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Legal Newsletter

In this issue:

SRA replaces Indemnity Fund

Legal sector continues to grow in July

Larger volume of work for in-house lawyers

Energy Bill Relief Scheme for small businesses

Law firms plan to reduce office space

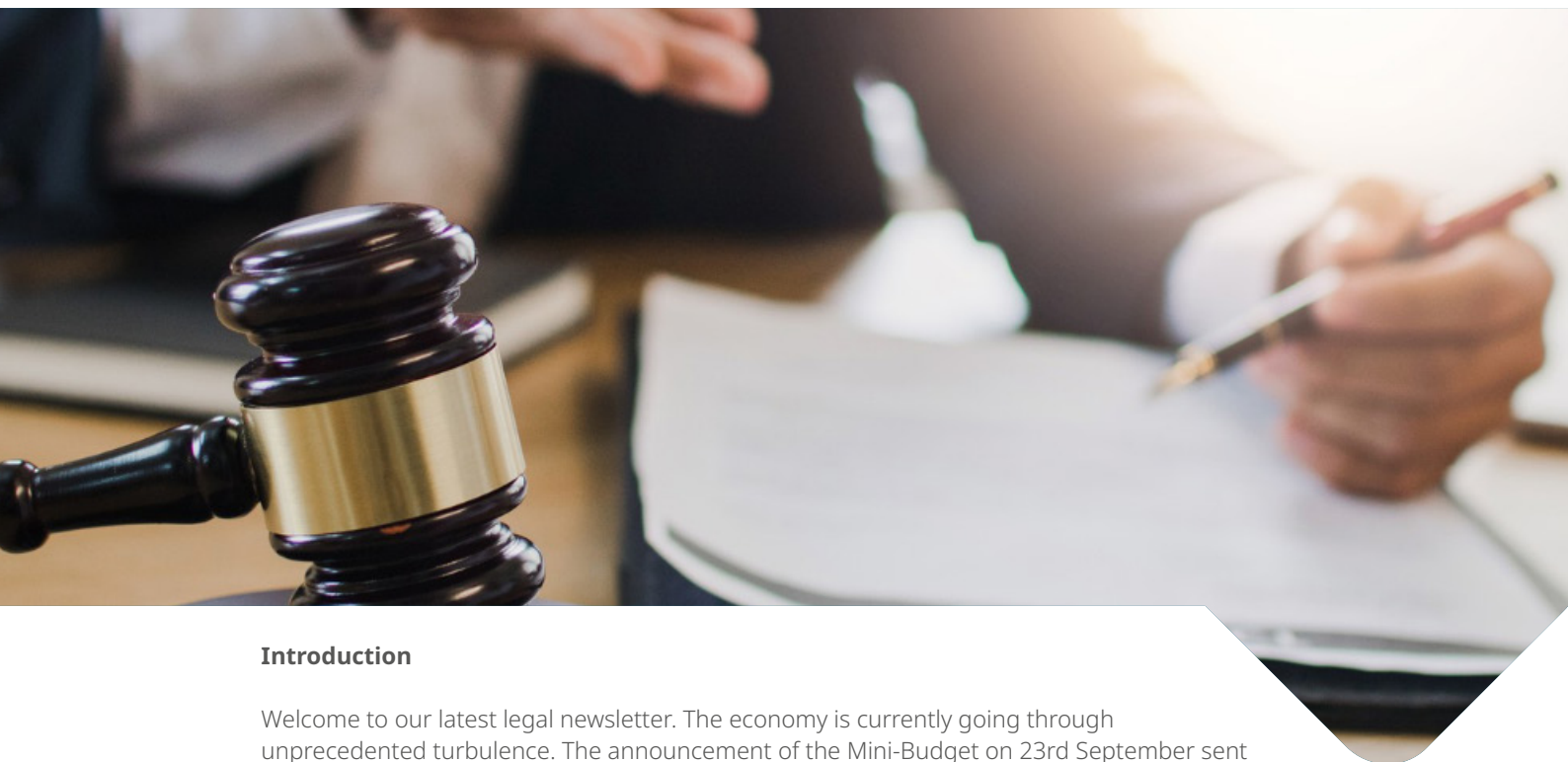


Hawsons

Big firm expertise,
small firm personal attention



Simon Bladen Partner



Introduction

Welcome to our latest legal newsletter. The economy is currently going through unprecedented turbulence. The announcement of the Mini-Budget on 23rd September sent the value of the pound tumbling with markets showing their scepticism towards the economic growth plan. The new Chancellor Jeremy Hunt has now reversed many of the tax cuts implemented by his predecessor in a bid to stabilise markets and allay fears. One thing is certain, there remains challenging times ahead for all UK sectors. In this newsletter we cover the following topics:

- SRA replaces Indemnity Fund
- Legal sector continues to grow in July
- Larger volume of work for in-house lawyers
- Energy Bill Relief Scheme for small businesses
- Law firms plan to reduce office space

As always we hope you enjoy the content of this newsletter and please do get in touch if you would like any more information on any of these articles.

Simon Bladen



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SRA replaces Indemnity Fund

What is the indemnity fund?

The Solicitors Indemnity Fund (SIF) was established in 1987 to provide compulsory professional indemnity cover to all solicitor firms in private practice in England and Wales. With the agreement of The Law Society of England and Wales, the fund has provided Expired Run-off cover to firms that ceased without successor since 1 September 2000 but only after the primary run-off period of 6 years had elapsed.

SRA-run indemnity arrangements

After years of discussion, it has been agreed that solicitors will be protected from the impact of long-tail negligence claims after the Solicitors Indemnity Fund closes in September 2023. The SRA have announced that the SIF will be replaced with SRA-run indemnity arrangements from September 2023.

What is the SRA-run indemnity arrangement?

The board has announced that the new SRA-run indemnity arrangements will provide the same level of cover as the SIF. This includes consumer protection for post-six-years negligence. This will probably come as a relief to many solicitors who feared that the closure of

the SIF could result in an end of post six-year run-off cover. For most it would have been extremely difficult to find alternative cover with the same level of protection in the open market.

The SRA published a discussion paper in August 2022 where three options for replacing the SIF were considered. The other options were to maintain the current SIF or convert the SIF into a discretionary compensation fund.

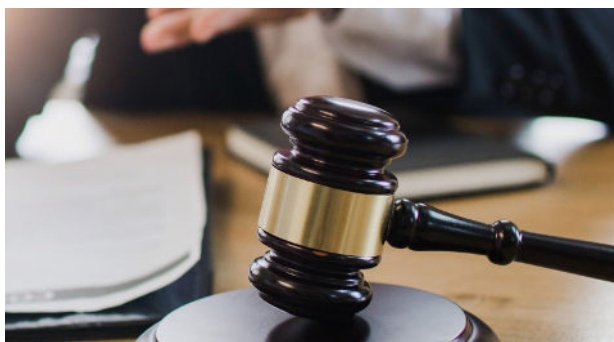
Public consultation

A public consultation will be launched before the end of September regarding the arrangement and rules for the SRA-run indemnity scheme. There are a few issues that still need to be addressed including funding, a possible periodic levy and the remaining funds left in the Indemnity Fund once it closes. In late 2021 the SIF had just over £20m in net liquid assets. This could be used to fund the new scheme.



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Legal sector continues to grow in July

Recent statistics have revealed that the legal sector has defied predictions of a slowdown. Data from the Office for National Statistics has revealed that turnover for the legal sector for July was £3.7bn, an 8.3% increase from July 2021 (£3.4bn) and a 2.2% increase from June 2022. This is significantly higher turnover than the services sector as a whole in which turnover decreased by 6% in July compared to June.

Whilst these figures are surprising it demonstrates that the legal sector remains robust during times of economic uncertainty.



Larger volume of work for in-house lawyers

Recent sector research has found that the biggest challenge facing in-house legal teams is managing risk whilst prioritising large volumes of work. It is important to note that this was a global survey formed of 169 legal, risk and compliance professionals. Over 20% are UK based.

Of those who responded to the survey over two-thirds of in-house lawyers said that ensuring risk was managed appropriately is currently the leading strategic challenge. This was closely followed by prioritising large volumes of work. The biggest management challenge was providing career development and training opportunities whilst managing workloads so that work goes to the correct teams.

What is causing large volumes of work?

The founder of LOD (a freelance lawyer service) said that the increasing workload is coming from legal budgets being tightened and an ever-evolving regulatory environment. This is resulting in greater work pressure being put on in-house lawyers.





Energy Bill Relief Scheme for small businesses

The government has recently announced its Energy Bill Relief Scheme for businesses. This scheme will give businesses a discount on their bills based upon a government-supported baseline price.

The government has said that small businesses will receive the same level of support as domestic customers. This news will come as a huge relief for many small business owners. Research conducted by Simply Business found that 54% of small businesses believe that increasing energy and fuel costs is their biggest challenge. This is something the Energy Bill Relief Scheme is helping to alleviate.

When does the scheme start?

The scheme begins on 1st October 2022 and ends on 31 March 2023.

Eligibility?

The scheme will be available to everyone on a non-domestic contract including:

- Businesses
- Voluntary sector organisations
- Public sector organisations such as schools, hospitals and care homes

Who are:

- On existing fixed price contracts that were agreed

on or after 1 April 2022

- Signing new fixed-price contracts
- On deemed/out-of-contract or variable tariffs
- On flexible purchase or similar contracts.

What discount is available under the scheme?

The discounted price under this scheme is:

- £211 per megawatt-hour (MWh) for electricity
- £75 per MWh for gas

How do I get the energy discount?

Small businesses will not need to do anything. The discount will be automatically applied to your bill. Businesses should start seeing the discount from November 2022 for the energy they have used in October.

How does the scheme work?

The government has said that they expect energy costs this winter to be £600 per MWh for electricity and £180 per MWh for gas. Therefore, when based on those costs the government supported discount will be worth £389 per MWh for electricity and £105 per MWh for gas.

What happens when the scheme ends in April 2023?

The government is expected to review the scheme in three months' time. This review is going to be focussed on whether the scheme is supporting the businesses that are most vulnerable by investigating if the support should be more targeted.



Law firms plan to reduce office space

A recent survey conducted by HSBC between May – July 2022 has found that 50% of respondents plan to reduce their office space within the next three years. It is important to note that this survey was conducted before the latest economic issues developed. This is an increase of 35% compared to those who responded to the survey in 2021. 66% have said that they are going to repurpose their remaining office space for better collaborative/hybrid working. Finally, 29% of respondents said that they have already accomplished the reduction in office space they need. The average cut in office space was around 13%.

The survey had 76 respondents from representatives of law firms ranging in turnover from £18m to £1bn.

Why are law firms reducing office space?

The global pandemic has changed working practices as law firms were forced to introduce remote working. Although the pandemic is significantly less of an issue now more staff have continued with remote working in some form, whether this is hybrid working or working from home full-time. Law firms have identified that remote working is here to stay. This has resulted in some office space being surplus to requirements. Many law firms have identified this as an opportunity

to move to a smaller office space to reduce costs or repurpose office space for better collaborative/hybrid working. This should allow firms to invest in technology to improve flexible/remote working.

Law firms set to increase merger activity

The survey also revealed that 70% of respondents expect law firms to increase merger & acquisition activity over the next year.

Mergers between law firms are increasing with benefits to both parties. Merging with another firm allows the firm to tap into new markets as mergers are often used to start operating in a new location which will help grow the business. Furthermore, with the current economic issues merging with another firm can help make the firm more resilient in an economic crisis such as Covid-19.



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Hawsons Chartered Accountants Latest News



Hawsons staff complete Master Cutler Challenge

Back in March Hawsons assembled a team of staff to take on the Master Cutler Challenge to raise money for Cavendish Cancer Care. Over the past 6 months, the Hawsons team organised various fundraising events to raise money for this fantastic cause.

Those events included a car boot sale, a daily tuck shop in the Sheffield office, a charity football tournament (well done once again CMS), a raffle as well as participation in the Sheffield 10k.

Overall, we managed to raise £2,700 over the past six months for Cavendish Cancer Care. We would like to thank Emma Stuart, Chloe Hodgetts, Sadjida Carter, and Robert Carr for being part of the Hawsons team and dedicating their time and effort in raising such an incredible amount for Cavendish Cancer Care.

If you would like to find out more about this incredible charity please visit: <https://cavcare.org.uk/>

Get in touch



Our legal experts

Hawsons is one of the few accountancy practices with a dedicated team of solicitor accountants specialising in the needs of solicitors and legal professionals.

We act for a large number of law firms across all three of our offices and offer a wide range of services which are tailored to meet their individual needs. Our legal client base consists of a multitude of firms of varying structure and size, from sole traders to limited companies and LLPs with corporate members.

Our understanding of the unique issues that many in the sector are facing, combined with our technical experience, allows our solicitor specialists to provide you with proactive, commercial and informed accountancy and tax advice.



Simon Bladen
Partner
0114 266 7141
slb@hawsons.co.uk

Sheffield Office
Pegasus House
463A Glossop Road
Sheffield, S10 2QD



Richard Burkimsher
Partner
01604 645 600
richardburkimsher@hawsons.co.uk

Northampton Office
Jubilee House
32 Duncan Close, Moulton Park
Northampton, NN3 6WL



Dan Wood
Partner
01302 367 262
dw@hawsons.co.uk

Doncaster Office
5 Sidings Court
White Rose Way
Doncaster, DN4 5NU



HLB UK is a member of HLB International. A world-wide network of independent accounting firms and business advisers.



Sheffield: Pegasus House | 463a Glossop Road | S10 2QD

Doncaster: 5 Sidings Court | White Rose Way | DN4 5NU

Northampton: Jubilee House | 32 Duncan Close | Moulton Park | NN36WL

www.hawsons.co.uk