

April 2020

# Coronavirus and the impact on UK law firms

For more than 40 years, the ILFM has been the leading professional institute for legal finance and management professionals, including Legal Cashiers, Accounts Managers, COFAs, Practice Managers and Finance Directors.

We are living through deeply challenging and, for many, distressing times. The impact of the Coronavirus on businesses of all sizes cannot be underestimated, and law firms are having to make very tough decisions on a daily basis to ensure that they are well placed to survive and thrive when the current crisis has passed.

We have run a survey in conjunction with Saffery Champness to understand the impact on UK law firms and their strategies around furloughing their staff members. It is our intention that, as the situation continues to evolve, we run this survey once a month so we can better understand the direction of travel with these strategies and support our members and the wider community in the most effective way. I do hope you will take part.

My team and I, and the Executive Council of the ILFM, send you all our best wishes.



**Tim Kidd, Chief Executive**  
The Institute of Legal Finance & Management

[www.ilfm.org.uk](http://www.ilfm.org.uk)

Although I wish I were writing to you all against a more positive economic and social backdrop, I trust that this short survey will offer a thought-provoking insight into the legal sector and how firms are balancing their responsibilities to their staff, with their responsibilities to servicing their clients' needs.

Our data gathering took place over the course of the first few days of April and we will continue to gather data over the coming weeks and months so that we understand how firms continue to adapt in these unprecedented times.



**Ian Johnson, Director**  
Saffery Champness LLP

[www.saffery.com](http://www.saffery.com)

## Furloughing – a brand new, but already very familiar concept

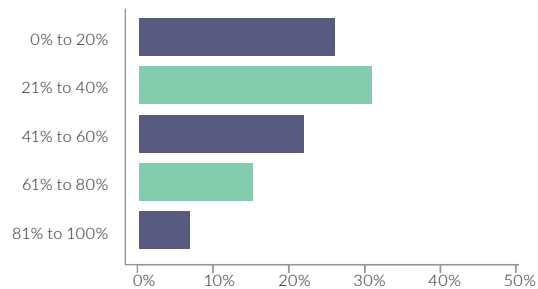
**77%**  
of firms have communicated a programme of furloughing staff

The headline statistic from our survey is that the overwhelming majority of firms have communicated a furloughing strategy to staff, but it is important that this is not looked at in isolation as, of those firms in this category, most are looking at no more than a 40% reduction in their workforce.

It is also important to remember that such a measure should, in the main, be a temporary one while firms look ahead to their ability to operate effectively once we are through this first uncertain phase of the crisis.

Only a small number of respondents appear to be taking the most extreme measures, with fewer than 7% of our respondents furloughing more than 80% of the workforce.

Fig 1: What percentage of staff will be furloughed over the period covered by the government's Job Retention Scheme?



## A muted appetite for varying staff contracts

It seems that the contractual and practical challenges of reducing staff hours, which would presumably require a fair and consistent approach across the board and present its own unique set of challenges, is not attractive to firms at this stage. Fewer than 19% of respondents have so far introduced this measure.

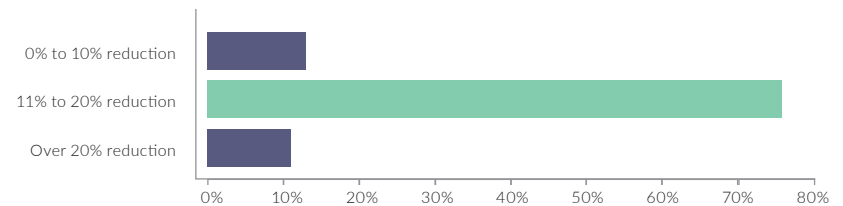
Furthermore, 63% of firms have so far not introduced pay reductions, while for those firms that have taken this step, most are relatively moderate at no more than 20%.

Also of note is the fact that only 6% of firms have started redundancy negotiations with staff.

For now at least, firms' attentions are apparently fixed on the longer term and what the partners want their practice to look like once they have weathered the storm.

**63%**  
of firms have not introduced pay reductions

Fig 2: Percentage of pay reduction by those firms introducing them



## Pause for thought – firms are applying the brakes on change, but not stopping altogether

**42%**  
of firms will definitely be reducing partner drawings this month

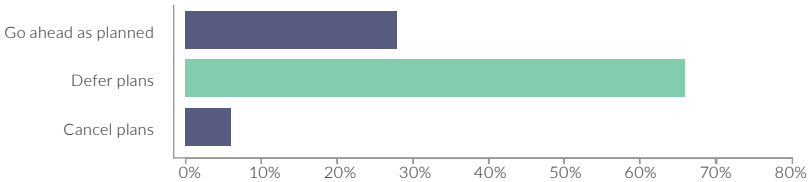
Inevitably, many firms are reluctant to proceed with too many 'change events' beyond those that will help them shore up their current financial position.

While a good proportion of firms are first looking to their partners to help ease the financial pressure – 42% are reducing partner drawings and 36% are still considering it – most firms have not yet rescinded job offers. Of the 65% of firms that have recently made job offers, 77% have chosen not to withdraw them.

**53%**  
of firms with planned promotions or pay rises this month have cancelled or deferred those plans

However, of the firms that had planned pay rises or job promotions this month (just over 65%), more than half (53%) have cancelled or deferred those plans. Most firms have also deferred their capital expenditure plans for the coming year, with only 28% of firms that had plans in place now seeing those through.

Fig 3: Of those firms that have scheduled capital expenditure plans for the coming year, how will plans change?

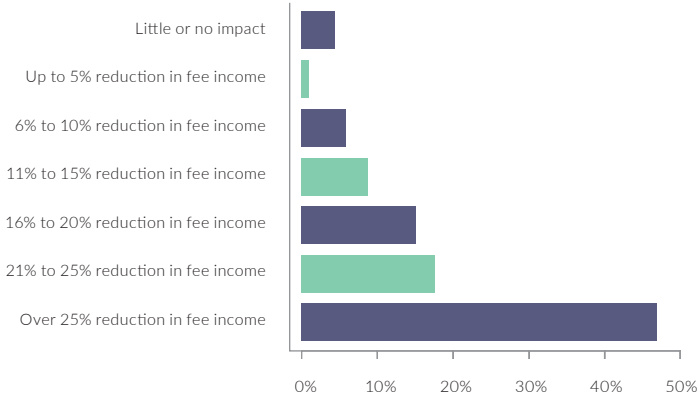


**Growth is out of the question, and firms are cautious about predicting the impact on fees**

It is clearly too early to predict the full financial impact of the Coronavirus, but firms are opting for something of a gloomy outlook. Almost half of our respondents – just over 47% – are predicting a fee reduction of more than 25% against original expectations for the coming financial year.

It will be interesting to see how those predictions shift over time and, in light of the current appetite for furloughing staff, how that will ultimately impact on profitability. This is an area that we will be paying close attention to over the course of the next few months.

Fig 4: What do you think the impact of the current Coronavirus pandemic will be on projected earnings for the next financial year (compared with the original budget for 2020-21)?



**Support for businesses during the Coronavirus pandemic**

Further information on the various government support measures, together with other Coronavirus resources for individuals and businesses, can be found at [www.saffery.com/our-services/coronavirus](http://www.saffery.com/our-services/coronavirus).

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