

5 tips on how firms can weather the storm

With firms looking at the impact the current pandemic is having on its operations, one of the key areas will be financial stability. Under the SRA regulations, a firm must actively monitor its financial stability and inform the SRA promptly if there are any issues. This is to protect the overarching principle of keeping client money safe. So, what can firms do to ensure they do not feel the pressure to put their firm at risk?

1. **Cashflow** – Do you have line of sight to your cash position in six months' time? It is imperative that firms can see how they will finance their operations, especially during the current pandemic. I would recommend updating this daily at first so you can keep track of where your cash is being utilised and you will be able to identify any problem areas immediately.
2. **Outstanding debtors** – do you have a process of obtaining funds on account prior to commencement of work? Could you complete interim bills to ensure you have some cash flow from the matter rather than waiting until the matter is closed? How quickly do you recover your bills and what is your process for recovery of bad debts/writing them off if unrecoverable?
3. **Financial Reports** - Review your current reporting pack to see if there is anything missing that could give you a better insight into your firm's performance. Do you regularly review your reports and how quickly do you receive them? Could you create a one-page document that would give you the key information at a glance? Using key metrics such as lock up days will really help you understand how your business is performing month on month.
4. **Budget** - I would suggest having a budget where you can assess different income scenarios; worst-case, average, and best-case. This will allow you to assess the level of staff required and overheads to see what the profitability will look like in each instance.
5. **Loan schedule** - Assess current borrowings and ensure you also include a schedule of any payment deferrals you have taken advantage of i.e. Qtr1 2020 VAT payment as this will be due by 31st Mar 2021.

Although this is an unsettling time, by assessing your current position you can use this as an opportunity to make your firm stronger for the future.

JJ+H is an accounting firm specialising in legal accounting. I can help with assessing your firm's current position and implementing policies and procedures to make your firm more robust. Also, with prior experience as a COFA, I appreciate the challenges SRA regulations present and would love to help take the pressure away from COFA's so they can focus on their core tasks. If you would like to discuss how I can help, please contact me, Claire Ellis (claire@jjandh.co.uk), to book up a consultation call or visit www.jjandh.co.uk for more information.