



## Setting Up Fee Charging Services

### What to do next? - initial steps in planning a new service

There are a range of issues and common questions that Law Centres raise when considering options for developing new sources of income that involve either direct client charging or third party charging. This briefing outlines the initial steps for Law Centre trustees and managers to help them to examine and plan feasibility, cost base, logistical and practical issues and internal and external challenges.

The LCN seeks to help and guide, but this is not intended to be a complete guide to what Law Centres need to do. Each Law Centre is working in a different environment and will have further items to add to this list. Any Law Centre needs to undertake considerable planning for any new direction to work: good planning and preparation will provide a bedrock for success.

The briefing contains a checklist of first steps.

### Law Centres have decided to start work: what do you need to do first?

#### 1. Testing what you want to do

##### *Find out or calculate:*

- What the service will cost you. This needs a cost calculated on the daily rate of providing advice in that area of work, and specifically the cost of different types of cases. If you have not undertaken this analysis previously ask the LCN Development team for a sample calculation sheet.
- Include ancillary or indirect costs; e.g. staff training, practising certificate.
- What others are charging; otherwise known as market testing; look at websites for other firms, adverts and any information on the local Law Society website.
- This helps you establish what your cost base could be; also known as market testing.
- Research and maintain lists of likely disbursements for each type of case; e.g. visa cases, environmental health reports. This provides knowledge of likely cost to client.
- How many cases per annum are needed to employ a FTE worker; how many hours are required for different levels of case.
- Set up your pricing schedule and budget for [xx] cases in the first year; [xxx] in the second year.

##### *Decide on:*

- Whether you have a sliding scale for different types of case, or fixed hourly rate.

- Whether to have a price for different stages of case.
- How you means test clients to decide what they can afford.
- Whether you have a first free assessment.
- The targets that caseworkers need to meet by the second year.
- Sources to investigate or research for funding the first year.

## 2. Test the market

- Contact people who use the Law Centre to respond to a questionnaire as to what service they want; use a public meeting to conduct a survey or ask trusted community group allies to meet to discuss whether they will use the service.
- Analyse what local law firms are doing and how their market base looks; there is a lot online. Look for who is doing what and for how much? If necessary, consider mystery shopping to research charges.
- Where will referrals come from?
- Talk to local firms. Find an ally amongst local solicitors of similar size. Can you visit them to discuss practice and process?

## 3. Internal

- Referrals; each new casework area will need a different approach to attracting clients. How will you monitor referrals; i.e. which agencies are making referrals? Which are your best contacts?
- Monitoring the service; in turnover and in time spent by caseworkers and where there are weaknesses. Law Centres are used to monitoring staff and through-put where targets are set by external agencies. Law Centres will need to monitor internal targets; how will you do this and who will have responsibility for this?
- PII Insurance: Law Centres must ensure that current PII includes casework areas that it is considering; are there any restrictions?
- SRA Code; on integrity, independence and avoiding conflict of interest. There are duties on all solicitors and those they supervise to maintain the Code of Conduct. Who in the Law Centre will be responsible for this?
- Law Society Practice Management; there will need to be a person responsible for keeping up to date with practice management requirements and developments in all the casework areas and will be more effective if this is one person.

## External challenges

**Markets:** is there a client market for this work and where will it come from? Have you investigated the charging rates that are used by other providers? Do you know the different communication paths needed to promote the service to the required target group?

**Different communication paths:** Communication is different for any new group: how will you decide to plan your promotion and to sell the service; for example, a different leaflet or hand-outs, mail shots for different audiences?

**Get help:** It is also recommended that the Law Centre seeks advice or help from local solicitors in any service in which staff have not previously engaged.

**Referrals:** When working on the next stage of business set-up, you will need a list of potential referrals to approach in this specific area of work; examples are:

- Housing Associations; Managers or HR departments.
- Private Practice with corporate clients; e.g. employment departments.
- Trade Unions.
- ACAS.
- Claims Management Companies.
- Local Authorities HR & Legal Departments.
- Local Voluntary and Advice agencies.
- GP and Counselling Services.
- Small Businesses via local umbrella groups.

## Next steps

When the Law Centre has taken these initial steps, you will need to consider the business set-up including what funds will be needed, what partners to work with if any, what Law Centre practices and policies to review. To review existing working practices systematically, one approach would be to work through the elements of the Office Manual and decide which will need a review; not all steps in the Manual will need updating. Following the format of the Office Manual to plan the business set up is just one way to review existing working practices e.g. accepting and refusing instructions, anti-money laundering, financial control etc.

Two processes that are important to get right are the **client journey** and the **'journey' of the fees**. Charted below are examples of items you will need to attend to when you undertake this review, although these are not exhaustive.

LCN can help you with the various stages in the process and suggest other external resources.

### The client journey:

- The first interview; this may be free or for a fixed charge.
- Solicitor/caseworker; provides clients with information about the different services and gives written information on fee structure.
- Solicitor/caseworker; assesses the case in initial interview.
- Finance/reception worker; conducts assessment of client income, when they have to pay, failure to pay, taking payment from them, chasing bad debts.
- **Records:** cases are going to be in different charging streams; files could be colour coded, kept in different rooms, different cabinets. Separate distinct sheets to record money transactions.
- Ensure the **separation between files** for which there are money transactions and those files where there is not.

## The fee paying journey:

- A clear procedure for payment to be made before any non-free interview.
- **Money handling procedures;** what needs to change in the Law Centre? To strictly limit the number of those who handle money and have access to it; to review the supervision regime.
- Decide on a payment system (e.g. PayPal) to use for the payment of fees charged and ensure that it is fit for purpose.
- If there is little accountancy experience amongst staff, talk this through with your accountant what constitutes a good practice.
- What will happen when people don't have the money?
- Timing of the client care letter – is this sent before payment or after?
- A clear procedure to ensure that invoices go out at distinct stages.
- Reports and record keeping; clarity as to who is responsible.
- Training for all staff; procedures are in the Office Manual and well understood.
- Supervision; supervision by the supervising solicitor, understanding of their regulatory role for money transactions and client account, decisions as to whether another staff member supervises the financial arrangements.
- A Client Account is required; if not in use already, this will need a new segment in the Office Manual.

With preparation for the business set-up in hand this will inform you for the next stage which is to update your Business Plan. This will need to include the business plan for the Charging Service.

If you are considering setting up a non in-house charging entity either as a subsidiary company or as a stand-alone one then you should seek advice. Your Law Centre may have a business planning adviser, or want to get in touch with LCN to discuss these next stages. Help and guidance is also available on websites, for example <https://www.gov.uk/starting-up-a-business>.

Once the Trustees and Management Team have decided to develop charging services, and you want further help and advice, contact the LCN Development Team.

For further guidance on these and other management considerations, see the LCN Guides on Setting Up Fee Charging Services on the LCN website.

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