



Lexcel Matters

December Edition 2020

Hello Everyone and welcome to Recognising Excellences Lexcel Matters 2020. I think we all agree that this year has been the toughest year for business and individuals that we have ever encountered. On a happier note the Covid 19 vaccine is about to be rolled out and we can all look forward to a new beginning in 2021.

In all business's financial control is of the utmost importance and this edition of Lexcel Matters starts with a lead article on that very subject by Paul McCluskey one of Recognising Excellence's Lexcel Assessors and an expert on Finance.

Three Wise Kings of Law Firm Finance

As we look to welcome in a new year, the UK economy waits with anticipation over the prospect of an effective COVID-19 vaccination and the delivery of a BREXIT deal that will support UK businesses.

The challenge for many law firms, is over future fee income levels, and the reality of increased costs caused by the ending of the furlough scheme, the start of CBILS loan repayments and the settlement of any deferred tax/VAT. Adding to this, the increases to Professional Indemnity Insurance (PII) premiums leads all firms to consider how best to recoup cash and build sustainable financial reserves.

Lexcel encourages law firms to adopt strict controls ([Lexcel 2.2](#)) which should help to maintain a watchful eye on business finances, and the SRA has also mandated that firms must be able to evidence their approach to financial stability ([SRA Code of Conduct for Firms 2.4](#)).

"The mind is everything. What you think you become." – Buddha

SRA recently published their [Risk Outlook 2020/2021](#) which offers further insight on several future developments and it is clear that firms must proceed with renewed energy in order to encourage an effective flow of cash within the business.

In the spirit of Christmas, these 'three wise kings of finance' may not offer gold, frankincense or myrrh but they will provide an immediate positive result for your firm heading into 2021.

1. Review client money interest rates

The threat of negative interest rates has been widely discussed over the last couple of months and the big 4 high street banks offer a historic low rate of 0.01% on client monies. Do not despair – it is still perfectly possible to achieve higher rates on 'top slice' client monies. You just need to know where to look. That is an extra £4,900 per £1m deposited.

2. Complete financial benchmarking

The Law Management Section offers an opportunity for firms to benchmark their financial performance. Participants receive a bespoke report which they can use to effect positive change in the approach to cash management. For example: A £5m turnover practice that can reduce lockup (Debtors and WIP) by 10 days can expect to reduce their cashflow by £136k. This reduces the reliance on an overdraft and provides headroom for future periods of cash shortages. This practice should be an essential annual event for Lexcel firms and offer a great exercise for the COFA to really understand the financial position of the firm.

3. Remove billing/cash collection from fee earners

Many firms now realise that allowing fee earners to earn fees whilst the finance team owns billing/cash collection, creates a perfect balance. Evidence is of course anecdotal and success levels will vary amongst firms but it is encouraging to learn that firms that have made this step report a positive impact on cashflow and more importantly, the positive development of their teams understanding of the importance of effective cash control.

There are many ways to improve the financial performance of a legal practice, and what is important is to first have a clear understanding a firm's cultural

approach to financial management. Only then can an improvement plan be mapped out.

The [Financial Stability Scorecard](#) is a **free resource** available to firms associated with [Recognising Excellence](#). The scorecard takes less than 5 minutes to complete and does not require any financial information. With 100% of respondents confirming the scorecard helps to evidence their approach to financial management, you can be sure this resource offers added value.

Paul McCuskey is Managing Director of [Gemstone Legal](#) which helps law firms to maximise income whilst reducing risk. Former UK Head of Professional Practices at Bank of Scotland and Lloyds Bank, Paul has worked with law firms of various sizes and complexity across the UK and Northern Ireland. Having seen banks shift away from the legal sector, Paul set up Gemstone Legal to offer firms a trusted, independent approach to finance and risk management. Paul speaks and writes regularly on financial factors impacting the UK legal sector.

Lexcel v.6.1 & v.5.1 – New firms thinking of applying for Lexcel Certification



For all legal firms thinking of applying for Lexcel Certification, Recognising Excellence has a **free to view** webinar on preparing for assessment and guidance on completing The Law Society application form. If you would like copy please contact Marian.moir@recognisingexcellence.co.uk and she will be happy to send you one.

Remember, firms who hold Lexcel Certification are already ahead of the game and are in a better place than those firms without it.

In addition, we also have a **free webinar** on how Recognising Excellence conducts Remote Assessments and Reviews, if you are one of our existing clients and would like a copy again please contact Marian.

Lexcel Snippets – a few snippets taken from Lexcel Assessors reports which you might be interested in:



The Practice might find some of the information contained in the videos (at www.pda-legal.co.uk/videos-on-risk-and-compliance) on home/remote working and on video conferencing to be useful in support of staff training/guidance



Worth considering in the context of business continuity and risk management is the Allianz Risk Barometer annual report on corporate risk (see [Allianz Risk Barometer](#)). The report identifies the top organisational risks for the next 12 months and beyond, based on the insight of more than 2,700 risk management experts from 102 countries and territories

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The Business Improvement Director recently attended an executive leadership course on digital strategy in artificial intelligence with the intention looking at digital technology in the firm . This resulted in a new robot being developed to assist with debt recovery. This new product 'Bev Bot' has already been recognised through an Excellence Award for Innovation by Legal Practice Management. In practice, a trial produced 800 letters and made the firm £1200 per hour, also reducing the time to set up a file from 22 minutes to 1 minute 2 seconds.

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The Council undertook a socially distanced fire drill and evacuation to establish how well an evacuation could take place whilst remaining COVID safe

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The practice may wish to look at the wealth of advice on remote working freely published by GitLab, an all-remote company employing over 1,300 staff in more than 65 countries. Some of the guidance provided and "lessons learned" by this early proponent of large scale, long term remote (and hybrid) working may be of value to those practices now considering their future remote working arrangements.

See: <https://about.gitlab.com/company/culture/all-remote/remote-work-starter-guide/>

See also: [hybrid-remote](#)



Section 4.9.1 of the Legal Sector Affinity Group Anti-Money Laundering (AML) guidance is helpful in considering forms and methods for identifying a client. These might also be useful in respect of reviewing procedures for a 'certificate of knowledge' ('CK') where a fee earner might record that they know the individual personally. Where a CK is permitted, firms should consider as to how it would be possible to verify the identification of the client if the fee earner who had provided the certificate leaves the firm.

<http://www.lawsociety.org.uk/policy-campaigns/articles/anti-money-laundering-guidance/>



Where documents are being transported away from the office for remote working, some practices are providing further guidance to their staff and in some cases, providing lockable document bags or boxes, which members of staff are instructed to use in those circumstances.

Congratulations!

The winners of our Regency Hamper as drawn out by RE's Managing Director Nick Weaver for returning our Lexcel client feedback questionnaire is **Forrester Sylvester Mackett LLP** a firm based in Trowbridge, well done, and a massive thank you to everyone who returned theirs. Please keep them coming as your feedback is important to us and you never know, next year you could be the winner!

If you would like to know more about Lexcel or are interested in a **free of charge** visit to discuss becoming Lexcel accredited please call John Edwards on 07771 988427 or email: john.edwards@recognisingexcellence.co.uk and he will arrange for an accredited Lexcel Assessor to contact you to help move you forward. **PS Don't forget the free webinar on the subject just contact Marian.moir@recognisingexcellence.co.uk**

It just remains for all of us here at Recognising Excellence to wish you, your families and your teams a very Happy Christmas and a prosperous New Year, and above all stay safe!

