



# Records Management Networking Forum

Minutes from the meeting 5th November 2009

At The offices of:

Freshfields Bruckhaus Deringer LLP

London

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# Records Management Networking Forum

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## Overview

The Legal RM Records Management Networking Forum is a quarterly held event designed to allow professionals from leading professional services and law firms meet two main objectives:

.... **provide a platform to network & discuss pressing legislative & operational issues**

.... **build a community based on common interests & concerns**

Legal RM are proud to have hosted this event in conjunction with Freshfields Bruckhaus Deringer LLP and would like to thank them for their warm welcome.

## 4<sup>th</sup> Forum Discussion: Cost Savings in Physical Records Management

The event began with an opportunity to circulate and meet fellow records managers and discuss current issues over a coffee. There was a good mixture of regular attendees and new faces, making for an interesting range of opinions. Attendance was again good, with firms from Bristol, Ipswich and Watford represented, alongside, many London firms.

The forum was called to order and began with a vote of thanks to Robin Scalley and Freshfields Bruckhaus Deringer LLP for hosting the event. Without such co-operation it would be difficult to hold these meetings so regularly.

The date of the next forum was announced as 14<sup>th</sup> January 2010, to be held at the London offices of CMS Cameron McKenna. Suggestions for topics were requested. Further details will be circulated nearer the date.

### **Keith Dacey presented on pro-activity in cost saving.**

Beginning with why this recession had seen more radical restructuring of law firms than previously. Reasons included the increased threat from the high street, and supermarkets in particular; the opportunities for investment money to flow towards law firms, and the move towards fixed price work.

Keith went on to suggest that cost saving could be seen in a positive light, and pro-activity would ensure that it did not become an exercise in reducing headcount by a committee far removed from the day to day workings of the department. Far better to show initiative and offer savings.

The importance of knowing where the costs associated with records management could be found, and how the perception of the department could be improved by tackling these costs were stressed. It was acknowledged that reporting was crucial, and accurate reporting was not possible unless the data was sufficiently clean and of a reasonable granularity. It began to become clear that small changes to processes could save significant sums, whilst improving the service to fee earners.

Once the areas of cost saving were identified, these could be attacked, with an open mind, and reviewed with fresh eyes.

A shift in perception could be achieved, using reporting to stress the service aspects of records management. Reporting as a profit centre, rather than a cost centre, and allocating costs where they fall, rather than to the records department could fundamentally change the way it is viewed. Examples such as allocating retrievals (especially urgent retrievals) to the requesting department were mentioned. This will reveal the heavy users of the service, and place the onus on them to work more efficiently. Similarly, charging for deeds storage could not only offset a cost, but also allow the better management of obsolete deeds. Deeds storage could be seen as a premium service, especially for demanding clients holding large portfolios, where audit, storage and access requirements were high. Banks charge a

commercial rate. Once good deeds storage processes were in place this could be a feature when pitching for work.

It was recognised that, at least initially, that these were costs that could not be recovered, but, as in the early days of photocopy cost recovery, they could appear in an accounting line, and at least make the firm aware of how the costs of the records department were being generated.

Discussion moved on to specific areas and examples of how cost savings can be coupled with greater efficiency.

The first area to be discussed was offsite storage. It was agreed that offsite storage vendors varied in quality, and most people in the room had experience of mistakes and bad service.

It was also recognised that the volumes of paper being generated had not reduced, in spite of the rise of electronic working. Simple steps such as removing duplicates, or an enforced policy on what constitutes the content of a paper file could have a dramatic effect on the offsite storage bill. Removing 50% of the content of a file immediately halves the cost of storage, and has the added benefit of making the file more efficient to use. Having processes to eliminate or charge back emergency retrievals will also make significant savings.

Real opportunities for savings were shown in simple projects such as making sure that there is agreement between what the firm thinks it has in store, and what the vendor thinks. This is, again, reliant on having reasonable data, but examples from the floor showed that it was by no means unusual for the vendor to claim to be holding more boxes than have been sent. Some examples ranged in the thousands of boxes. Just passing the invoice every month could be missing an opportunity for saving, as well as cleaning the data. Knowing exactly what you have stored will bring efficiency gains, as retrievals will be more accurate, pinpointing the exact file, rather than a bulk retrieval for the entire matter.

Offsite storage companies are notoriously bad at returning your boxes, whether this is for destruction or to move to another supplier. These issues must be tackled in the contract negotiation. It is a competitive market, so push them hard. Do not tolerate being charged for boxes which were supposed to be destroyed months ago, or being held to ransom if you choose to change suppliers.

This led to a more general discussion on file destruction. Comment was made that this only showed a saving in the longer term, as there was an upfront cost associated with the process. Nonetheless, a policy of destroying all files after 10 years would, year on year, save 10% of the storage cost. An efficient destruction process was essential. The common theme of good data was especially important here. The firm needs confidence to destroy files without time consuming review. This was the reason that many firms in the room had destruction policies, but had, as yet, not destroyed files.

There was an open discussion on the consequences of storing files for too long. The risks identified included potential misuse of information, the risk to privacy, as well as client embarrassment. It was important that clients were aware of the retention policy. If there requirements varied, for example, storing files for longer, this could be viewed as an additional service.

## Examining the current records processes

It was stressed that the only valid starting point was to accurately benchmark the processes in question, measuring resources and time taken, so that any changes could be justified and costs and potential savings quantified.

Keith mentioned that their research had shown that distributing traditional records tasks such as file creation and searching for required files could bring substantial cost savings. Chris was going to demonstrate this in the next presentation. Even if the savings could not be directly translated into cash, the efficiency gains were real, and, with accurate benchmarking, could be quantified.

Caution was sounded that any distribution of tasks must be accompanied by some 'added value' such as a quicker response time to requests. All this is only possible if, the data is good enough, and systems are in place to facilitate the change.

Once the benchmarking is complete, this gives a firm basis for reviewing processes from the ground up. Look at what you do and why you do it. Are there purely historical reasons for the way processes are currently structured? Make the best use of technology, avoid duplication, do not do anything that is not strictly necessary. Simple changes can often bring the most efficiency gains.

An example of how a change on process can bring efficiency gains, and improve the reputation of the records department was given as the issue of lost files.

Very often, files are only catalogued once a matter is closed. There is no visibility of the files around the office, so fee earners often duplicate papers, and often papers are left to idle in offices, corridors and conference rooms. This causes many issues, both for fee earners, the records team, who get deluged at matter closure, have to determine the nature of each file, and secretaries, who have to schedule the files and get them sent to records.

By moving to 'Live Filing', files are visible from the point of inception, and can be tracked. Secretaries have a little more work 'up front' but gain massively at matter closure, as do the records team, who now know how many files they have on a particular matter. Files do not get left in rooms, they are described properly, and everybody can see them. Chris will put some figures on these gains in the next presentation, but this illustration shows how a change, distributing a task, can allow you to add value by holding better data and improving service.

Keith rounded off by reiterating that a positive approach to cost savings will enhance the reputation of the records department, and demonstrate that cost saving is not limited to reducing headcount.

Chris began his presentation by thanking everyone who had responded to his request for information.

A spreadsheet had been circulated, which Chris was in the process of compiling to give some figures around processes, offsite storage retention and so on, and using this matrix to assess potential savings. In spite of the short notice, 21 responses had been received, giving a broad spectrum of firm sizes. Chris went on to look in greater depth at the figures from the spreadsheets.

Respondents came from firms ranging between 150 and 2,500 staff. One firm, totalling 11,000 staff has been discounted from our analysis of trends, costs, etc. in order to ensure a true reflection of law firm's average cost and volumes and not skew results. In total the firms represent a staff of 16,709 (27,709 if the larger firm is included) and averaging 835 people per firm. In terms of records resourcing, this ranges between 1-26 persons with the average being 4.5 dedicated records staff.

Even from this limited survey population, you represent a significant commercial value to off-site storage vendors, document restoration specialists alongside a host of other suppliers.

For example;

The combined number of Deeds held by you are: **346,686 (an average of 17,334 per firm)**

in addition to **3,014,450 boxes** (average of 120,722 per firm) in offsite storage!

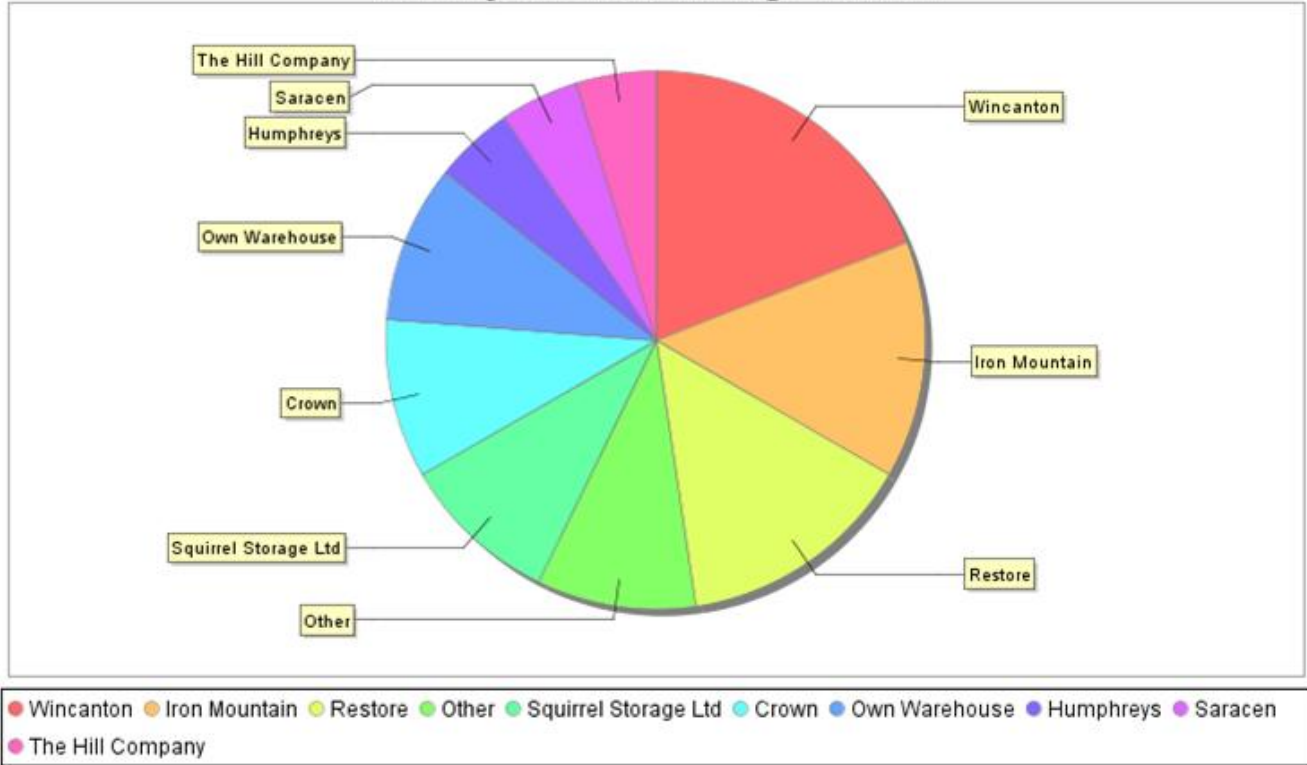
Of the 21 firms who responded 19 used an external off-site storage vendor with two opting to manage their own warehouse (as shown below). It should be noted that one of the two firms managing their own external warehouse is looking to outsource this service. Of the firm's using an off-site storage vendor Storage costs vary between £1.00 per box per year and £3.20. This averages out at **£2.53 per box per year** across all respondents.

Put in another way. **You represent £7,634,095 per year** to the off-site storage vendors just in the records you hold. This is based on the total number of boxes held offsite using the average storage cost per annum and does not include deeds or wills figures, where storage costs may be higher. It is interesting to note that there seems to be no correlation between the prices being charged by offsite storage vendors and volumes. This May well be an area which we will focus on for our next event once we have more detailed figures available to us.

## Off-site Storage Vendors

Despite this being a lucrative industry to be in, it would appear that there is no one supplier dominating the marketplace. Below is a breakdown of the offsite storage vendors being used by the 21 respondents which demonstrates more than 10 different suppliers being used by the 21 firms questioned:

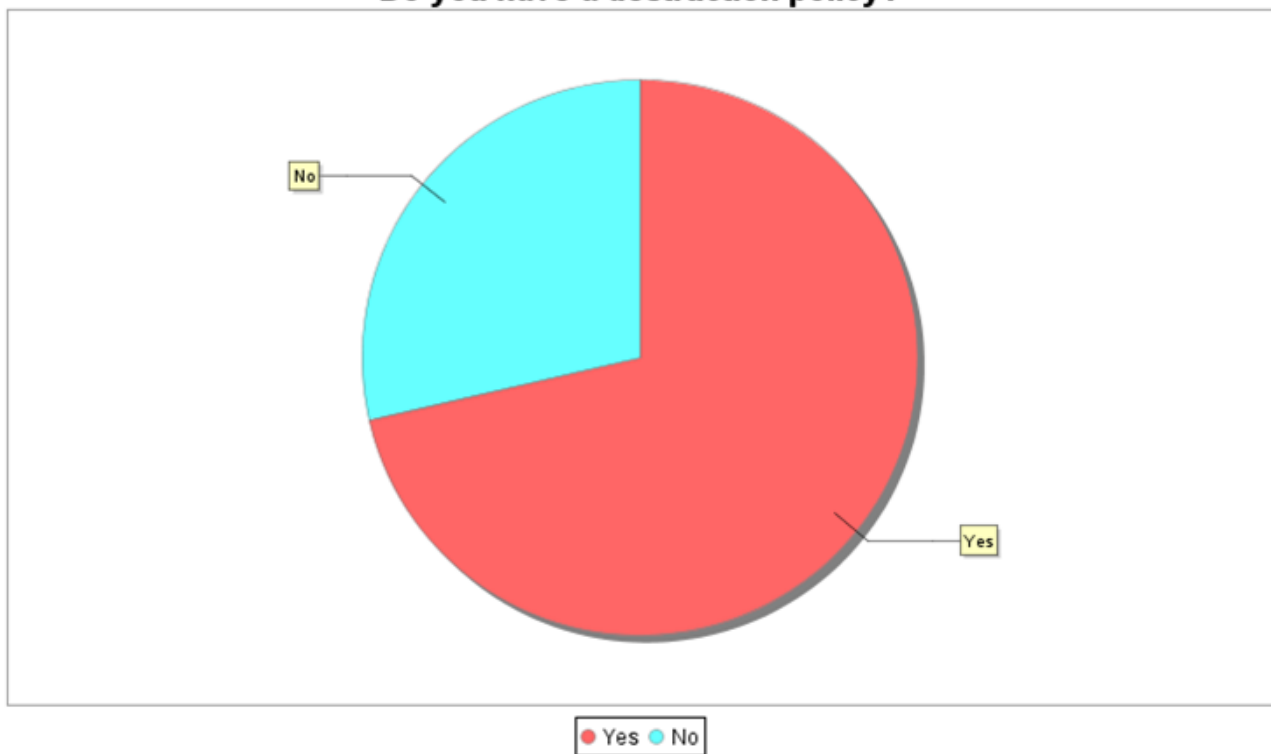
### Who is your off-site storage vendor?



### Destruction

When assessing firm's destruction policies it was surprising to see that only just over 71% currently have a destruction policy in place.

### Do you have a destruction policy?



And of those firms with a destruction policy not all have implemented one yet! In fact if we look at firms who have a destruction policy and have implemented it, it's less than 50% of you (and that's without asking the important question – have you actually destroyed any files yet)!

If we now look at the firm's who have a destruction policy and have implemented it, the average retention period is of 11.23 years.

## Food for thought

Using the current volumes, firms are creating 607,992 files per year (based on 22 working days a month). Put another way that's £1,539,739.74 per annum as an addition to the £7,634,095 per year currently being paid out. Now, if we look at keeping those files for 11.23 years (as an average) then based on current volumes of the respondents that's £17,291,277 versus the £85,730,883 they are looking at paying! (it is important to note that the £85.7M is based on the current volumes being held for 11.23 year. In reality over 50% of firms do not have a destruction policy implemented so these figures are much higher.

Using the information from the spreadsheets and our own cost analyses of various records process, it has become clear that savings can be made by streamlining processes to free up fee earning time, allowing records staff to be more proactive and work more intelligently, by implementing an efficient destruction policy, and freeing up valuable office and conference room space by improving confidence in these records management processes.

Chris went on to demonstrate using graphics, that distributing tasks such as record creation could, by eliminating duplication and building an accurate picture of the files associated with a matter save a firm significant sums, translated into billable hours or time to complete other tasks.

An example was used of lost or missing files. If each fee earner spends 6 minutes per day looking for files he cannot put his hand on, then that is one billable unit, of, for example £20. This, multiplied by the number of fee earners in the firm, and the number of working days in a month shows a quite startling figure, as much as £178,000 for our average sized firm. Having systems which minimise this searching by having information on all files, live and archived, on the desktop, and one click retrieval, not only improve productivity, but also reduce frustration, which, in turn leads to the systems being well maintained.

The increased confidence in the new processes and systems will bring the additional benefit of fee earners being more willing to release files, as they know that they are not disappearing into a 'black hole' and can be retrieved accurately and quickly. This will lead to a reduction in the number of files held around the office. This is a major headache, especially when moving buildings, as invariably, there is less

storage space allocated in the new premises. Our research shows that 9M of filing per fee earner is a fairly accurate assumption.

With the appropriate systems, and the accompanying increase in confidence, it should be possible to reduce this to 3-4M. This in itself shows a saving (given an office space cost of £200 per metre) of £405,000 per annum for our average firm. Again, this may not translate directly into a saving on this scale, but using the same proportionate saving applied to files in conference rooms, behind doors, in corridors, and a saving can be shown in perhaps clearing a floor to sub-let, or creating more fee earning space.

Chris ran through these figures in a series of spreadsheets consolidated from those circulated, and showed the calculations used. He offered to run through each firm's individual figures should they feel that to be beneficial, later in private.

He concluded by looking at the change management aspects of this approach, and the importance of selling the correct message when appearing to pass more work to the secretaries. A positive stance from the management was essential, as well as selecting the correct technology. This technology must be flexible enough to support the firm's requirements not only now, but for the foreseeable future. This forward looking nature is especially important as the nature of records management is changing. Electronic records need to be catered for, information barriers need to be respected. It is very likely that the regulation of records will become more onerous in the near future, and clients will become ever more demanding.

Questions from the floor centred on whether the actual figures shown were achievable. The response was that the figures should be seen as the result of a standard set of calculations, fully justified at every stage. It was agreed that there were too many variables to call the figures accurate, but they do represent a methodology by which the savings could be quantified, and certainly to show how rethinking processes can bring huge benefits.

Again it was stressed that it was important to think positively and be proactive, there was certainly more to cost saving than cutting headcount. It was up to the records managers to make a case and push the momentum forward.

The meeting closed with an agreement that the next topic should relate to offsite storage.

## About LEGAL RM

Legal RM have over 30 years experience working with professional services and law firms in the field of risk management and compliance. Partnering with industry leading technology organisations and information providers, Legal RM are able to offer unparalleled products and services to assist firms in key areas such as Anti-Money Laundering, Records Management, Conflicts Management and Information Barriers.

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