

Law News



BOOTH AINSWORTH

Volume 20
Autumn 2007

BOOTH AINSWORTH'S 2007 FINANCIAL BENCHMARKING SURVEY

The Booth Ainsworth Professional Practices' team have put together an exclusive survey which provides a useful insight into the financial health of regional law firms.

We believe that many firms could improve their profitability if they focused on those aspects of financial management, which really can make a difference to the bottom line and to cash flow.

The survey identifies: -

fee income	net profit	average capital per partner
total salaries & staff costs	ratio net profit : fees	professional indemnity insurance premiums
ratio salaries : fees	average fees per partner	

Throughout the survey the emphasis is focused on the generation of income and key drivers of profitability. It provides a benchmark on the various costs involved in running a firm, but significant profit increases are more likely to arise out of a greater understanding of how to maximise income.

To obtain a free copy of this survey, please contact Eve Haffenden on 0161 475 1543 or email: evh@boothainsworth.co.uk

RISKY BUSINESS

How well would your business cope with the unexpected long term absence of a principle member of staff? What would happen if you had to evacuate your building and were unable to return for several days? If your largest source of work was to go under, could your practice survive?

By its very nature, business is risky. Why else would we all need insurance? And like any other business overhead, we should try our best to reduce it. So why are SMEs still putting risk management at the bottom of their list of priorities?

Effective risk management is slowly becoming a hot topic in the market place. Increased terrorist attacks, the recent floods, fraud and white collar crime are just a few of the reasons why business leaders are starting to recognise the importance of having a risk strategy in place.

However, in spite of concerns, the majority of SMEs are still not putting it high on their boardroom agenda's. The main reason being that they simply do not have a thorough understanding of what risks their businesses are facing, nor do they know what they need to do to minimise these risks.

From the offset, risk management may seem daunting, but it needn't be. Businesses should start by identifying the critical business processes that drive the business and analyse the losses expected from an interruption to each.

Businesses of any shape and size should pinpoint their main risk areas, whether it be reliance on one or two clients, office systems and IT, or the loss of key employees or management. They should prioritise and document the course of action required if a disaster of any sort was to occur.

The benefits of having a formal risk management arrangement in place are indisputable, not only from the point of view of reducing the physical disruption to office systems, procedures and staff, but also minimising the risk of loss of valuable client and customer business and damage to reputation, which can result in firms experiencing disruptive events.

Risk management plans need not be lengthy or complicated. They are there to act as a guide, to help support management teams, strengthen their succession plan, ensure compliance with ever changing legislation and, where possible, reduce insurance costs. However, once established, it is crucial that risk management remains a priority. Businesses should be eager to put plans in to action as soon as possible, to help spot any problems in live situations, as well as create awareness of the programme to members of staff – something that is critical to its success.

This article was provided by Mark Booth, who was recently appointed Risk Manager with Lexcel accredited law firm, Tuner Parkinson. As well as advising the law firm internally, Mark also advises external clients and contacts on their risk management strategies.

- Legal Services Bill
- How to share profits?
- Incorporation Limited vs LLP?
- Marketing for Law Firms
- How to Grow Profits?

If you need guidance on any of the above issues, contact Gary Cook, Professional Practices Partner on:

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SPECIALIST*

noun: a person who is highly skilled or knowledgeable in a particular field. adjective: relating to or involving detailed knowledge or a specific focus within a field. DERIVATIVES specialism noun.

*Source: The Compact Oxford English Dictionary of Current English, 3rd Edition, Publication date: 23 June 2005

As a recognised specialist profession, risk management and practice presentation are key factors taken into consideration by insurers when considering solicitors professional indemnity insurance terms.

Since 2000, you may have observed the increased prevalence of risk management related questions within your annual proposal form, and it is an area to which practices should draw their brokers and insurers attention.

When asked, for example by a prospective client, the majority of firms will positively highlight the risk management measures in place such as:

- 1. The appointment of a practice manager**
- 2. A manageable ratio of qualified staff to general staff**
- 3. Standard terms of agreement / contract conditions**
- 4. A central diary system**
- 5. An Internal reporting structure**
- 6. Complaint handling procedures**

Highlighting the above within your presentation to insurers will ensure that the cover offered accurately reflects that measures your firm has in place to minimise risk in your day to day operation. One might say that this is all 'common sense', however all too often your hard efforts are not 'commonly' detailed within the presentation.

If you are involved in areas deemed as high risk, for example conveyancing or personal injury, comment on how the practice takes steps to minimise to likelihood of claims.

On the subject of claims, Insurers aren't necessarily perturbed by seeing claims; their attention is drawn to frequency from a particular activity, settlement figures and actions taken by the firm to mitigate future claims. By highlighting remedial action taken to prevent future claims, this demonstrates to an insurer that the practice is geared towards improvement and is capable of implementing changes.

As far as 2007 renewals are concerned, what are the markets going to do? The simple reality is that no-one can be certain what will happen to rates this year; some insurers suggest it might increase by 5%, others that it will drop by 10%.

It would be inappropriate for any broker to guarantee anticipated premium savings for this year. However SBJ Professional can say with certainty that in 2006 we saved our clients up to 36% on their previous years costs.

One final note for consideration is that from May onwards, the legal profession becomes one of the most popular within the professional indemnity market; no doubt you will have received communications, from many brokers, asking for the opportunity to provide terms. My suggestion is that you select no more than three brokers and make sure that they are specialist professional indemnity brokers.

Ultimately, the relationship between you and your broker is integral to getting the most from your PII. Specialists will present your firm's case to the markets that will quote you, and the quality of the presentation your broker makes to market is critical.

At SBJ, our understanding of the professions stems from work with over 5,500 UK firms covering the entire professional spectrum, from sole practitioners to 'Top 20' organisations.

When deciding where to look for advice, would you not agree that you and your business are better protected from the service of a specialist rather than that of a generalist?

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PROFESSIONAL