland has published its annual plan for 2016/17 which covers the 12 month period from November 2016 to October 2017. The plan sets out details of 30 key projects that each work towards one of five strategic goals aimed at delivering year two of the Leading Legal Excellence Strategy for 2016 to 2020. For example, the society will introduce new member services focusing on business support, career growth, and professional support and wellbeing. It will also improve the way complaints are handled, create a learning and development framework and prepare for the launch of new membership categories.  
<http://bit.ly/2gC68fb>

## Legal complaints investigated by LeO continue to fall

The annual report of the Office for Legal Complaints, which oversees the Legal Ombudsman (LeO), has revealed that the number of complaints against lawyers received and investigated by LeO in 2015/16 fell to just over 7,000 (of which 6,416 were resolved). This is down from 7,635 complaints accepted for investigation in the same period in 2014/15 and 8,323 in 2013/14. LeO’s budget also fell for the fifth consecutive year, from £12.2 million in 2014/15 to £11.6 million in 2015/16, and although quality targets were exceeded in 2015/16, only 56% of legal service users had heard of LeO compared with 78% in 2013/14. The areas of law most complained about were wills and probate, personal injury, litigation, family law and residential conveyancing.  
<http://bit.ly/2gYXlnZ> and:  
<http://bit.ly/2gYXEyX>

## Most people still use solicitors to write their will

According to a survey by Will Aid, which is a scheme enabling people to have their will written by a lawyer in exchange for a donation to charity, 62% of respondents who made a will in 2015 used a solicitor, while 12% used a will writer and 9% produced a homemade will. Under the Will Aid scheme, law firms across the UK provide their time free of charge to write basic wills and waive their fees so that their clients can make a voluntary donation to charity, typically £95 for a single will or £150 for a pair of mirror wills. Nine charities, including the NSPCC, Age UK and the British Red Cross, benefit under the scheme. <http://bit.ly/2gzg1dd>



# small law firms defended by Solicitors Disciplinary Tribunal

The Solicitors Disciplinary Tribunal (SDT) has responded to the Solicitors Regulation Authority (SRA) consultation on new codes of conduct, and in particular the introduction of measures to enable solicitors to practise from unregulated firms, by passionately defending small law firms.

According to the SDT, small law firms and sole practitioners are vital because they provide competitively priced consumer services for people who would otherwise be unable to

access reliable legal advice as a result of the cuts to legal aid. SDT have expressed concerns that small law firms will be sacrificed in the belief that larger unregulated firms can provide equivalent levels of service to meet consumer needs. It has also indicated that many consumers need the flexible and responsive services provided by small law firms, as they may be unwilling or unable to purchase services online, or be unable to travel to visit larger unregulated firms for advice.

Forcing small regulated law firms to provide detailed consumer protection information would simply add to their regulatory burden in the SDT's view, although it could provide a "positive marketing benefit".

Legal professional privilege could also be put at risk by the proposed new codes, according to the SDT, which has called on the SRA to adapt the existing roles of compliance officers within regulated law firms if solicitors are allowed to practise from unregulated entities. This would level the playing field with small firms which will still be required to be regulated. The SDT has also warned that removing the requirement for solicitors to be 'qualified to supervise' by enabling those with less than three years' experience to do their job unsupervised would be a danger to client protection and public confidence in the legal profession.

There is more information about the SDT concerns at: <http://bit.ly/2ggS78U>



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## investment scheme scams

The Solicitors Regulation Authority (SRA) has warned solicitors and consumers about the increasing problem of scam investment schemes using law firms as middlemen in order to appear legitimate. The SRA makes it clear that only a "tiny minority" of solicitors are involved in investment schemes. However, it received nearly twice as many reports about solicitors' participation in scam schemes between March 2015 and August 2016 than over the previous 18 month period. In recent cases investigated by the SRA, consumers had lost more than £100 million by investing in often non-existent assets.

The SRA has urged solicitors to be careful when asked to help administer an investment scheme, reminding firms that a genuine financial services company does not require money to pass through a third party before it can be invested. The SRA has also published advice for members of the public about how to recognise scam investment schemes.

In November 2016, the Solicitors Disciplinary Tribunal heard two cases regarding solicitors who had been involved in "dubious" investment schemes. Mel Goldberg, of Mel Goldberg Law, was struck off for mishandling clients' money and for other breaches of the SRA Handbook. Lawcomm partner Mandeep Dhariwal was fined £40,000 over his involvement in six investment schemes, plus a further £20,000 in costs. Mr Dhariwal had moved more than £9 million through Lawcomm's client account in 741 separate transactions.

Although the SRA acknowledged that there was no improper or unauthorised use of clients' funds, and no suggestion that Mr Dhariwal had acted dishonestly, his conduct in providing the client account as an escrow account represented a "serious departure" from the professional standards expected of him.

Read more about the SRA's concerns at: <http://bit.ly/2h2PQ2e>