

LMS Quarterly Pulse survey – April to June 2021

For the last 20 years the Law Management Section has undertaken an annual Financial Benchmarking Survey. It is the leading survey for medium sized and smaller firms in England & Wales, providing participants with a bespoke report showing how their firm compares to similar firms.

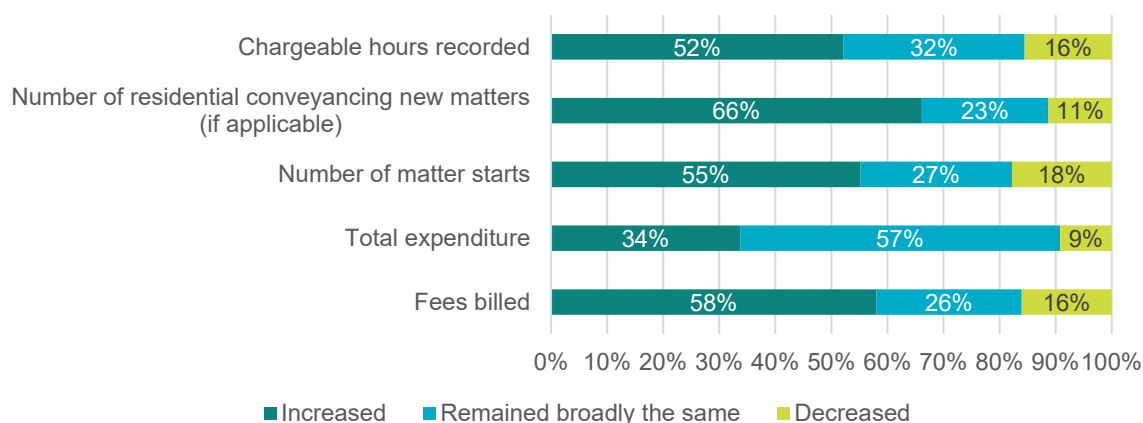
To compliment insights from the annual survey, the LMS and the Law Society's Futures & Insights team have developed a quarterly pulse survey to provide a timely barometer of business conditions for small and medium sized solicitor firms. This paper reports on firms' experiences of Quarter 2, 2021. 163 firms participated.

Main points

- Activity levels are higher for Quarter 2 than for Quarter 1.
- Staff are returning to the office.
- 58% of firms reported an improved cash position and 36% predicted a better cash position for Quarter 3.
- Business confidence remains high, with around half of firms predicting an improvement in firm's fees (54%) and profitability (49%) for the next twelve months.

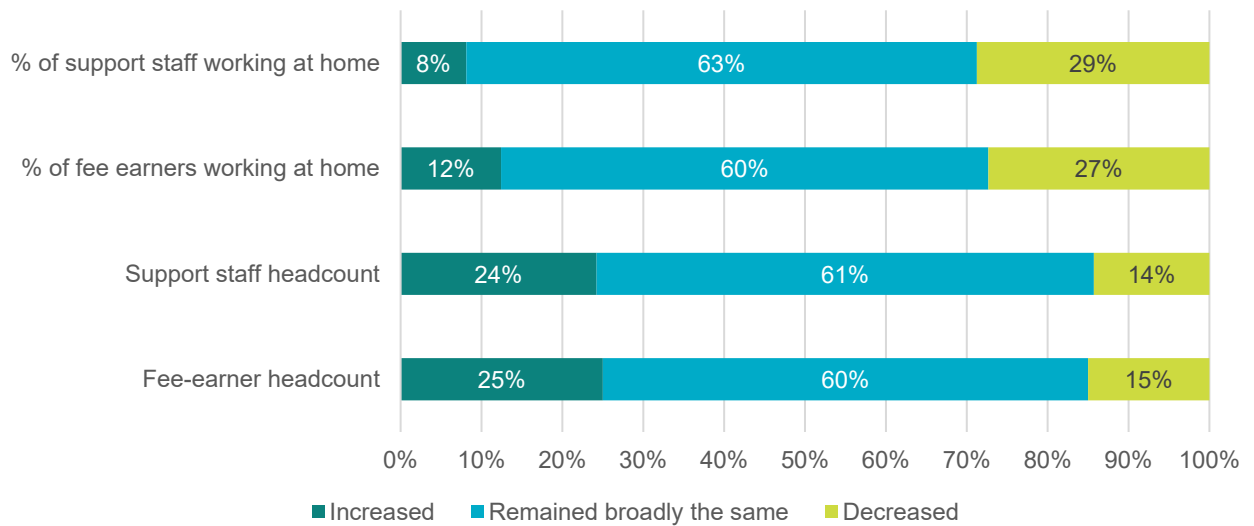
Income, expenditure and new work

- Compared to the previous quarter, over half of firms had experienced increases to new work (55%) and in fees billed (58%) during April to June 2021. Of firms offering residential conveyancing, 66% saw an increase in new matter starts for this area.
- Under one-fifth of firms reporting decreases in relation to new work coming in (18%), chargeable hours recorded (16%) and fees billed (16%).



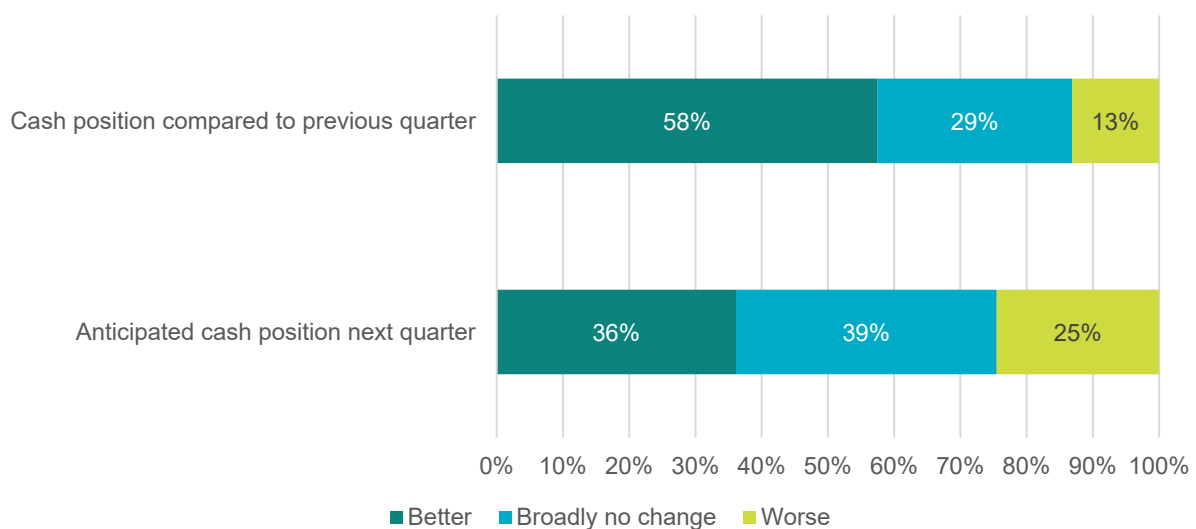
Staffing and office space

- For the majority of the 163 participating firms, staffing and office space had remained the same as the previous quarter.
- 3% of firms reported redundancies during the April to June quarter.
- Of firms with physical premises (96%), 12% had reduced their office space and 12% anticipated a reduction in the next quarter.



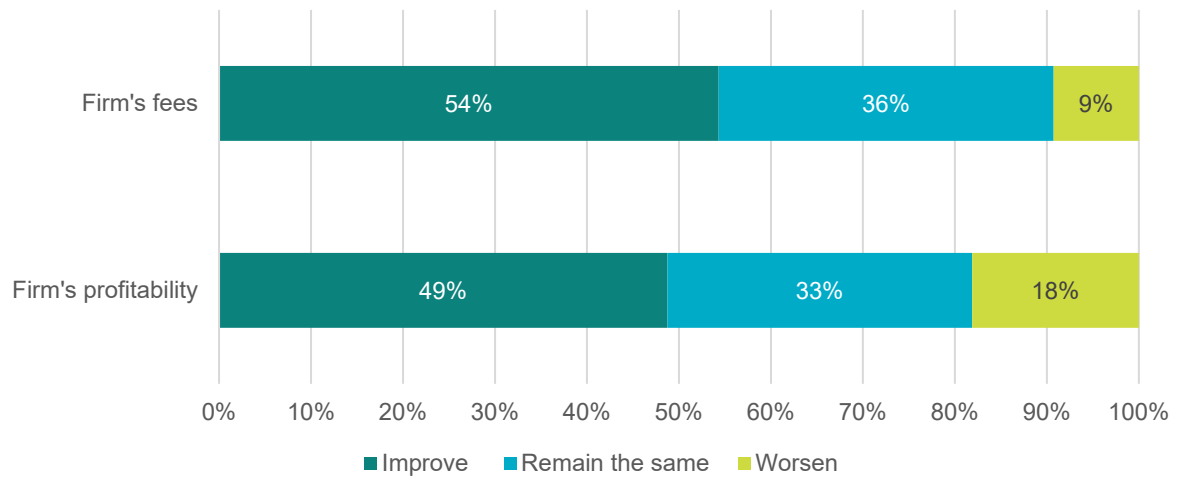
Cash position

- 58% of the 163 participating firms reported a better cash position compared to the previous quarter, 13% reported a worse position.
- 25% of responding firms anticipated a worse cash position compared to the previous quarter.
- Of the 93 firms (57%) which took a CBILS loan, 45% have used the loan.



Business confidence

- Businesses were confident in their outlook for the next twelve months, with around half predicting an improvement in firm's fees (54%) and profitability (49%).

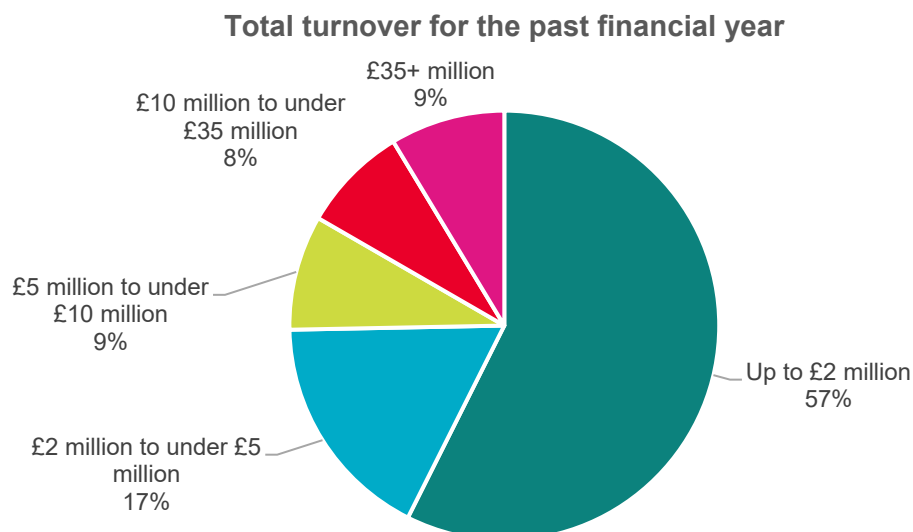


Merger, takeover or amalgamation?

- 13% of firms reported being in active discussions regarding a merger, takeover or amalgamation.

Participating firms

A big thank you to the 163 firms who took part in the first pulse survey. This survey provides insight into how your firm compares with other SMEs in the sector.



Paul Bennett, Chair of the Law Management Section

'The Law Management Section Pulse Survey is new and intended to support the profession with some detailed data collection on current issues every quarter. We are delighted with the level of response and would encourage firms to participate next time and to help us grow the survey so they have the chance to help shape the knowledge of the current issues'.

Sponsored by



Darren Cable, UK Head of Legal at Lloyds Bank, added: "It is great to see that the Law Management Section have developed this pulse survey, which provides a vital snap shot of the business conditions for small and medium sized firms. The impact of the pandemic has meant that many of the traditional norms have been challenged and the economic outlook has remained uncertain. Firms will need to adapted to these new conditions and our team of Lexcel-trained industry experts continue to work closely with businesses across the legal profession, providing the funding and tailored support to help them look forward to a brighter future and help Britain recover."

Quarter 2 compared to Quarter 1

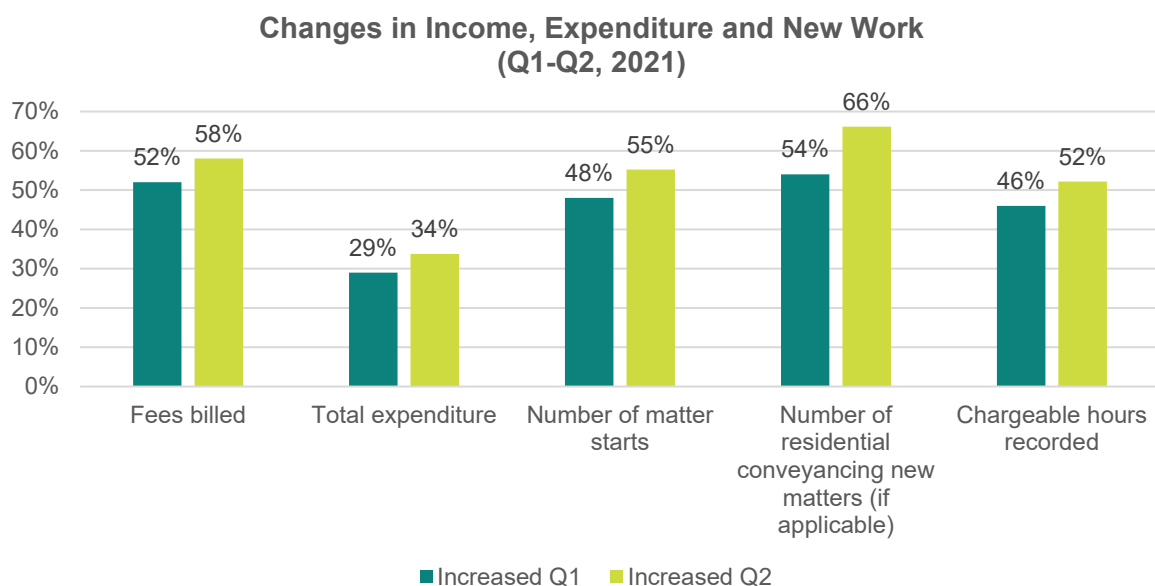
Additional insights can be gained by looking for change between the quarterly surveys. Some caution needs to be applied as the profile of participating firms may differ between Quarters. For example, in Quarter 1, 70% of firms had turnover up to £2 million, in Quarter 2, this had dropped to 57%, which may have an impact on aggregated findings. Further analysis will be conducted to look differences by size of firm.

The following charts compare data from

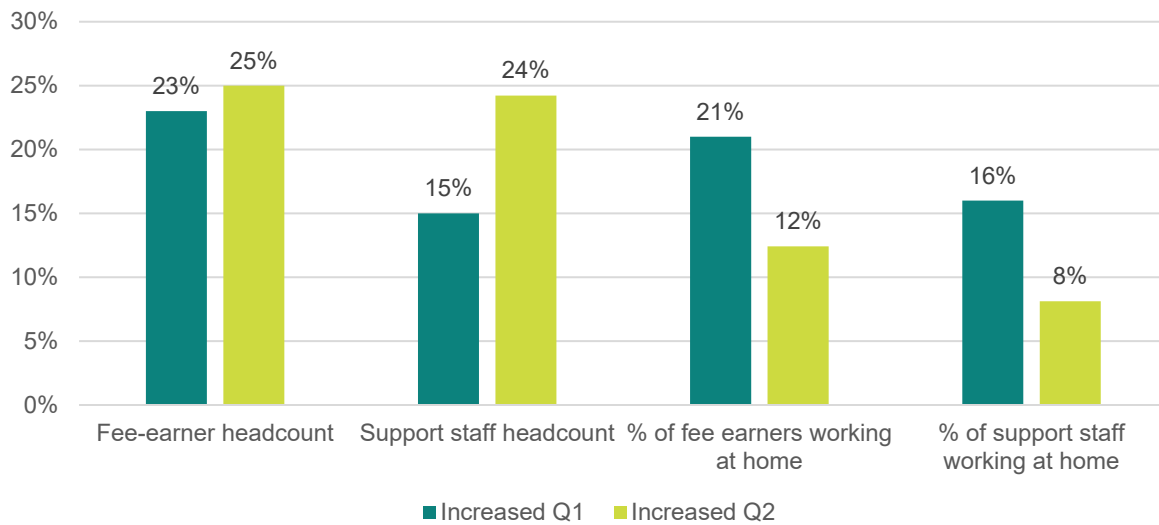
- Quarter 1, comparing change between the January - March 2021, with the previous quarter (October-December 2020) and
- Quarter 2, comparing change between April – June 2021, with the previous quarter (January to March).

These charts suggest:

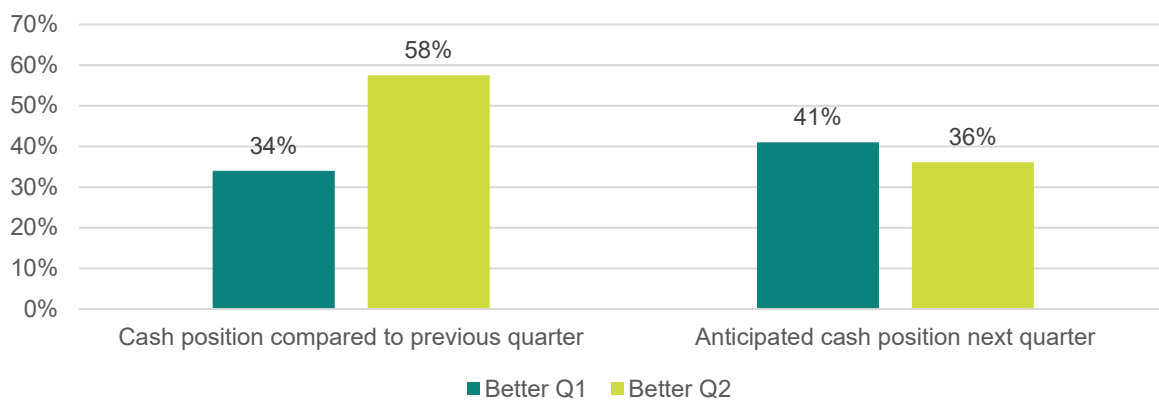
- Firms have experienced an increase in fees billed, total expenditure, number of new matter starts, number of residential conveyancing new matters and chargeable hours over this period.
- Firms have increased their headcount, with a higher proportion of firms increasing their support staff headcount.
- Firms are starting to return to the office, the proportion of fee-earning and support staff working from has decreased.
- Firms cash position is improved from the previous quarter, but firms appear less confident about their anticipated cash position for next quarter.
- Business confidence remains strong with just over half of firms anticipating an increase in firm's fees, and just under half anticipating an increase in the firm's profitability.



Changes in Staffing and Office Space (Q1-Q2, 2021)



Changes in Cash Position (Q1-Q2, 2021)



Changes in Business Confidence (Q1-Q2, 2021)

