

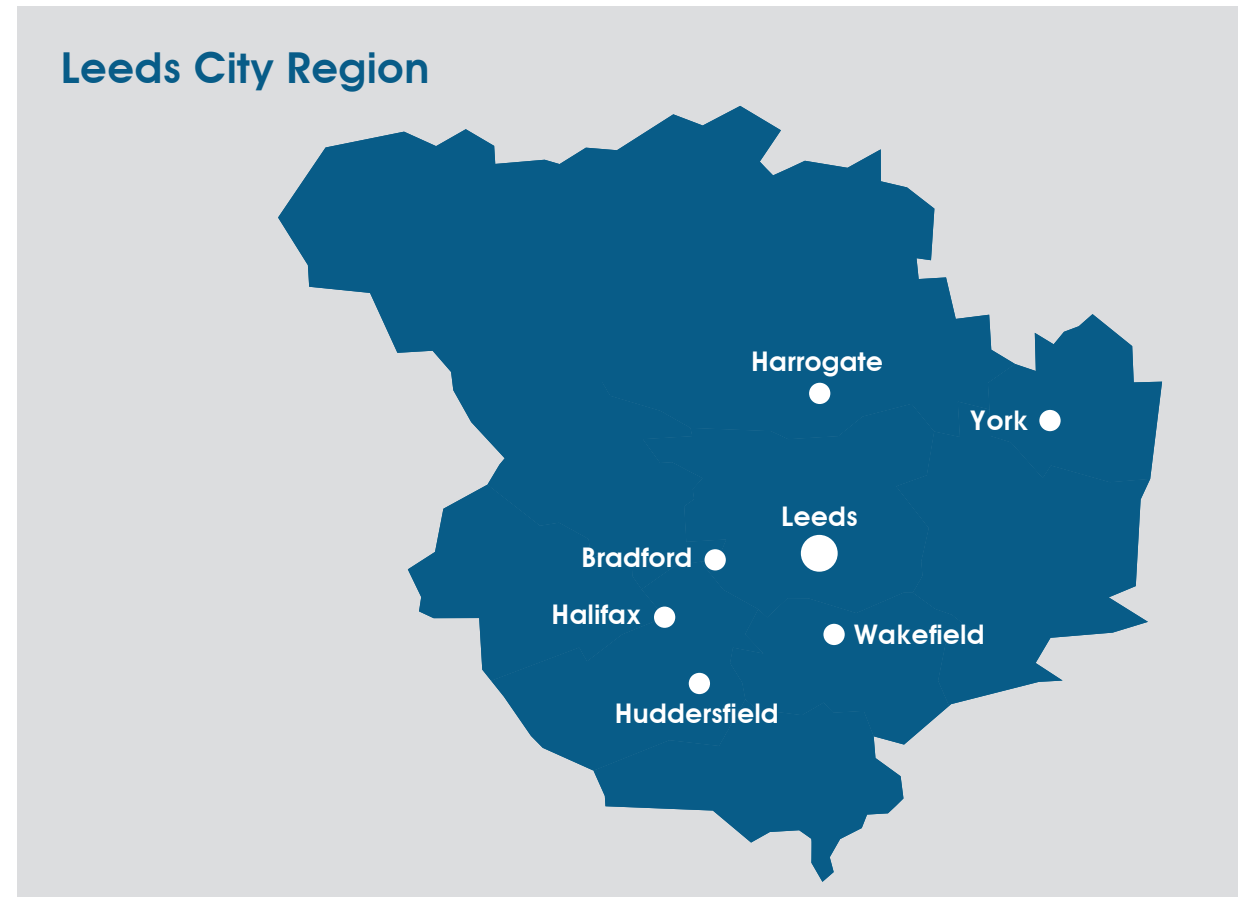
2020 LEEDS CITY REGION

Legal Tech & Innovation



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Thank you to the organisations who have supported and co-funded this research:





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Executive Summary

Legal tech & innovation in the Leeds City Region

Legal tech & innovation Ecosystem

Key findings & recommendations

Key topic areas – summary of themes

Legal Tech & Innovation - the opportunity for Leeds City Region

The legal sector is nearing an inflection point of major industry transformation either due to – or creating opportune conditions for - legal tech and innovation. Leeds City Region is ideally positioned to capitalise on the opportunity to be leaders in this transformation, which could benefit all firms within its ecosystem.

The region's potential rests on three core competencies:

LEGAL EXPERTISE: A strong and well-established legal sector

Over 1,560 legal companies are based in the Leeds City Region,¹ including 28 of the UK's top 100 law firms.² The sector employs in excess of 14,400³ people and is approaching £1 billion per year in GVA.⁴ One in four people working in the legal sector in the North of England is based in Leeds.

DIGITAL CAPABILITY: Interconnected and multi-sectoral digital tech capability

Leeds City Region is home to 8,500 digital tech companies employing 57,000 people, including numerous prominent tech providers and digital consultancies. The wider Yorkshire region has seen 48% growth in digital sector employment over the last 3 years, more than any other region including London.⁵

PEOPLE & TALENT: A large pool of experienced and graduate talent

The nine universities in the Leeds City Region have 117,840 students and produce 49,480 graduates per year,⁶ of which 3,700 are law graduates,⁷ making the region responsible for 15% of the UK's law graduates.⁸ One of the largest providers of legal education in the UK, University of Law, has its only innovation and tech hub outside London in Leeds.

This report presents an analysis of the current situation in the Leeds City Region, and outlines six key findings and recommendations which can help it prosper moving forward.

Key definitions used:

- **Legal tech** is legal technology, referring to the application of new technology to the legal sector to enhance the effectiveness of the provision and delivery of legal services.
- **LegalTech** refers to disruptive technologies or firms who are focussed on disrupting the sector through technology (sometimes referred to as Lawtech).
- **Innovation** refers to impactful change, which can be non-technological or involve elements of technology, including changes to business models and structures.

¹ LEP: Leeds City Region Legal Services (2018)

² <https://www.thelawyer.com/top-200-uk-law-firms/> (accessed 17/5/20)

³ LEP: Leeds City Region Legal Services (2018)

⁴ Calculated using 'LEP: Leeds City Region Legal Services (2018)' and 'IBIS World: Legal Activities in the UK (2020)'

⁵ <https://www.businessleader.co.uk/leeds-tops-the-uk-league-table-for-digital-growth/80038/> (accessed 3/6/2020)

⁶ <https://www.hesa.ac.uk/data-and-analysis/students/where-study> (accessed 10/3/20)

⁷ Leeds Legal Services: The UK Centre Of Excellence for Legal Services Outside London (2018)

⁸ Calculated using 'https://www.hesa.ac.uk/data-and-analysis/students/where-study' and 'Leeds Legal Services: The UK Centre Of Excellence for Legal Services Outside London (2018)'

Leeds City Region - Legal Tech & Innovation Ecosystem

Leeds City Region



3,081,800
population



117,840
students



£69bn
Gross Value Added (GVA)

1,400,000
workforce

49,480
graduates p.a.

4.4%
of UK GVA

300,000
people employed
in financial, legal &
professional services

9
Universities

£20bn GVA
from financial, legal
& professional services

Leeds City Region Tech sector



5,785
tech companies



44,000
tech workers



66% of digital
roles in Yorkshire
are based in Leeds
City Region

8,500
digital tech
companies

57,000
employed in
digital sector

Yorkshire digital sector
employment grew

96 scaleups
(more than any
other Local
Authority)

£3bn
GVA digital sector

48% in last 3 years
(higher than any
other UK region)

Leeds City Region Legal sector



1,560
legal
companies



58,900
employed in legal
services across the
north



3,700
law graduates
p.a.



£925m
GVA (est.)

28 of the
top 100 law
firms have an
office here
(48 of the
top 200)

14,400+
employed in legal sector
in Leeds City Region

15%
of UK law
graduates

4% of UK
Legal GVA

25%
of legal sector
employees in the north
are based here

7.5%
of students are law
(UK av. is 3.9%)

6.7%
non-London
GVA (est.)

- World's largest law firm has **tech hub in Leeds** (DLA Piper)
- **Largest single site firm** outside London (Walker Morris)
- One of the **largest providers of legal education** in the UK, University of Law, has an innovation and tech hub in Leeds
- rradar was **first law firm ever to qualify for Sunday Times Tech Track 100**, which lists the fastest growing tech companies in the UK
- Leeds-based firm SPARQ facilitated **first UK 'virtual' Commercial Court case** (Stewarts, March 2020)
- **Core tech strength from other sectors** (eg 22% of digital health jobs in England are located in the Leeds City Region)
- **Leeds** is the first English city region outside of London to be **included in the prestigious MIT REAP programme**
- **Leeds is the best place in the UK** to work as a data scientist (Tech Nation 2019)
- Digital tech productivity per worker in Yorkshire and the Humber is £115k, which is 16% higher than the national average (Tech Nation 2020)

Leeds City Region Legal Tech & Support Ecosystem



Guide to Legal Services Providers categorisation: Large law firms - top 100 in UK, Mid-sized law firms - top 200, SME law firms - all others, Challengers & ABS Firms- LegalTech, non-standard business models.

BARRISTER CHAMBERS
CHALLENGERS & ABS FIRMS
LEGAL SECTOR SPECIALISTS
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6 Key findings & recommendations

	Recommendations and actions	Key stakeholders
<p>1. Leeds is a hub for regional, national and international legal work, but the legal sector is a complex and varied industry and there is no 'one size fits' all approach for tech and innovation.</p>	<ul style="list-style-type: none"> • Tell the story. To build a reputation as a centre of legal tech and innovation, Leeds needs to build its brand awareness in this field and clearly show its support for legal services providers of all sizes, including in-house legal functions. This report can act as a catalyst and will provide material for PR and marketing purposes by firms / the region, helping develop the positive impact that 'northshoring' can continue to deliver. • Aim to strengthen links with London via initiatives such as 'Leeds in London' and law firms who have a presence in both locations, and to get Leeds onto the agenda for national and international conferences. The move towards virtual events can open up more opportunities in this regard. 	<ul style="list-style-type: none"> • Public sector • Legal services providers • Tech firms • Universities • Leeds Law Society
<p>2. Accelerated digital adoption is currently evident in the legal sector, and COVID has catalysed the Leeds City Region's core legal and tech strengths.</p>	<ul style="list-style-type: none"> • Be part of the bigger picture. Encourage stakeholders to align regional initiatives such as events with key UK initiatives such as LawtechUK, Lawtech Sandbox, Legal Access Challenge. Raise awareness of these initiatives and encourage the sector to take part, highlighting opportunities and providing support for firms and in-house legal functions, and providers to the sector. • This could include workshops focused on specific groups such as SME law firms and B2C firms, which University of Law and Leeds Law Society have expressed an interest in co-hosting. • Develop case studies of how organisations in the Leeds City Region are tackling sector issues, including the introduction of new business models. This is a further opportunity to develop the opportunity for northshoring. 	<ul style="list-style-type: none"> • Public sector • Legal services providers • Tech firms • Universities • Leeds Law Society
<p>3. The legal sector has so far resisted significant disruption and firms in the Leeds City Region can learn from other sectors that are more advanced in their digital transformation.</p>	<ul style="list-style-type: none"> • Support the sector. Encourage collaborative problem solving, particularly amongst large and medium sized regionally-focused law firms. Help current providers of legal services develop their businesses in new ways and support organisations who are thinking of delivering legal services for the first time. <ul style="list-style-type: none"> – Leeds Law Society has already confirmed it will host (virtual – for now) seminars on legal tech and innovation - and is interested to hear from potential speakers. – University of Law has confirmed it will launch the Legal Innovators Breakfast Club, which will offer talks and insights on the changing market for legal services to both lawyers and innovators. 	<ul style="list-style-type: none"> • Public sector • Legal services providers • Tech firms • Universities • Leeds Law Society

6 Key findings & recommendations

	Recommendations and actions	Key stakeholders
<p>4. There is an opportunity to form stronger links between the legal and tech sectors in the Leeds City Region, and for the legal sector to become less challenging to work with.</p>	<ul style="list-style-type: none"> • Connect the ecosystem. Get buy in from stakeholders for building a more open and collaborative community in the region. Make the definition of the sector broad by including areas such as RegTech and data management. • Encourage networking and collaboration in the region via events and seminars, and host regionally focused competitions, problem solving, demo days and pitching events. Investigate options for establishing a legal tech & innovation incubator in Leeds City Region, potentially within one of the collaborative workspaces / hubs. • The large law firms could launch a challenge that enables them to move towards new ways of working which have long been showcased in other sectors by the region's digital and tech consultancies. 	<ul style="list-style-type: none"> • Public sector • Legal services providers • Tech firms • Event organisers / regional support organisations • Universities • Leeds Law Society
<p>5. Competitive pressures are building in the sector for established law firms, especially from non-law firm providers of legal services, many of which are prominent in Leeds City Region.</p>	<ul style="list-style-type: none"> • Collaborate to compete (where this makes sense). Leeds should be seen as a region which welcomes and supports all operators within the sector. • Encourage open dialogue across key stakeholder groups in the sector. • Consider a cluster body / community entity (formal or informal) for legal tech & innovation in the Leeds City Region. 	<ul style="list-style-type: none"> • Legal services providers • Event organisers / regional support organisations • Universities • Leeds Law Society
<p>6. Client-led demand can drive innovation, as can startups, and the Leeds City Region can benefit from supporting these stakeholder groups.</p>	<ul style="list-style-type: none"> • Champion the change. Consider an annual regionally focused challenge focused on addressing key issues in the sector, such as access to legal services or business model innovation. The challenge should offer a prize / prizes and have a high profile within the region and beyond, to make it aspirational and coveted. • Opportunity to align to ethos of Leeds Inclusive Growth Strategy and MIT REAP. • Regional initiatives and PR to encourage a focus on enhancing access to legal services for individuals and businesses in the region (and beyond). 	<ul style="list-style-type: none"> • Public sector • Legal services providers • Tech firms • Event organisers / regional support organisations • Leeds Law Society

Key topic areas – summary of themes:

Legal Sector

UK Legal Sector

- The UK legal sector is well established with a global reputation for its legal services.
- The legal sector is vulnerable to disruption, providing opportunities for legal tech activity.
- There has been little resistance to recent disruption during COVID-19.
- The creation of LawtechUK aims to accelerate digital transformation of the legal sector.



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Leeds City Region Legal Sector

- Leeds is an established and leading centre for legal services
- Leeds City Region is an attractive and cost effective location from which to operate
- Northshoring is seen as a positive and an opportunity.
- Competitive pressures are building in the sector for established law firms.
- The region's legal sector continues to grow/develop.



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Large & Mid-size Law Firms

- Firms have invested in technology.
- There is a focus on people, technology and process, to streamline and remove repetitive or paper-based work.
- Collaboration between large law firms is limited.
- New roles and skills requirements are emerging.



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SME Law Firms

- SME law firms share similarities to firms in other sectors.
- Margin pressure means legal tech could play significant role.
- Experienced the most dramatic digital acceleration of all parts of the sector during COVID-19.
- Highly fragmented part of the sector, hard to apply standardised technology and processes.
- Newer firms have a streamlined model and lower cost bases.



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Other Legal Services Providers

- Big 4 professional services firms are investing in legal capability and making progress with integrated propositions.
- ABS firms are innovating around their service offering and technology.
- Challengers and disruptors are increasingly active in the sector, including some innovative operators in the Leeds City Region.
- There is potential for big tech firms to make a major impact.



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Key topic areas – summary of themes

Technology & innovation

Technology

- Law firms are followers not leaders in tech adoption, and legacy issues are common.
- Investment has been focused on automation, with cybersecurity also a priority.
- The legal tech providers in the region are primarily service providers rather than being LegalTechs themselves.
- There is a reliance of law firms on external providers.



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Innovation

- Significant internal barriers to innovation include the partnership-based model and risk adversity.
- New business models are being introduced by new entrants and challengers, but these are not being applied to existing law firms.
- ABS providers are seen to be the most innovative part of the sector.



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LegalTech & RegTech Startups/Scaleups

- The UK startup / scaleup sector is small but growing fast.
- Founders have a strong tendency to have a legal background.
- The primary focus of LegalTech at present is on efficiency rather than disruption.
- LegalTech in the Leeds City Region is in its early stages, with more activity evident in RegTech.



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Talent & ecosystem

People, Skills & Higher Education

- Leeds City Region has a large supply of experienced legal practitioners.
- The role of legal practitioners is expected to change in the medium-term.
- There is opportunity to recruit from other sectors for more specialised expertise.
- Universities have a key role to play in the future of the sector, especially with changes to the way lawyers can train



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Connectivity

- There is an opportunity for law firms to collaborate and knowledge share with one another.
- There is demand for stronger links between the legal and tech sectors.
- There is already evidence of national scale collaboration initiatives.
- Universities can play an important role in connectivity.



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Funding & Investment

- Funding activity has been relatively low to date.
- Leeds City Region has a range of sources of funding which can support the sector.
- Firms in the region are also working with LegalTech funding partners outside the region.



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Leeds City Region Legal Tech & Innovation 2020

Introduction

Leeds City Council

Leeds Law Society

University of Law

Key Findings

Introduction

We were delighted to have had the opportunity to conduct research and analysis which has informed this report focusing on the role of technology and innovation in the legal sector across the Leeds City Region.

As a regional strategy consultancy headquartered in Leeds, we are well placed to undertake this analysis, and we have previously published two reports into the FinTech sector in the region. Leeds is a collaborative city, and the fact this research has been co-funded by a number of organisations, many of whom compete with each other, is a clear illustration of the collective desire to see the region's legal sector prosper and grow.

Report overview

The legal sector is in the midst of a major industry transformation; a situation which is creating both vulnerability and opportunity for law firms and other providers of legal services. The sector is experiencing disruption on a number of fronts and practitioners in the Leeds City Region have an opportunity to contribute and help shape its future.

Through the project, we engaged with close to 130 stakeholders, all of whom unequivocally said the legal sector has changed through innovation and technological adoption over the past five years and will continue to do so over the next five years. There was also unanimous agreement that development of legal tech is an opportunity for the region.

The region's digital tech capability is seen as representing the most significant opportunity for legal tech advancement in the region, followed by the size of the legal sector, and the pool of experienced talent as well as lower operating costs. This powerful combination of tech capability, legal expertise, and a strong talent pool is the foundation of the opportunity for the region.

Our research found that law firms and their tech suppliers perceive different drivers for innovation. Law firms see competitive pressure and increasing volumes of work as the main drivers, while suppliers cite legacy systems, client pressure, cost efficiency and profitability.

A book⁹ co-authored by Paul Smith, ex Global Chairman of Eversheds Sutherland and now Head of Professional services at Leeds-based legal tech provider Calls9, concluded the legal sector is thriving globally, but the law firm market is flat, as there are numerous providers. The book states that the opportunity for law firms is to go-to-market as a business rather than as a partnership, to treat clients as customers, and to understand the use of data to serve customers better. This was a common theme in our discussions with stakeholders across all areas of the Leeds City Region legal sector.

During the course of completing this research, there have been a number of key developments in the sector, not least the impact of COVID-19. Our work commenced immediately prior to the COVID-19 lockdown, and all the interviews featured in this report took place between April and July, enabling us to see first-hand the impact on courts, law firms, businesses and consumers of legal services.

As with other market sectors, an acceleration of digital and remote working practices has been evident. Our research found that 92% of law firms in the Leeds City Region had implemented remote working practices. Remote working and virtual court hearings are now commonplace, and HM Courts & Tribunals Service has accelerated the rollout of its Cloud Video Platform, which was previously scheduled for 2022.

A number of key industry developments have taken place during the course of our research, including:

- **LawtechUK** launched – this is an initiative to help accelerate the digital transformation of the UK's legal sector, including a Lawtech Sandbox.
- **SRA Corporate Strategy** published – the 2020-23 corporate strategy lists one of three strategic objectives as supporting the adoption of legal technology and other innovation.
- **SRA Legal Access Challenge** completed – this initiative aimed to accelerate new ideas, result in new collaborations and networks, and offer insights that will help encourage the use of legal technology while still protecting the public.



⁹The Real Deal: Law Firm Leadership That Works (2019)

- **Independent Review of Legal Services Regulation** – the hard-hitting final report of the review by Stephen Mayson was published in June. In the report he stated:

“I am sure that the necessary long-term change cannot be achieved within the framework of the Legal Services Act 2007. During the process of conducting the Review, I remained open-minded on the question of the timing of reform. However, as I approached the end of that process, I became increasingly convinced that some change is needed sooner rather than later.”

Report purpose and structure

The purpose of this report is to map the current activity and identify how the region can collectively build its competitive advantage in legal tech and innovation. It has been written in a format intended to be useful to those who operate in the legal sector and those who seek to provide services to the sector or have an interest in developing a better understanding of its workings. The report has been structured in such a way that readers can read it in its entirety or can navigate directly to specific sections of interest.

Definitions

- **Legal tech** is legal technology, referring to the application of new technology to the legal sector to enhance the effectiveness of the provision and delivery of legal services.
- **LegalTech** refers to disruptive technologies or firms who are focussed on disrupting the sector through technology (sometimes referred to as Lawtech).
- **Innovation** refers to impactful change, which can be non-technological or involve elements of technology, including changes to business models and structures.

Research process

Over the course of the last 6 months we have conducted close to 70 stakeholder interviews and discussions with individuals from law firms of various sizes, professional services firms, technology providers to the sector, and various advisers and industry experts. The insight from these interviews has been thematically analysed and incorporated into the report. In parallel, we also designed and implemented an online survey which generated additional information and provided further qualitative and quantitative insights.

Additionally, we arranged meetings, discussions and roundtables with industry experts including the project sponsors, with whom we have had an ongoing engagement. The project team has also attended a number of webinars focused on the future of the legal profession, the wider professional services industry, and the role and impact of technology and innovation in legal services.

Of course, what is critical about the findings and recommendations of this report is that they are acted upon. With this in mind, we have agreed with Eve Roodhouse at Leeds City Council, who has been a key supporter of this work, that in 6 months we will revisit these findings and reflect on the progress that has been made.

Finally, and on behalf of the project team, I would like to express our gratitude to all the individuals and organisations who provided their time, input and feedback, and to the organisations who have funded and supported this research.

Richard Coates

Managing Director
Whitecap Consulting

Whitecap Consulting



Richard Coates
Managing Director
Whitecap Consulting

Established in 2012, Whitecap Consulting is a regional strategy consultancy headquartered in Leeds, with offices in Manchester, Milton Keynes, Bristol, Newcastle and Birmingham.

Whitecap typically works with boards, executives and investors of predominantly mid-sized organisations with a turnover of c£10m-£300m, helping clients analyse, develop and implement growth strategies. The firm works with clients across a range of market sectors including Financial services, Technology, Outsourcing, Consumer and Retail, Property, Healthcare, Higher Education and Professional Services, including Corporate Finance and Private Equity.

The report is the latest regional analysis to be conducted by Whitecap, following previous analysis of six of the UK's Regional FinTech Ecosystems, including Leeds City Region, as well an opportunity analysis for the creation of a tech-focused accelerator in York.

Project Team



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Leeds City Council



**Councillor Judith Blake CBE, Leader
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Leeds City Council**

Our ambition for Leeds is to be the best, most compassionate place in Britain for people to live and work, study and stay, invest and thrive.

In the era of Covid we are renewing our ambition to create a resilient local economy, built to last in the face both of expected challenges and unexpected emergencies. We've helped local businesses and communities through these past months, so now we are looking again to the future; investing in capital projects, redoubling our work in building a greener, fairer economy, consolidating the digital transformation gains made by necessity during lockdown and rekindling growth in digital innovation and, in particular, legal tech & innovation.

We are determined that everyone in our city can benefit from a real choice to participate in our digital economy. Our plan is to make Leeds 100% Digital; with all our universities working to educate new generations of local digital talent and leaders. We embrace technology, data and connectivity because of its potential to improve the

lives of our people. This is technology with a purpose; one to which we bring all our passion, abilities and energy. We want to create a digital city and human legacy that we can be proud to leave to our children. That's why Leeds offers the largest tablet lending scheme in the UK, so no one is left behind in the digital economy.

Our tech sector is one of our greatest strengths. Whether HealthTech, FinTech or legal tech & innovation, there is no better place than Leeds to test your disruptive innovations. This will help us develop an innovation ecosystem to match the best offered anywhere in the world, a hub with strong and vibrant links to all sectors of our economy.

We strive to be the best place and culture for "start-up" companies from around the world who are working to solve society's biggest, most urgent and challenging problems. We are a place where tech entrepreneurs and social entrepreneurs are supported, nurtured and celebrated.

That's why we are delighted to be able to introduce "Leeds City Region Legal Tech & Innovation 2020" a major new piece of research by our partners at Whitecap Consulting. The report has been produced with the support of Leeds City Council, along with Leeds Law Society, the University of Law and a wide range of public and private partners who share an interest in making Leeds a global leader in legal tech & innovation. It represents a 'one city' collaboration. We've made a good start: The University of Law has an innovation and tech hub in Leeds; and Leeds is the first English city outside London to gain a place on the prestigious MIT REAP programme.

Leeds is home to over 1,500 legal companies employing over 14,000 people in Leeds City Region. Our brilliant universities produce 3,700 law graduates a year and, each year, the sector generates close to a billion pounds of Gross Value Added for our local economy. For the past three years Yorkshire has seen the fastest growth in the country in digital sector employment (48%). Our 96 tech "scale ups"

are more than any other Local Authority and our digital tech company community is 8,500 strong.

This report, based on an extensive range of interviews with stakeholders across Leeds and the City Region, considers legal tech & innovation from the perspective of the UK legal sector, from the perspective of small, medium and large law firms, as well as providers of other legal services and legal tech "disruptors," whether start-up or scale-up. It considers too the role of innovation, of funding sources, of connectivity and collaboration and, crucially the role of people, skills and higher education.

It offers 6 key findings and associated recommendations if we are to capitalise on the progress Leeds has made in legal tech and become a truly world-leading destination for the sector: Building Leeds's reputation as a legal tech centre of excellence at home and abroad; ensuring the legal tech & innovation activities in the city are integrated into the national picture; promoting the use of disruptive digital innovation in the delivery of democratic and high-quality legal services; fostering links between the legal and tech sectors in Leeds; bringing together traditional legal companies with their market entrant competition; and, finally, a non-negotiable for us, making sure that legal tech & Innovation is in total lockstep with the council's inclusive growth agenda. We believe that only inclusive growth for all, is good for our people, our communities and for society as a whole. legal tech & innovation has a vital role to play in realising this vision.

We want to sincerely thank our Leeds law firms for their support, insights and participation, The Leeds Law Society, The University of Law, Whitecap Consulting and our wider partners for making this happen. We support and commend this report and its findings and commit, as Leader and Chief Executive of Leeds City Council, to doing what we can to help deliver them.

Leeds Law Society



Nick Emmerson – President
Emma Pearmaine – Past President
Tom Matusiak – Director

Leeds is the UK centre of excellence for legal services outside of London. Law firms and other providers from the region give City-quality service in a full range of legal specialities to regional, national and international individuals and corporates. This reputation has been built up over centuries of enterprise and hard work. Many of the top law firms today can either trace their roots back to Leeds or would now like to be here.

Exponential changes with technology, communications, data and algorithms mean we are now experiencing revolutionary change in the legal industry. Technologies are required to manage, review and research the proliferation of information and documents now being electronically generated. Technologies are enabling improved and more efficiently delivered legal products and more tailored client service delivery. The Leeds legal offering is again evolving – and leading the change in many areas.

Key in this new era is collaboration. This includes collaboration between the legal and tech sectors; between the legal sector and universities; between those within the legal sector on industry-wide issues; and – most importantly – between the legal sector and its clients (both current and those future clients not currently accessing legal services). For 150 years Leeds Law Society has been building connections that promote the legal profession in Leeds. In this new era, we believe that the quality, size and entrepreneurial spirit of the legal community in Leeds provides an ideal and unique platform to promote collaboration and seize the opportunities that technologies present. We have been connecting many in legal tech and innovation in the region – and collaborating with regional government and the tech sector to explore how Leeds can push ahead even further. This report is product of that collaboration.

The glowing positives on legal tech and innovation in the region come as little surprise. At a Leeds Law Conference session on 'Innovation in Law and Leeds' featuring regional legal tech leaders, we heard that creativity is "in the DNA" of Leeds and that "Leeds is the centre of the document automation universe". That conversation – as with this study – was not limited to technology but also looked at innovation in a wider sense –we discussed legal service design, change of lawyer mindset, creative environments and the types of skills and training required in the rapidly-changing legal service industry.

We will consider the report's recommendations with stakeholders of all types and stages of tech evolution and look at the best ways of assisting further sustained

growth, advancement, collaboration and leadership in the Leeds region. This report is the beginning not the end of a process – and combined with the backing from regional stakeholders it shows that Leeds is perfectly placed to thrive in the new world of legal services. Anyone who would like to assist Leeds Law Society with our push on legal tech and innovation is welcome to get in touch.

This study was planned before the COVID-19 pandemic hit. We saw an immediate response to the pandemic from Leeds law firms running deals and giving advice using streaming and online services – and the Leeds courts have impressively responded with virtual hearings. In fact, many areas of law have been running so well during lockdown that is going to be very interesting to see the extent to which mindsets have permanently changed in relation to remote working and virtual court hearings.

Leeds Law Society supports all constituencies in our legal profession including BAME, Women in Law and LGBTQ+ as well as the new COVID-19 constituencies focussing on the mental, physical and tech challenges of working from home. As technology and working practices evolve we have to be aware of differing impacts of change on different constituencies – and whilst harnessing the opportunities that algorithms bring to increase access to justice, we have the challenge to ensure that algorithms do not reinforce bias and do not have an adverse effect on the quality of justice. Leeds City Council has an Inclusive Growth Strategy and Leeds Law Society strives to ensure that the benefits of progress are shared by all.

Law in Leeds has a magnificent past, present... and future.

University of Law



Patrick Grant,
Project Director (North) Legal Innovation & Technology
University of Law

The University of Law has been training Lawyers, in various guises, since 1876. In many ways, since then the demand for legal skills has remained steady; a solid knowledge of black letter law combined with excellent interpersonal and soft skills. Nearly 150 years later, two further skills need to be added to that list, innovation and an understanding of technology.

In the last 20 years mobile phone ownership and home internet connections have nearly doubled in the UK. This underpins Moore's law, the idea that the transistors and resistors on a chip double roughly every two years, and one must agree with Bill Gates summation that this makes "remarkable things possible". The "Tech Revolution" has changed the way that society interacts with business forever. Shops, financial institutions, restaurants and entertainment companies have adapted; Lawyers will inevitably follow suit.

It was for precisely these reasons that ULTRA, the ULaw Legal Tech Research Academy was launched in 2017 with the simple aim of providing "legal education with technology and innovation". A new LLB with Innovation and Legal Technology, the first of its kind in the UK, took its first students this September and for postgraduates we now offer an MSC and a PgDip in Legal Tech.

The purpose of these courses is not to train Lawyers to be expert coders, it is to make sure that our students understand where the market for legal services is heading, and to be able to adapt in a changing profession. Central to ULTRA's aims are its legal tech Hubs in London Moorgate and Nottingham and its Legal Innovation Hub in Leeds.

Leeds is no stranger to innovation. The industrial revolution transformed Leeds from a small market town on the banks of the River Aire, to the "city that can make anything" in a very short time. It is also now a centre of excellence for law, and home to some huge names in the tech sector. Our Leeds Innovation Hub looks to bring together these two strengths.

Since our launch we have hosted and collaborated on events for the Leeds Digital Festival and put on series of lectures for students on "Future skills of Lawyers" covering areas such as digital brand marketing and sales. We will soon launch the Legal Innovators Breakfast Club, which will offer talks and insights on the changing market for legal services to both lawyers and innovators. The events will also offer local lawyers and innovators the chance to network.

Over the last three years, the help and support we have received from the local legal and tech communities has been incredible. Leeds is a phenomenally friendly place and there is always someone prepared to give advice, or their time to talk to our students. It has been a real privilege to be a part of this consultation and to see the support and the appetite to develop Leeds into a centre for legal innovation and tech. All this has strengthened our goal to give the region's future lawyers all of the tools and skills that they will need to do this.

Key findings

1. Leeds is a strong multi-discipline resource centre for law with numerous law firms and lawyers, servicing client work inside and outside the region and offering a standard of support and advice substantively the same as that available in London.

- Leeds is a strong multi-discipline resource centre for law with numerous law firms and lawyers, servicing client work inside and outside the region and offering a standard of support and advice substantively the same as that available in London.
- The legal sector is primarily driven by expertise rather than location, and in the largest law firms, teams can be based across the UK or indeed the world.
- Evidence of significant variance across different sectors of law, with different rates of adoption of tech and innovation.
- Northshoring is primarily seen as a positive by legal services providers and other stakeholders. Leeds is and can continue to be a northshoring centre for 'quality law' as well as a hub for more process driven work. This is also an opportunity to attract talent to Leeds and to enhance links with London.

2. Accelerated digital adoption is evident in the legal sector as COVID has catalysed the Leeds City Region's core legal and tech strengths.

- COVID-19 has created an opportunity to investigate and embrace reforms within the legal system. It has also emphasised the strength of legal tech and innovation in the Leeds City Region – including, for example, development and use of document automation, artificial intelligence, data science, and services created by LegalTech and RegTech firms. Global law firms have key legal service design expertise in Leeds.
- Virtual courts and digital signatures have become widely adopted in the legal sector during the pandemic, in addition to the rapid adoption of video calls and remote working that have been seen across multiple sectors.
- There is an increased focus on the use and management of data.
- There is an opportunity for the Leeds legal market to attract work from other regions (including London) as physical proximity to the client becomes less important and Leeds has a large number of law firms that compete for national and international work.

3. The legal sector has so far resisted significant disruption and firms in the Leeds City Region can learn from other sectors that are more advanced in their digital transformation.

- Widespread examples were provided of Microsoft 365 being recently adopted. This is a platform that has been in use in other sectors for many years, highlighting that the sector could look to more tech advanced industries for further ideas.
- Acknowledgement that law firms would benefit from developing broader business skills in areas such as people management, technology and change management into their teams in order to run a successful and efficient legal practice.
- The partnership and billable hour models are commonly cited as holding firms back as they incentivise short-termism, risk adversity and cost leadership, preventing demand-driven innovations and true customer centricity.
- Innovation is primarily being driven from external market and competitive sources.
- In relative terms, there is evidence that the legal sector lags behind sectors like FinTech and InsurTech in terms of new technology adoption.

4. There is an opportunity to form stronger links between the legal and tech sectors in the Leeds City Region, and for the legal sector to become less challenging to work with.

- There is limited evidence of connectivity between legal and tech sectors in Leeds (although many law firms can cite strong engagement with tech beyond the region).
- Law firms are not leading edge, and tend to adopt existing tech, reflecting a lower risk appetite than other sectors.
- Most tech is developed in house even if using external systems, the sector is not a typical cloud adopter and has been slow to migrate to cloud-based solutions.
- Large firms do spend heavily on technology and hire strong IT directors.
- Legal sector viewed as 'hard to sell to' by digital and tech firms in the region, who have chosen to focus elsewhere.

5. Competitive pressures are building in the sector for established law firms, especially from non-law firm providers of legal services, many of which are prominent in Leeds City Region.

- Big 4 professional services firms – are investing in legal capability and making progress with integrated propositions.
- ABS firms - are over 3x more likely to use technology and are among the types of providers with the highest levels of service innovation.
- LegalTech disruptors – few are currently based in the region, but they are growing in number and impact in the legal sector. Organisations such as Tech Nation and Nesta have good track record of helping support and develop disruptors in other sectors and are increasingly active in the sector.

There is potential for big tech firms to make a major impact, particularly by increasing their involvement in volume and process based areas of legal services.

6. Client-led demand can drive innovation, as can startups, and the Leeds City Region can benefit from supporting these stakeholder groups.

- There is demand for technology innovation from the client side, as well as from law firms.
- Movement towards fixed price models for some services, with some newer firms adopting a subscription model.
- Artificial Intelligence solutions are being developed which enable clients to self-serve.
- A relationship-based approach prevails but widely anticipated to come under pressure from an increased focus on delivering legal services cheaper, faster, more flexibly, more reliably and smarter than in the past.

Stakeholder perspectives

"In Leeds and the wider region we have a strong legal sector and a dynamic and fast growing digital sector, I felt the potential was there to lead the way in shaping the future for legal tech and Innovation and wanted this report to provide the proof points to galvanise stakeholders across the city and the wider region to create the future we want to see. I have already seen how coming together to work on this report has had an impact and I am excited for what will come next."

**Eve Roodhouse, Chief Officer,
Economic Development, Leeds City Council**

"Making Leeds more of an attractive place to encourage law firms to relocate to would be a big opportunity. Lots of businesses in London are being pushed to look beyond London for their service providers."

Chris Fowler, General Counsel, Technology, BT

"There is a great opportunity due to the large legal cluster in Leeds City Region that crosses many disciplines – with the added bonus of having the academic and finance networks in the region."

Alison Orr, Business Development Manager, Inngot

"Leeds has a significant legal district. I see more firms arriving than leaving. When you look at north-shoring Leeds can offer many benefits. The talent pool in Leeds is significant and maybe COVID-19 will open up new opportunities of where to source talent from."

Matthew Briggs, CEO, Auto Protect Group

"The use of technology and innovation in the legal sector has, to this point, largely focused on optimising internal operations and systems, particularly in the larger firms. This follows a similar pattern seen in other sectors in the past."

David Bish, Head of Research & Analysis, Solicitors Regulation Authority

"Investment is key for law firms. We need to deliver a certain level of profit for the partners and if that can't be achieved things will be sacrificed, including new tech. That needs to change."

Jonathan Oxley, Chairman, Lupton Fawcett

"In legal services, the customer centricity bar is far too low. I'd like to see our sector raise that bar, and the first thing to change is to talk about our customers, as opposed to clients. If I could ask for one thing it would be to make the legal sector do exciting things with and for our customers and to build great customer skills."

Shirley Woolham, CEO, Minster Law

"There's a huge opportunity but firms need to set aside budget and resource or it won't progress."

Zandra Moore, CEO, Panintelligence

"Regional cities firstly need to find their brand. If you can combine this with legal tech then you'd have a point of difference."

Louise Anderson, Head of Northern Hub, F-LEX

"Northshoring used to mean just "lower value" work being undertaken in the north but the fact Leeds can deliver City-quality work without City prices is an increasing attraction for many clients. There is significant pool of talent here including lots of ex-City lawyers and great universities, which means the London pull for talented lawyers is just not as strong as 10 years ago. Leeds delivers world class legal advice and training while providing a quality of life that people increasingly value. COVID-19 is also only likely to make clients more "location agnostic" so I predict it will accelerate the growth of the legal sector here."

Georgina Powling, Partner, Addleshaw Goddard

"Leeds has real strengths in the enabling technologies that underpin legaltech such as data analytics and natural language and the sector presents a huge opportunity for the region. Nexus can help play a role in connecting entrepreneurs to our research and development and the wider ecosystem."

Chelsea Boothroyd, Engagement Manager, Nexus

"The region is strong in law, with lawyers, computer scientists and technologists etc. Leeds has many of the top 100 law firms based here – this should be the starting point. Some firms in the region are using Artificial Intelligence and Machine Learning. I would love to help get Yorkshire and Leeds onto the map nationally and globally. I usually spend a lot of time in London and globally doing speaker slots but due to the COVID-19 pandemic my wings have been clipped so I've begun to network and connect locally."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd

"We were attracted to Leeds by the strong tech sector. When we came to Leeds we hoped to find a burgeoning tech sector and a vibrant tech community. We found both and we have received a very warm welcome from across the business tech community."

Virginia Driver, Partner, Page, White & Farrer

"The maturity of the legal market in Leeds makes a great test bed to develop and trial innovative new solutions – whether the services support a large firm doing complex multi-country deals, high volume legal support centres or mid-market firms."

Andrew Dyson, Leeds Managing Partner, DLA Piper



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Legal Sector

Legal Sector - key themes

UK Legal Sector

Leeds City Region Legal Sector

Key Players – observations and themes:

Large & Mid-Size Law firms

SME Law Firms

Other Legal Services Providers



Legal Sector - key themes

UK Legal Sector

- The UK legal sector is well established with a global reputation for its legal services
- The legal sector is vulnerable to disruption providing opportunity for legal tech activity
- There has been little resistance to disruption
- The creation of LawtechUK aims to accelerate digital transformation of the legal sector

Leeds City Region Legal Sector

- Leeds is an established and leading centre for legal services
- Leeds City Region is an attractive and cost effective location from which to operate
- Northshoring is seen as a positive and an opportunity
- Competitive pressures are building in the sector for established law firms
- The region's legal sector continues to grow/develop

Large & Mid Size Law Firms

- Firms have invested in technology
- There is a focus on people, technology and process, to streamline and remove repetitive or paper-based work
- Collaboration between large law firms is limited
- New roles and skills requirements are emerging

SME Law firms

- SME law firms share similarities to firms in other sectors
- Margin pressure means legal tech could play significant role
- Experienced the most dramatic digital acceleration of all parts of the sector during COVID-19
- Highly fragmented part of the sector, hard to apply standardised technology and processes
- Newer firms have a streamlined model and lower cost bases

Other Legal Services Providers (Challengers & ABS firms)

- Big 4 professional services firms are investing in legal capability and making progress with integrated propositions.
- ABS firms are innovating around their service offering and technology
- Challengers and disruptors are increasingly active in the sector, including some innovative operators in the Leeds City Region
- There is potential for big tech firms to make a major impact

UK Legal Sector

The UK legal sector is well established with a global reputation for its legal services

The legal sector is vulnerable to disruption, providing opportunities for legal tech activity

There has been little resistance to recent disruption during COVID-19

The creation of LawtechUK aims to accelerate digital transformation of the legal sector

The UK boasts a globally renowned legal sector, driving legal work and activity throughout key regions across the country. Worth £31.8bn, the sector is supported by over 350,000 workers and 33,500 enterprises, including solicitors, barristers, patent agents, notaries and bailiffs. This is predicted to grow at around 1.3% per annum, driven primarily by increased demand from M&A, equity capital raisings and property transaction activity.¹⁰

Because of its reputation, global law firms generally situate their EU headquarters in the UK, consequently becoming the largest¹¹ exporter of legal services in Europe, in addition to the largest; further increasing demand for legal work across the UK. Although, there are some reports arguing this may be hindered by Brexit.

Whilst the exact impact of Brexit is hard to judge at present, the general expectation appears to be that the UK will remain a leading destination for international

firms to execute their legal operations, due in part to the reputability, transparency and predictability of English law. Our research finds market vulnerability to be a greater threat to law firms than Brexit, although there is also potential that legal tech and innovation could help provide the UK with a competitive edge post Brexit.

The legal sector is highly vulnerable to disruption, creating opportune market conditions for legal tech and innovative new entrants and progressive established law firms. Reputation serves as the primary barrier to entry, which along with price, is the basis of competition in the sector. Together with attractive industry margins of 35.3% and low capital intensity as legal advice is a knowledge-based-service, law firms are potentially vulnerable to competitive pricing and therefore reduced revenue and profit. Furthermore, the market is mature, reaching a state of equilibrium due to the lack of innovation and change, and fragmented because of its very low market concentration and largely standardised services. These conditions expose incumbents to differentiated non-price-based value propositions such as ameliorated project lead times, service offering and customer relations; disrupting incumbents unable to adapt standardised services. In both price and non-price-based competition, technology is seen as an enabler.

As well as law firms, there is opportunity for the courts to embrace technology and innovate to improve the delivery of the entire legal service. COVID-19 has accelerated this with estimations that four days after lockdown, 70% of all court and tribunal hearings in England and Wales that went ahead involved the use of audio or video technology and after five weeks the estimate was 90%.¹² Furthermore,

Courts & Tribunals Service announced in July that its Cloud Video Platform is being extended to civil and family courts. Over 120 courts are now set to have more reliable video tech that improves remote court hearings. This marks a remarkable acceleration of its previous programme for testing and adopting video technology, which was planned out until 2022.

In 2019, the Ministry of Justice provided a grant of £2m to Tech Nation to support the growth of the UK Lawtech sector. LawtechUK was launched in May 2020 as a collaborative initiative between Tech Nation, the Lawtech Delivery Panel and the Ministry of Justice, to support the digital transformation of the UK legal sector. It includes the creation of a LawTech sandbox. A similar move by the FCA has had a significant positive impact for the UK's FinTech sector.

Outlining its vision in May 2020, LawtechUK stated:

"The legal sector has the opportunity and urgent responsibility to restructure and reinvent itself, to meet the evolving demands of business: harnessing technology to deliver what society and the economy need from legal services. Our view is that a step-change in the way technologies are understood and applied will help bring about a step-change in the entire legal sector. It will change the way in which legal services are delivered and consumed in the digital era, and the business models and ways of working that underpin them."

¹⁰ IBIS World: Legal Activities in the UK (2020)

¹¹ FT: Britain seeks to preserve UK lawyers' access to EU market (2020)

¹² SCL: Remote hearings: The new normal? (2020)

Stakeholder perspectives

"There is no doubt that the large-scale adoption of technology has been slow when it comes to legal services. While there has been big investment in technology in the large commercial firms, much of this has been about internal systems and we have not yet seen a significant change in services for the public and small businesses."

Anna Bradley, SRA Chair and Legal Access Challenge judging panel Chair (June 2020)

"The next generation of legal consumers will want to engage with firms digitally as they do with other things. We've been talking about a tipping point for 20 years, and it's possible COVID is the tipping point. A more digital model could now be more viable, and it seems a lot of firms are thinking like this."

Adam Roney, Founder & CEO, Calls9

"Most other occupations are unrecognisable from 20 years ago and the legal sector is probably behind. It's not always easy persuading lawyers there is a threat around the corner."

Malcolm Simpson, Managing Partner, Walker Morris

"It's about behaviour change, which takes a long time. On the buyer side the change is there; AI tech is welcomed and used already. There is a definite need and demand. But 80-90% of people are not served by lawyers. I would like to see this latent buyer market catered for by AI tech supplied by lawyers or alternative suppliers."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd

"There remains in some quarters an archaic view that legal innovation only has any relevance in relation to volume and low-quality legal work. That view is completely wrong. Legal innovation will eventually permeate into every aspect of a 21st century legal team (be it private practice or in-house)."

Alex Kirkhope, Partner, Shoosmiths

"Digitalisation and ensuring the right digital environment remains a crucial factor for forward facing businesses. Ensuring the right digital environment exists and leveraging technology to do so will be critical. That and having the right people in the right places to innovate, train and develop skills."

Tom Bowie, Financial Regulation Associate, Squire Patton Boggs

"There are many challenges for the legal sector, including new entrants and startups trying to set up. Tech alone is not sufficient. Business models have to change, as does recruitment, training and culture. The traditional partnership model is wrong. You must start with understanding the fast moving real world problems to be solved for the client first, and then engineer and provide that dynamic solution they want, as opposed to what a law firm decides it wants to sell."

Gary Gallen, Founder & CEO, radar

"We rolled out a new operating platform and new laptops for the majority of the team over the last 12 months, so Covid was a seamless transition in terms of working practices. It's been a fantastic experience with few issues, and there have been many positives. Some of the more experienced partners have really embraced technology during Covid, having previously been more cautious."

Simon Harris, Partner, Eversheds Sutherland

"To transform legal service delivery, you can't just throw technology at it, you have to look carefully at your service proposition, the processes that deliver the proposition, and the technology required to support it. This is not about the robots coming for our jobs, it's about supporting and augmenting our talented people with the technology to improve quality, productivity and career satisfaction. We're working with a couple of law firms on this at the moment."

Darren Mee, Partner & Management Consulting Lead, RSM UK

"You need to recognise that a law firm is a business and you can't assume that lawyers know how to run a business. They know how to be lawyers. Partner is a status many earn by fee earning, so it's not a measure of management capability. A lot of law firms bill on units of time spent. I don't believe this pricing methodology has longevity. This will be hard to change."

Emma Pearmaine, Managing Partner, Ridley & Hall

"The big trend I see for the next decade is more AI self-serve/ DIY based legal products, where customers self-help and/or self-create their legal documents either unilaterally or bilaterally with another lay person or business person. That is, requiring very little, if any, involvement or intervention by a human lawyer."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd "Leeds Innovation

Data will be a big area of focus - being able to manage big data and analytics alongside the law to provide clients a better service, and to solve problems. We pride ourselves on problem solving, which makes for better client solutions. This is something that sets us apart."

Adam Curphey, Innovation Engagement Manager, Reed Smith

"Leeds Innovation District has a key role to play in growing clusters such as FinTech, HealthTech, and LawTech. There is an opportunity for key stakeholders across the city to improve the growth capabilities of SMEs in this space, but communication amongst these stakeholders in the mapping and creation of the district is key."

Deb Hetherington, Head of Innovation, Platform Tech Hub, Bruntwood SciTech

CASE STUDY: Legal Access Challenge

Can innovation help improve access to legal support in the UK?

Fewer than one in four people get professional help or advice when they have a legal problem, and this is more likely to be an accountant than a solicitor. Only one in ten small businesses use a solicitor when they have a legal problem.¹³

This means many individuals are not able to defend or enforce their rights, while small business struggle to manage risk or grow their business. For a lot of companies, access to affordable legal services is a challenge, but technology creates an opportunity for SMEs to reduce the cost.

The Legal Access Challenge was a £500,000 challenge prize delivered in 2019 through a partnership between the Solicitors Regulation Authority (SRA) and Nesta Challenges. The Challenge supported innovative digital technology solutions that directly help individuals and SMEs to better understand and resolve their legal problems.

It sought to promote these types of solutions and aimed to:

- Accelerate the development of products, services and platforms that will help individuals and SMEs understand and resolve their legal problems with greater ease.
- Develop a community of people and organisations with a shared interest in implementing the use of technology to improve access to legal support who will share knowledge and ideas to improve customer outcomes in the legal services market.
- Learn whether there are regulatory barriers to the development and adoption of mass market legal technology solutions

During the project, the prize funding available was doubled from £250,000 to £500,000, reflecting the high number and quality of applications received to the Challenge.

117 applications to the Legal Access Challenge were received, 6% of which were from Yorkshire & Humber, making it the highest represented region outside London and the South East (the South West also had 6% applicants).

The applications received also aimed to help users of their services in a range of different ways:

- 50% involved an element of tailored guidance, for example supporting users to understand their rights and the options available to them.
- Document automation featured in nearly a quarter of applications (24%).
- Better collaboration and case management was supported by 11%, often featuring online platforms to facilitate co-operation between multiple stakeholders
- Just over 9% of applications supported users to collect and present evidence for their issue.
- Proposals aiming to create better links and signposting in the fragmented legal sector represented a portion of applications, with just under 8% of applications featuring forms of legal marketplaces to connect customers and legal providers, and 6% featuring triage proposals to signpost those needing support.

The Legal Access Challenge showed that much consumer-facing innovation is coming from outside the regulated-legal sector - all eight finalists in the initiative were from organisations that are not regulated by the SRA.

Driving innovation in the legal sector:

In the report on the Legal Access Challenge, these challenges were identified in relation to fostering innovation within the legal sector:

- **Building partnerships** that allow solutions to emerge and form a bridge between the unregulated and the regulated sector that consumers trust, providing continuous support between the two.
- **Taking a more strategic and collaborative approach** to ensure that individual solutions integrate to create seamless end-to-end support for users. Examples of integration include linking across different stages of the customer journey and across different providers of services, whether those are commercial, not-for-profit or court providers, or regulated or unregulated providers.
- **Making sure that new tech solutions work with the justice system and existing valued delivery channels wherever possible**, including legal aid solicitors and advice organisations.

One key observation about the challenges identified is that the regulatory regime does not feature amongst them. Indeed, the research carried out through the Legal Access Challenge in 2019 highlighted that regulation is not an obstacle to innovation in the legal sector, as the regulation of the sector is principles based and not prescriptive. Where there can be challenges, however, is where different regulatory regimes overlap, such as the FCA and ICO.

¹³ SRA: The Legal Access Challenge – Conclusion and next steps (2020)

Stakeholder perspectives: UK Legal Sector

"Apparently it takes about 90% of the year for an SME law firm to make a profit, which means there's very little scope to invest. It also suggests the partnership model is broken. The AI tech to change things is there, but the appetite/support is lacking, especially the funding. Investors willing to take a risk are hard to find as LawTech doesn't always fit neatly into their investment portfolio. It's not just about the sector, it's about the future landscape in general."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd

"The legal sector operates globally on the specialist areas that we need support for such as blockchain. We have to be regulated for the work we do, especially tokenisation. I've had to talk with lawyers around the world about our business, as I've had to find the specialists."

Joey Jones, Co-Founder, CurveBlock

"What would I say to incumbent law firms? You will all be looking at efficiency in your business. New entrants now will see the opportunity and the weakness of your model. Can you afford to not do something? Your customers' expectations are changing and a blueprint is being written that shows how to succeed in your sector. You must look to and challenge your leadership and ask for clear direction, evidence of change and execution. If not you might need to change your leadership."

Gary Gallen, Founder & CEO, radar

"Some lawyers may see legal tech as a threat but it's about better ways of working, and it's about serving the clients better. Clients pay for our judgement, we need to provide it as efficiently as possible."

Peter Allchorne, Partner and Head of Innovations Lab, DAC Beachcroft

"The profession needs to be more forward thinking and willing to embrace change. We need a 'Xero for lawyers' – a tool that can complement what lawyers do. It would also replace some things the lawyers do – but accountants have come to accept this with Xero. As with most sectors, the innovation will come from outside the law firms, even if the people innovating are ex lawyers working with tech people."

Richard Turner, CEO, Alpaca

"I believe the profession should be educators and sharers of insight and knowledge. Lawyers should not only share knowledge when they are paid. We have a duty to share knowledge and help provide advice that promotes business activity and improves the economy. For example we could provide more transparent contracts and templates removing ambiguity and interpretation difficulties so that businesses can trust each other and carry out business more quickly and simply."

Gary Gallen, Founder & CEO, radar

"In future a lot of people will set up their own law firm – it's becoming easier. The run-off cost of insurance is a deterrent, so being a consultant is more attractive. Adds risk to our model but makes the proposition more attractive. Lawyers tend to be good lawyers but bad entrepreneurs. A consultancy model can help them develop their business skills."

Ian McCann, Chief Engagement Officer, Legal Studio

"Tech has become a much bigger consideration. 'Commercial awareness' used to be the key thing, now it seems to be tech. Customer service has become more prominent. Arrogant lawyers are not the way forward, this has changed since I've been involved. The world of online reviews has helped change things – it's a really important factor for us now. You need relationships in order to be successful and build a client base."

James Smith, Partner, Holden Smith

"The courts have been pretty slow to get up to speed with technology. Up until recently there was virtually no use of video, and only some telephone hearings in limited circumstances. COVID has caused the courts to roll out a new cloud video platform (CVP) across the country. It's now being used more widely but we still don't yet know what cases will be deemed suitable / not suitable for remote hearings. Some courts / tribunals still have problems with reliable wifi."

Andrew Sugarman, Barrister, Park Lane Plowden

Leeds City Region Legal Sector

Leeds City Region is a cost-effective location, and northshoring is seen as a positive and an opportunity for growth

Competitive pressures are building in the sector for established law firms

The region's legal sector continues to grow/develop

The Leeds City Region has a strong legal sector, providing propitious foundations for legal tech activity. The region has become a hub for regional, national and international legal work due to its established legal sector; underpinned by 1,500+ law firms and a workforce of over 14,400.¹⁴ The region now makes up 25% of the northern powerhouse's legal sector, cumulating over £920m of legal work, presenting opportunity for legal tech companies in the region; law firms for tech suppliers and work for legal service providers. Although established, the sector also shows growth potential.

¹⁴ LEP: Leeds City Region Legal Services (2018)

¹⁵ Colliers: Leeds Offices Snapshot Q4 2017 (2018)

¹⁶ Adzuna: Leeds Lawyer salary stats (2020)

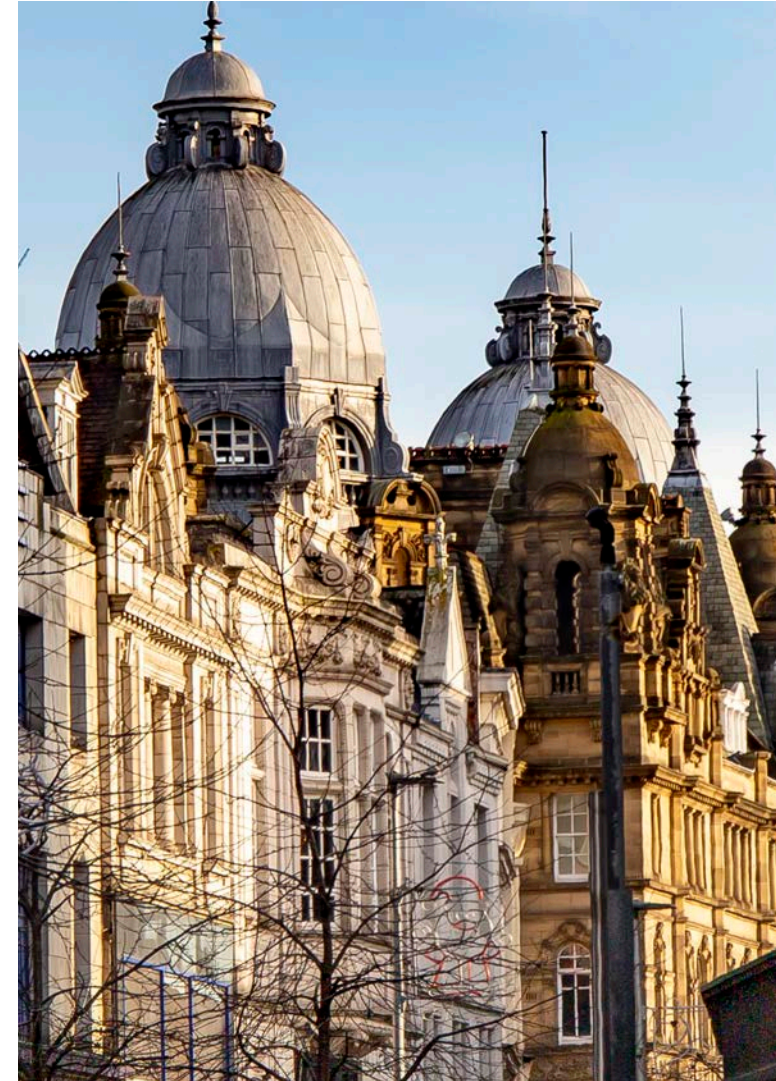
¹⁷ Simon Bevan: Evolving Business Structures for Law Firms (2010)

¹⁸ Emily Carroll & Steven Vaughan: Matter Mills and London-Lite offices: exploring forms of the onshoring of legal services in an age of globalisation (2019)

¹⁹ Invest Sheffield: North Shoring - Making your business more sustainable (2016)

Cost-effectiveness is a key strength to the region and its legal sector, presenting further growth potential. In addition to firms headquartered in the district, cost-effectiveness has been a deciding factor in locating satellite operations in the region as office costs are over 55% lower than London city for grade A headline rent¹⁵ whilst lawyers are 7.7% cheaper than the UK average,¹⁶ improving profitability for legal providers operating within the region; incentivising 28% of the top 100 UK law firms to open an office in the region, including DLA Piper, Squire Patton Boggs, Shoosmiths, Pinsent Masons, and Eversheds Sutherland. This has engendered northshoring within the satellite operations of large law firms.

Northshoring can be defined as doing work for the firm's London clients from northern UK cities¹⁷ and has been associated with the provision of lower skilled labour relative to legal work conducted in London. However, northshoring is largely perceived a positive within the region. It has been considered to fall into 2 categories, quality law and process law.¹⁸ Whilst regions such as Sheffield have attempted to position themselves as a hub for northshoring generally, to capitalise on the economic benefit of more firms and legal work in the city,¹⁹ it was found the strength and success of the national firms operating in Leeds is primarily based in the fact that it offers a standard of support and advice substantively the same as that available in London as a result of the high concentration of quality legal advisers and related infrastructure.



There are some people-based success stories in the region. Alastair Maiden, of Leeds-based SYKE, was named top legal business technologist globally by FT Business Intelligence in October 2019. Two of top 10 were based in Leeds. James Thomas of KPMG was also shortlisted, as was Catherine Bamford of BamLegal, who was previously based in Leeds. Tim Cummins, Professor of Law at University of Leeds and President of the International Association for Contract and Commercial Management, was named top 'market shaper' in the same report.

Competitive pressures are building in the sector for established law firms, provoking innovation in the large incumbents. The sector is fragmented, and differentiation is increasingly prevalent as the sector's vulnerability is starting to be exploited. The Big 4 professional services firms, all of whom have a presence in the region, have been gaining market share in the legal sector by investing in legal capabilities and developing integrated propositions. Additionally, the impact of legal tech disruptors is growing in the sector, in terms of tech suppliers to law firms and court systems but also legal service providers who aim to capture demand from the large incumbents; increasing the competitive pressure for established law firms.

In addition to the enthusiasm of those directly involved in the legal sector, another potential source of support for legal tech and innovation in the region is Bruntwood SciTech. The organisation's presence in Leeds is centred on the iconic Platform building next to Leeds station, which has a dedicated tech hub and is home to a diverse set of legal service providers including Alpaca, Berwins Digital, Page White & Farrer, Reed Smith, rradar, and Shoosmiths. Bruntwood SciTech has recently appointed Deb Hetherington to the role of Head of Innovation, as part of its growth plans for the science and technology sector in the city; an appointment which is particularly relevant as Deb has a strong personal interest in the legal sector. Bruntwood SciTech also provides a range of business support services across its network of innovation districts in Manchester and Birmingham and is keen to support the recommended actions arising from this report.

Due to the opportunity Leeds City Region's legal sector presents, it continues to grow. Some recent notable new entrants / expansion stories within the region include:

- **The Government Legal Department** (GLD) now has a regional centre in Leeds.
- **HSBC's** Global Legal function comprises more than 1200 people, operating out of over 30 countries, with its Commercial Management, Technology and Innovation team being headed-up by Leeds-based Richard Crabb.
- **Bruntwood SciTech's** Platform building is home to multiple law firms including Shoosmiths, Reed Smith, Berwins, Page White & Farrer, rradar, and Alpaca.
- **rradar** expanded into Platform as the company tripled the size of its team.
- **Shoosmiths** signed up for an additional wing in Platform to grow its team and services for a growing client base.
- In September 2019 **Walker Morris** moved into its new Leeds office, undergoing a £10m refurbishment to bring its 500 staff in one building, making it the largest single site law firm outside London.
- **Reed Smith Global Solutions** opened in Leeds to provide a creative environment for lawyers, analysts and business service professionals. Knowledge management lawyers and other support are based in the firm's Global Solutions hub in Leeds.
- **Squire Patton Boggs** was one of the first law firms to re-locate to Wellington Place, where Ministry of Justice is opening an office, attracted by modern collaborative working environments and proximity to the train station.
- Listed law firm **Knights** is investing in new office space in Leeds following its acquisition of Shulmans earlier this year. Knights will be one of the first tenants to occupy the refurbished landmark Majestik building when it opens in January 2021. The firm will occupy more than 20,000 sq ft over two floors, providing capacity to add up to another 150 fee earners in Leeds.

Harrogate's Legal Sector

15 miles north of Leeds city centre, the town of Harrogate is a key contributor to the Leeds City Region's legal sector and economy as a whole.

With a district population of 160,000, it makes up 5% of the Leeds City Region but 5.5% of its GVA due to its high productive output across all sectors.

Harrogate also has the highest business startup rate across the region, demonstrating its desirability for established businesses and startups alike.

Harrogate is a popular residential choice for many of the region's senior executives and partners due to the affluence of the area and proximity to city centres. There are six direct trains to London each day, increased from one per day in 2019, and four trains an hour to Leeds, previously two per hour. This has created improved connectivity and travel efficiency between these three locations.

The town has a strong legal sector with many high-street and established law firms including UK leading sport and family law specialists.

Firms we engaged with during the research included:

- **Berwins** - employs around 50 people, the majority of whom are in Harrogate. The firm also has an office in Leeds where its tech work is focused. The firm has created Berwins Digital, to serve the needs of the digital sector clients.
- **Truth Legal** - an ABS firm challenging the partnership model by through a private limited structure.
- **Haddletons** - a business advisory and law firm, offering services. The service is delivered mainly by former in-house lawyers and successful business people at a fixed cost through a mixture of legal and consultancy services.



Stakeholder perspectives: Leeds City Region Legal Sector

"With key alternative legal service providers like Konexo and Syke who offer genuine, practical solutions to our challenges operating out of Leeds, the future of Leeds' legal service offering remains bright, especially within the legal operations sphere."

Richard Crabb, Head of Commercial Management, Technology & Innovation, Global Legal, HSBC

"Leeds can cut it with the best of them when it comes to regions outside of London. Its central location makes other major business districts such as Newcastle, Manchester and Nottingham all readily accessible. It's no wonder we continue to see interesting arrivals such as Bevan Britton, Freeths, Shoosmiths, Knights, and Reed Smith."

Asad Ali, Partner, Gunner Cooke

"Our natural advantage in Leeds is based on cost and people and the ability to deliver the same quality of work. There are more commercial lawyers here than anywhere else outside London. We partner with US and Magic Circle firms to fill capability gaps or help provide a more cost effective solution."

Malcolm Simpson, Managing Partner, Walker Morris

"Leeds is often quoted as the biggest legal centre outside London and I can't see any other city in the UK moving faster in this space. Rradar is a great example, they are based in Platform's tech hub, growing at a fantastic rate, and they have taken the traditional legal model and are adding an ever increasing layer of automation."

Deb Hetherington, Head of Innovation, Platform Tech Hub, Bruntwood SciTech

"There is great potential for Leeds to grow its legal market as a centre of excellence for innovation outside London, even more so after COVID-19. The potential to exploit this new era means the scope for establishing Leeds as a centre for legal innovation/tech is now even greater."

Alex Kirkhope, Partner, Shoosmiths

"It's early days but we are keen to play our part in the evolution of the ecosystem and linking in with local businesses. Innovation is about more than just technology, and we're working hard to build on the good foundations we've put in place. We're here as an alternative delivery centre for the firm. We want to integrate, collaborate and be part of the regional business community. We want to improve the working practices we engage with in the firm."

Barry Spenceley, Global Solutions Centre Director, Reed Smith

"One thing I have found telling in Leeds is that there are a whole range of people who, over the last 10 years or so, have moved out of private practice and made an impact on the sector and New Law more specifically. Bristol and Manchester are the only other places I have seen this at scale."

Matt Peacock, Managing Partner, OMC Partners

"The sector has great strength in the region, but we need to find a way to bring the various stakeholders within the sector together to collaborate and implement best practices. The risk is around implementation – people need to understand that they need to persevere and can't expect quick results all the time."

Jonathan Oxley, Chairman, Lupton Fawcett

"Leeds is a strong regional legal centre. I used to work for corporate clients from all over the country. They knew they could get work done to a high standard in Leeds. We were involved in a lot of beauty parades. Sometimes people have consciously decided they don't want to go to London and want to use a regional firm."

David Barraclough, President, Yorkshire Union of Law Societies

lot of firms and lawyers for the size of the region. It's always been a thriving legal hub and it's one of the strongest parts of the economy. Leeds has a reputation for having good people and representing a cost-effective place to get work done without compromising on quality."

Rob Warren, Director, Law, EY

"Our partnership with Platform in Leeds is really valuable. They are creating an innovation hub and this is one of the things that attracted us. Leeds City Council is keen to drive collaboration and communication between law firms, which we also welcome. The universities are also attractive partners who can provide talent and work with us on projects."

Jon Heeley, Global Solutions Centre Manager, Reed Smith

"We need some law firms that people look at and say they want to be like them. At the moment most of the role models are out of the sector."

Ian McCann, Chief Engagement Officer, Legal Studio

"The legal offering in Leeds is wide and is continually evolving – firms wishing to thrive cannot stand still. As an innovative firm providing top quality legal advice, Stewarts finds that Leeds is the perfect city outside London in which to be located."

Tom Matusiak, Legal Director, Stewarts

Key players - observations & themes

	Large Firms / Mid-Sized Firms	SME Firms	Other Legal Services Providers
Technology	<ul style="list-style-type: none"> Several firms have based some of their national or global tech teams in Leeds. Working with tech providers on data-led processes and / or startups on blue sky work. Areas of focus: data and data analytics; automating data flows across workflows, processes, document management; use of AI; legacy data and old systems. 	<ul style="list-style-type: none"> Still significant volume of data duplication and new workflows for each client - customisation rather than standardisation. Some cloud adoption, yet for many it's still seen as expensive compared to hosting on premise Don't have the money to invest in digitisation. Small firms can be more specialist, which means the tech needed is more specialist. 	<ul style="list-style-type: none"> There's a flurry of activity across the sector and firms like the big 4 professional services companies have helped drive this as they are tech savvy across other sectors they serve. There are a lot of legacy tech issues in the legal sector. It's taking law firms a long time to get the right systems in place. Customer centricity is key, which often involves tech.
Innovation	<ul style="list-style-type: none"> Internal innovation streams including process mapping, process automation, project management, legal service design, changes to roles. Stimulating innovation through developing new solutions for clients and events. Leeds has legal tech consultancy, data processing specialists, disruptive tech-focused law firms. 	<ul style="list-style-type: none"> Learning from other law firms first - not the first to test or invest. The SME law firms may have the best opportunity to innovate and do things differently. Newer firms have a streamlined model and lower cost bases, with ABS models becoming more common. Much variance across different parts of the sector – hard to standardise. 	<ul style="list-style-type: none"> Funding for new business models and innovators is important as the market is not yet ready for them. There will be an increase in the number of lawyers who want to work under virtual models. Big 4 have recognised that multi-disciplinary is a strength vs non big 4 as they can leverage the wider team to ensure they have a wide knowledge base from all areas not just legal.
Connectivity	<ul style="list-style-type: none"> Legal sector networking constrained by the highly competitive environment in which the firms operate. Law firms regularly support and participate in events and other external in the sectors they work in, but rarely in relation to the legal sector itself. 	<ul style="list-style-type: none"> Managing partners take the lead locally in terms of things like societies / membership. Many would welcome events that combine the legal sector and other sectors such as tech and innovation. 	<ul style="list-style-type: none"> Most engagement and networking is done across client sectors. Within the wider community, events are the best way to network. Legal itself not seen as a well-connected sector.
Skills & Talent	<ul style="list-style-type: none"> Need to innovate and attract the best talent. Leeds is a hot spot to grow and develop as well as attract talent from elsewhere. Emerging skills requirements include data analytics and project management. 	<ul style="list-style-type: none"> Tech has become a much bigger consideration. People need to be a key part of the strategy, they need to be really well looked after and have flexible career paths. 	<ul style="list-style-type: none"> Law firms now considering hiring tech and data experts. professional services firms have these people already. Recognition that lawyers need to have better awareness of things like project management, pricing, process, in order to deliver on time and to budget.
Growth Opportunities	<ul style="list-style-type: none"> North shoring is increasing, driven by client demand to ensure they are getting best value. Devolution can create opportunities. Quality of work and life. 	<ul style="list-style-type: none"> Leeds as a city has lots of great economic benefits – all the sizes of SME can be found here. The sector margins are tight. legal tech firms have a role to play here. 	<ul style="list-style-type: none"> Seen as more customer-centric than the traditional law firms, which may help accelerate growth. The big 4 have growing legal services propositions and can offer a more attractive employment package than the law firms.
Development Areas	<ul style="list-style-type: none"> Redesigning the workspace. Promote their regional capabilities and strengths. More collaboration between lawyers and software / technology businesses. Closer ties with universities and apprentice schemes. 	<ul style="list-style-type: none"> Lack of sector awareness as to how much systems can be improved when bought on a 'pay as we go' / SaaS basis. Being able to share challenges and insights with academia or tech firms would help to develop solutions. 	<ul style="list-style-type: none"> The profession needs to be more forward thinking and willing to embrace change. Leeds could be much better at communicating the success stories in the region.

Large & mid-size law firms

Firms have invested in technology

There is a focus on people, technology and process, to streamline and remove repetitive or paper-based work

Collaboration between large law firms is limited

New roles and skills requirements are emerging

The UK boasts a globally renowned legal sector, driving legal work and activity throughout key regions across the country. Worth £31.8bn, the sector is supported by over 350,000 workers and 33,500 enterprises, including solicitors, barristers, patent agents, notaries and bailiffs. This is predicted to grow at around 1.3% per annum, driven primarily by increased demand from M&A, equity capital raisings and property transaction activity.

This category is defined by the firms in the top 200 law firms in the UK, of which 48 have a presence in the Leeds City Region. These larger law firms are the most advanced in terms of their investment in and engagement with technology. This group is also bullish in their view that there is great potential for Leeds to grow its legal market as a centre of excellence for innovation outside London.

Lawyers themselves are adapting to change and increasingly need to have expertise in technology as part of their daily work, as well as needing to be able to advise tech driven businesses. For example, on M&A due diligence reports, more and more reporting is electronic and interactive rather than in word document. Also, data rooms are now digitally managed, with stakeholders able to securely access and interrogate a repository of data and information.

The law firms we spoke to in this category acknowledge the Leeds legal community will benefit from being at the forefront of legal tech and innovation, but feel constrained by the highly competitive environment in which they operate. There was widespread acknowledgement that Leeds Law Society and Leeds City Council have combined to deliver some good events.

Leeds has always had a large pool of lawyers and continues to attract very high calibre talent. However, lawyers entering the profession now want to know that the

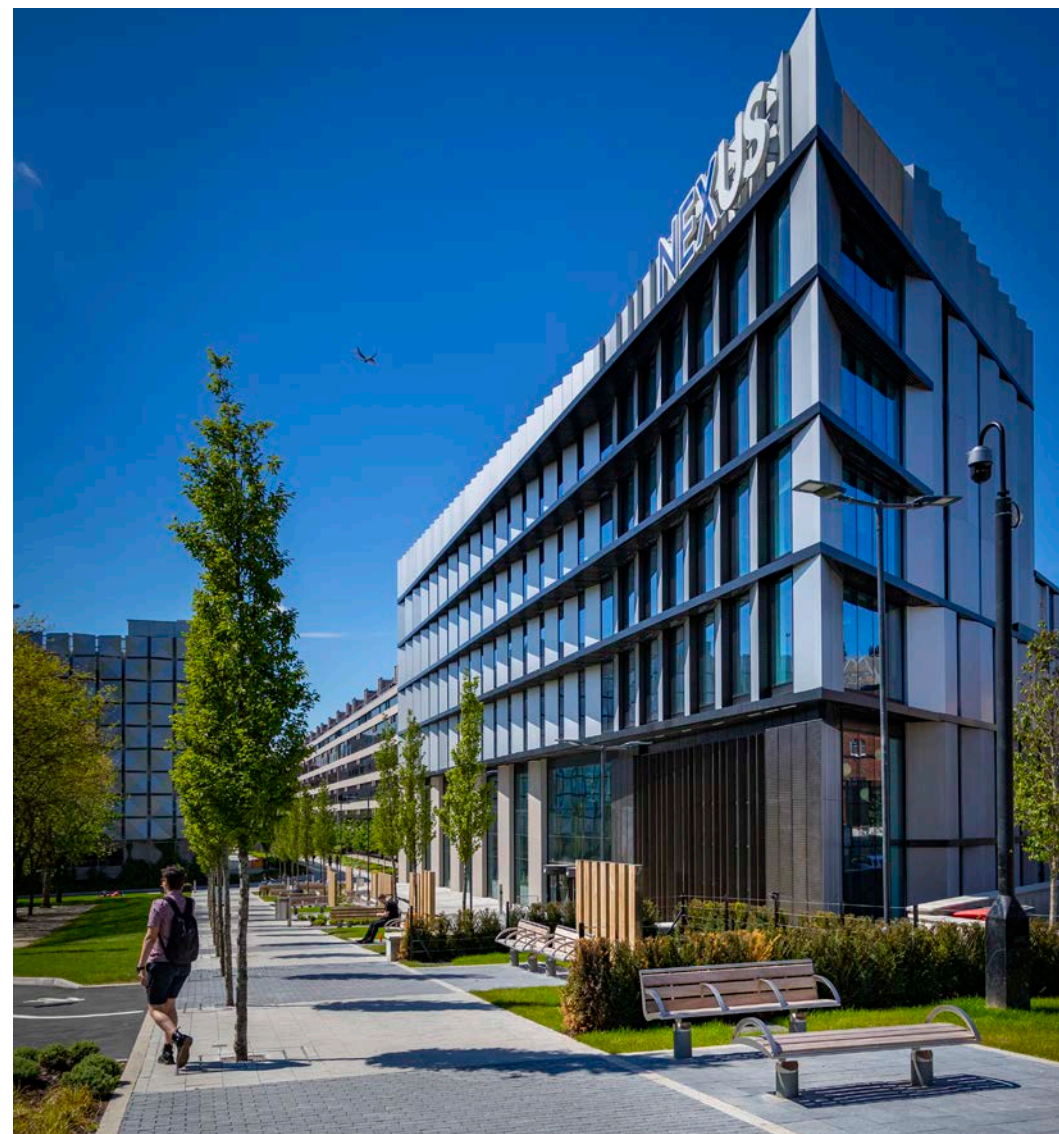
firm they join is looking to the future and well equipped to deal with the opportunities and challenges. Much of this places focus on the need for the firms in the region to be seen to engaged in leading edge capability such as data science, the use of legal technology, and their ability to provide a modern and engaging workplace. It seems logical that it will benefit the region to establish a reputation for being leaders in legal innovation, and that the larger firms can play a key role in this.

Key developments:

- In September 2017 **Addleshaw Goddard** launched its AGID (Intelligent Delivery) proposition, working with High Q as the tech provider. The AGID team includes tech lawyers, consultants and legal project managers.
- **Walker Morris** is the largest single site law firm in the UK with over 500 people in Leeds. The firm has been trialling various tech tools including the use of AI.
- **Gunner Cooke** now has more than 200 partners nationally, with an increasing presence in the regions. Whilst London, Leeds and Manchester are the three main locations, it is exploring new hubs nationwide. Despite being less than 10 years old the firm is listed within the top 200 law firms in the UK and recently won the award for National Large Law Firm of the Year in the Law Society Accolades.
- **Squire Patton Boggs** has a global team of more than 2,600 employees, with more than 1,500 lawyers in 45 offices across 20 countries. The Leeds team consists of over 250 people. The firm has a number of AI and related technologies already in situ – with more being considered. Global Edge is an international employment law platform for clients, and the firm has other internally developed tools/platforms including MyNextMatter and eBrevia.

Key developments continued:

- **Eversheds Sutherland** is a global top 40 law practice and provides legal services to a global client base ranging from small and mid-sized businesses to the largest multinationals, acting for 66 of the FTSE 100, 73 of the Fortune 100 and 119 of the Fortune 200. With more than 3,000 lawyers, the firm operates in 68 offices in 32 jurisdictions.
- **Eversheds Sutherland** has around 2000 lawyers in the UK, and over 500 staff in Leeds. Every practice group has at least one legal technologist. Konexo, a division of Eversheds Sutherland, is a global alternative legal service and compliance provider, which delivers its managed services from Leeds.
- **Stewarts** was the first law firm to collaborate with Solomonik, now a leading litigation analytics start up. Solomonik is dedicated to bringing a data-led approach to litigation intelligence and decision-making. Leeds-based Tom Matusiak is directly involved for Stewarts.
- PE-owned **Stowe Family Law** generates 80% of its new business via digital channels, and is focused on demand generation and conversation. In family law, consumers prefer to have a local lawyers, even though the average time face to face is just 2-4 hours over 18 months of a case. The firm will be testing if this is still valid later in the year.
- Wakefield-based **Minster Law** is one of the UK's top 100 law firms but categorises itself as an insurance legal services provider. It has a B2B2C model, and work comes from brokers and insurance partners. M&S, Post Office and others are among its clients.
- **Shoosmiths** has developed its Cia (Contract: intelligent analysis) system to review and amend contracts using artificial intelligence. Cia, developed in partnership with Thought River, was nominated for 'Alliance of the Year' at this year's British Legal Technology Awards.
- **Pinsent Masons** has a Product Services Group which is part of the central Technology Services team. The Product Services group consists of three key areas: Product Services team (which services requests for document automation, case and task management and online instruction), Legal Review Services (which uses an in-house technology for due diligence projects) and the Portal Services team (which uses HighQ and SharePoint, to service requests for portals including deal, relationship and knowledge portals). The firm has built a due diligence tool and case management tool in house.



Stakeholder perspectives: Large & mid-size law firms

"We spoke to a Californian based legal tech fund who were looking for lawyers as co investors in the fund and a testbed for new ideas. The opportunity to be involved at an early stage and help shape things was attractive. We need to understand what our clients would find helpful. We need to work with clients and tech firms."

Malcolm Simpson, Managing Partner, Walker Morris

"Our unique model offers the ability for agile working with a focus on client delivery. Gone are the time sheets, politics and unnecessary internal meetings – the majority are self-employed, with the back office support and tech provided centrally. You need to have a following or network from which you can source work, but the ability to work with and for people of a similar mindset allows a more tailored service for clients and a superior work-life balance meaning you are fully in control of your own destiny."

Asad Ali, Partner, Gunner Cooke

"Factors such as improved efficiency, positive change (driven by client requirements), a more diverse workforce, simplifying tech and adopting new legal solutions automation and focussed innovation should all be considered opportunities."

Paul Mann, Corporate Partner & UK Head of Private Equity, Squire Patton Boggs

"We are investing to replace legacy systems to bring them into reasonable current platforms, which in addition to providing core functionality is to produce more interesting things like process mapping, automating some of the deal preparation work."

Jonathan Oxley, Chairman, Lupton Fawcett

"The large law firms would say a lot of their clients want a more traditional engagement and are willing to pay for it. Things like managed services could lead to a tipping point. We need some innovators to come to the fore."

Rob Warren, Director, Law, EY

"We weren't the first law firm to get PE investment, and we won't be the last. It has helped modernise the business. We are now one of the most data rich law firms in the market. We run the business on data."

Tor Burns, Chief Marketing Officer, Stowe Family Law

"We work on a fixed fee - but we have to innovate to find more efficient ways to do the work. Law firms don't work like this. We think our biggest competitor is not yet in the market. We have a similar strategy to our current competitors."

Shirley Woolham, CEO, Minster Law

"As well as the need to continually develop innovative solutions, there is also a need to educate the legal profession on legal tech. There are a lot of myths and misunderstanding among lawyers, which can lead to resistance to adopt and, worse, fear to adopt."

Tony Randle, Partner, Shoosmiths

"Legal tech can be a misleading term. Our team being part of Technology Services helps people understand the right positioning. It's not rocket science, it's about deploying tech that already exists, into the legal sector by implementing it correctly."

Sarah Wilson, Head of Product Services, Pinsent Masons

"Law firms are moving the way accountants moved a long time ago – they don't just hire accountants they need consultants, projects managers etc. Law firms are now going head to head with these firms more. This is a logical extension of the offering, as otherwise clients can end up paying elsewhere for things like project management."

Georgina Powling, Partner, Addleshaw Goddard

"The skills of future lawyers are an area where we place significant focus. We see a requirement for stronger business skills and better understanding of the way client businesses work. Digital collaboration is going to continue to develop, and the work Lawtech is doing is really important. It's not just about lawyers understanding tech, it's about tech understanding law."

Adam Curphey, Innovation Engagement Manager

SME Law Firms

SME law firms share similarities to firms in other sectors

Margin pressure means legal tech could play significant role

Experienced the most dramatic digital acceleration of all parts of the sector during COVID-19

Highly fragmented part of the sector, hard to apply standardised technology and processes

Newer firms have a streamlined model and lower cost bases

When conducting the research, we observed that the small and medium sized law firms have the same characteristics as SMEs in other sectors. Leeds City Region has been proven to be a strong location for growing an SME business, and Leeds has more scaleups (96) than any other Local Authority outside London.²⁰ The potential to grow digitally focused businesses is also strong, as Yorkshire has seen 48% growth in digital sector employment in the last 3 years, with employment rising from 58,000 to 86,000, higher than any other region in the UK including London, with 66% of the roles based in the Leeds City Region.²¹

There are vast differences between small law firms and large ones by nature of work, clients and organisation. As one person we spoke to remarked, "it is almost like a different legal profession". The pressure on the smaller firms to realise the benefits of technology in order to maintain satisfactory margins is growing and will draw these firms more towards assessable tech that can help them operate more efficiently. In this regard, we observed a strong use of Microsoft 365 amongst these firms.

Our online survey found small law firms are currently perceived to be the weakest sources of innovation in the ecosystem. In terms of introducing large scale changes in the sector this may be a fair reflection, but the impact these firms can have on introducing new practices should not be underestimated and in light of the COVID-19 pandemic, they have accelerated the digitisation of their working practices and client engagements in the same way that all small businesses in the UK's service sectors have needed to. The recommendations of this report

aim to directly address some of the requirements of the SME law firms, and to generate increased support for this important part of the legal sector in the region.

Whereas the larger firms have multiple service lines, smaller law firms generally operate in a smaller number of areas of expertise, sometimes only one. There are around 1500 small law firms in the Leeds City Region, which highlights the fragmented nature of the sector. The eclectic mix of work undertaken by these firms means that the standardisation of processes and technology across the sector is extremely difficult. We did however find that individual firms are working toward case management, workflows and processes than can be joined up to make them consistent and reduce data duplication.

We spoke to a number of small law firms and ABS firms tackling things differently. Firms which have been established over recent years demonstrate more variance from the typical model for law firms. Many are limited companies, and features such as fixed fee pricing or flexible working arrangements for staff are more commonplace than were observed in older more established firms.

²⁰ Scaleup Institute: The Scaleup Index (2019)

²¹ Tech Round: New Research Reveals the Best Place to Grow a Tech Business in the UK (2020)

Highlights

- Leeds-based **Thrive Law** has been selected as a mentor to the SRA on diversity and inclusion; the only non global law firm to be asked to do so. Subsequently in August its founder and managing director, Jodie Hill, was invited by the Law Society to sit as a member of its Employment Law Committee.
- **Berwins** has expanded its footprint beyond its original Harrogate base, and now has an office in Platform in Leeds and a London office. The firm has multiple service lines but has a specialism in the tech sector, and has created a separate brand (Berwins Digital) to support the growth of this part of the business.
- **Holden Smith** is a relatively new law firm, started by two ex-partners in a Leeds firm. The firm is an ABS which started in Denby Dale as a conveyancing practice and has now expanded into areas such as family and probate. The firm's operating model is built on the agility of tech and software. In 18 months the firm has grown to 25 staff and has three offices. The model is to take offices in non-central parts of cities and towns.
- **Ridley & Hall** uses desktop software that means every fee earner can see what they are spending their time on. It also captures where business comes from, and enables overall reporting. It helps manage the firm and gives individuals an insight into how they are working.
- **Consilia Legal**, based in Leeds and Harrogate, launched an online mediation service in August 2020. The service was originally created during lockdown and offers benefits such as reducing travel time for parties, speeding up the process and removing some of the potential difficulties with face-to-face encounters.



Stakeholder perspectives: SME law firms

"I want some recognition for smaller firms. We can't get carried away with what the bigger firms think and want. There are more smaller firms than big firms."

Emma Pearmaine, Managing Partner, Ridley & Hall

"Smaller firms can still afford LegalTech. Office 365 is an affordable software which most law firms already have and that LegalTech and LawTech suppliers build on through APIs."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd

"I think there will be more and more boutique firms. 'Run off' is a big issue – if you want to shut a law firm down you have to pay 3 x a year's premium, which adds up to a big financial deterrent."

James Smith, Partner, Holden Smith

"Small and medium sized firms may have less budget and the partnership model will be more of an issue. It will be harder for them to invest. Maybe there will be more collaboration and more standard tech products that firms can use. Smaller firms may consolidate, or be acquired if they are seen to be tech savvy. Being really good at specific niche things rather than trying to compete on numerous fronts with larger firms may be more prominent."

Sarah Wilson, Head of Product Services, Pinsent Masons

"The SME law firms will have the best opportunity to innovate and do things differently as they could test and build something different. The large firms will find this harder."

Zandra Moore, CEO, Panintelligence

"COVID has been a massive challenge. We were due to invest in a remote server or go cloud based next year which would have enabled 50% or all of the firm to work remotely. Suddenly we needed 100% now. We are not big enough to have internal IT, we use an external firm. We always felt certain parts of the business couldn't work from home, but it turns out they can. About 20% of workforce had laptops. We drove people's desktop computers to their homes."

Emma Pearmaine, Managing Partner, Ridley & Hall

"As a firm we are cloud based and paper free. We use Adobe Sign for document signing. We use Microsoft 365 and we use Teams to communicate and for workflows. We use WhatsApp a lot, we use voice notes to exchange information that doesn't work so well in an email. Everyone has always been able to work from home at Thrive. We have flexible working hours. We don't track time, we just trust our people."

Jodie Hill, Founder, Thrive Law

"What has really surprised me is how much better our systems can be when bought on a 'pay as we go' / SaaS basis. Bigger firms have legacy issues with data and old systems. It's made it much easier for us to manage through COVID. Our systems for social media, PR, IT, case management, quoting portal, searches, and cashiers are all external. We have a streamlined model, with a lower cost base than you'd expect."

James Smith, Partner, Holden Smith

"Lots more documents are now being sent in by email. Post risks delays, even more so recently. Electronic copies are better for Chambers as easier to file, manage and find in future. Some barristers still have a preference to work from hard copies."

Rachael Duck, Office Manager, Parklane Plowden Chambers

"Law firms expect people to engage with legal services via outdated methods, analogue and between the hours of 9-5. This is unlike how they access any other service. Small firms are more agile and able to adapt but may have limited appetite or resources for technology investment, whereas larger firms can engage in intrapreneurship as they can afford to take the risk and on-going costs."

Paul Berwin, Senior Partner, Berwins

Other legal services providers

Big 4 professional services firms are investing in legal capability and making progress with integrated propositions

ABS firms are innovating around their service offering and technology

Challengers and disruptors are increasingly active in the sector, including some innovative operators in the Leeds City Region

There is potential for big tech firms to make a major impact

As is touched on at various points in this report, the big 4 professional services firms are making progress in developing an integrated proposition whereby they can essentially offer a part-time team of finance, tax and legal advisors, as well as company secretaries. These firms are advanced in the way they provide corporate services, and pose a significant competitive threat to the incumbent legal sector within the service lines they choose to operate.

Beyond the large professional services brands, there are other legal services providers active in the region, including ABS (alternative business structures) firms. The Legal Services Act in October 2011 allowed non-lawyers to own practices, which opened the industry to many new entrants, subsequently increasing price competition. ABS also provides flexibility for law firms to grow their business through external investment, in theory allowing smaller firms to grow quicker, although only 12% of ABS firms claim to have used external sources of finance so far.²² ABS firms are over 3x more likely to use technology and are among the types of providers with the highest levels of service innovation.²³ As of May 2020, there were about 1,300 ABS licences issued across the UK as a whole, although 10% are no longer in effect.²⁴

The most prominent disruptor brand in the Leeds City Region is radar, a specialist litigation and commercial law firm with a subscription based business model led by ex-DLA lawyer Gary Gallen. radar was first and still the only law firm to qualify for the Sunday Times Tech Track 100, the Deloitte Top 500 fastest growing Tech Companies in the EMEA region and is the only law firm to be listed in the Tech North Top 100 fastest growing Tech Companies for the last 4 years. radar has created a platform of legal knowledge

and bespoke digital tools that automate and provide a new intranet of governance for their clients which include Grace, which is a digital automated, voice activated legal advisor utilising some of the features of the IBM Watson platform. The IBM Watson team has acknowledged Grace to be the most ambitious and sophisticated legal AI system they have so far seen.

On its website, the firm states: "At radar, we are changing how businesses engage with their lawyers and challenging the way a traditional law practice operates and delivers its services. Our people work with businesses to help manage their legal risk and associated problems. We specialise not only in the management of legal crises, but also in the education and prevention of them in the first place."

As is the case with many established sectors, the threat of the big tech brands looms large, albeit there is little sign of any such activity in the UK at present with most initiatives being US-focused. Google already has one of the world's largest internal legal departments with an estimated 1,000+ people globally, and is known to be actively using things such as contract analytics and machine learning.

As long ago as 2011 Google was showing an active interest in the legal tech market, when it invested nearly \$20bn in RocketLawyer via its Ventures arm. Last year Amazon launched the 'Amazon Intellectual Property Accelerator', an online network of IP law firms which provides trademark application and registration services at pre-negotiated rates. It is specifically targeted at small and medium size businesses (SMEs), with the services delivered by an approved panel of 11 US-based law firms that specialise in trademarks and copyright.

²² CSES: Impact Evaluation of SRA's Regulatory Reform Programme (2018)

²³ Legal Service Board: Technology and Innovation in Legal Services (2018)

²⁴ Stephen Mayson: Reforming Legal Services Regulation Beyond the Echo Chambers (2020)

There is a concentration of debt recovery focused law firms in the region, each of which is an ABS:

- **Lowell Solicitors** is a specialist law firm providing litigation services to the Lowell group of companies (which employs around 4000 people across Europe). One in four UK adults has had a relationship with Lowell, Europe's second largest credit management company. Lowell recently acquired Lucas Credit Services (based in Bradford), and post-integration, the strategy is to offer end- to-end services to the market, including debt collection and litigation, by becoming a dual-regulated business (SRA and FCA). Lowell Solicitors is already one of the largest users of the County Court system when considering claim, judgment and bailiff activity. The firm has around 300 colleagues, including four solicitors and 21 paralegals, and has conducted over 1.4m cases.
- Leeds-based **Drydensfairfax** is part of Arrow Group and is the UK's largest law firm focused solely on the recovery of debt. In 2003, Drydens Lawyers was formed following a demerger from corporate law firm Hammonds (now Squire Patton Boggs). The business then merged with Fairfax Solicitors in 2012 to create a volume legal provider focused on collections and litigation capability.
- **Optima Legal** in Leeds is an ABS firm which is part of Capita plc's Specialist Services Division, focusing on property, litigation and recovery services. The firm recovered over £25 million in 2019 and manages over £30 billion in client monies.
- **BW Legal** is UK's largest independent debt recovery law firm, with over 250 staff based in its Leeds head office.

The big four professional services firms are increasingly active and have a strong presence in the Leeds City Region:

- **Deloitte Legal** has now grown to more than 250 people in the UK, delivering technology-enabled legal solutions in areas such as employment, litigation, corporate and commercial and immigration, including more than 85 client-facing practicing lawyers.
- **Deloitte Legal Ventures** is a programme that connects lawyers with early stage companies to accelerate the adoption of legal technology.

- **EY Law** started in UK just over 5 years ago and is now over 100 people across the UK in different areas including: corporate/M&A, employment, IP and commercial law. It aims to provide an integrated service to clients, working alongside other service lines within the firm. EY has recently acquired Riverview (a managed legal services provider to large corporates) and Pangea3 Legal Managed Services.
- **KPMG** has approximately 2800 lawyers internationally with legal technology teams across the world. These legal tech teams focus on technology and innovation within KPMG leveraging the wider firm in terms of technology, digital and other relevant areas. The head of the UK team, James Thomas, is based in Leeds and in 2019 was voted one of the top ten legal technologists in the world by the Financial Times.

There are also a number of other notable firms operating in the legal services sector:

- Chrissie Lightfoot, a global award winning entrepreneur, consultant and LawTech innovator, Non-Executive Director, best-selling author, writer, legal futurist, legal technologist, and LawTech investor, lives and works in Leeds from where she runs a global consulting company (**EntrepreneurLawyer Ltd**) and a LawTech startup (**Robot Lawyer LISA**).
- Leeds-based **Alpaca** provides an integrated professional services proposition which includes legal services. Co-Founder and CEO Richard Turner describes the firm's clients as 'enlightened SMEs'. The firm usually deals with owner managed businesses with revenues of £5-30m.
- **Legal Studio** is a law firm based in Leeds, which requires lawyers to generate their own work but provides them with technology and support. The firm is a limited company but not currently classed as an ABS.
- **OMC Partners** is a specialist legal consultancy founded in 2006 and managed by Matt Peacock, formerly a litigator at Pinsent Masons. OMC's work is split fairly equally across law firms and in-house legal departments and focuses on the effective delivery of legal services.
- Leeds-based **CurveBlock** is and has been using **SeedLegals**, a subscription-based legal service, since it launched. The service enables the firm to get standard documents at any time and has around 15k customers, the majority of which are early stage companies. It is a hybrid service, with telephone based support and advice also available for bespoke requirements.

Stakeholder perspectives: Other legal services providers

"We recognise that our multi-disciplinary approach and global footprint is a strength because we're able to leverage our broader team in areas such as tax or consulting to ensure we have a wider knowledge base from all areas when tackling a client problem - not just legal. We've seen huge client demand for this and many clients prefer an integrated service which provides a holistic solution to a problem, not just to the legal part of the problem."

James Thomas, Head of Legal Tech & Innovation, KPMG

"I think in some areas the accounting firms are competition but I don't think they will go full service. They like 'managed legal services' retainer type work and volume work, as they have scale. Other areas are ancillary to their offering, such as tax advice and corporate finance, but not things like litigation. I wouldn't be surprised if they come up with the disruptive tech solutions, but at the moment I feel the law firms still hold the relationships with the in-house legal teams."

Georgina Powling, Partner, Addleshaw Goddard

"The sector is behind some other sectors but legal tech is quite an established thing. Law firms don't tend to be forward thinking but there's a flurry of activity across the sector and firms like the big 4 have helped drive this as they are tech savvy across other sectors they serve."

Rob Warren, Director, Law, EY

"We decided to set ourselves up differently. The lawyers have to bring their own work, we don't generate it. We enable them to run their own law firm but without the risk, and we pay them 75% of the work they bring. We can run on tight margins as we run of a low cost base. We provide the system and infrastructure."

Ian McCann, Chief Engagement Officer, Legal Studio

"Our engagement with the big four has changed massively. They know audit work is becoming more commoditised and they are looking to get more into other professional services work. They are brilliant at C level relationships. One issue they have is that they are a group of four large organisations and can have complex decision making challenges. They will undoubtedly offer a wider range of legal services moving forward."

Chris Fowler, General Counsel, Technology, BT

"In our experience we find clients don't like hourly rates, they just want certainty. It's rare we work on an hourly rate basis. Sometimes we price on a range rather than fixed fee."

James Smith, Partner, Holden Smit

"If we listed our competition, it would be other large law firms and the big four professional services firms. They have big budgets and have done this before in other sectors. They are looking at how to provide legal services from scratch without the issues of legacy systems and the partnership model. Pinsent Masons' strategy is to be a professional services firm with law at its core – we recognise that in order to provide quality service to our clients we need more than lawyers."

Sarah Wilson, Head of Product Services, Pinsent Masons

"Clients increasingly want a 'one stop shop' for legal services. By drawing on the vast array of expertise that sits within Deloitte, we can advise clients seamlessly when legal solutions need to complement other areas of their business."

Laura Bygrave, Innovation and Ventures Lead, Deloitte Legal

"If I were a law firm I would be more worried about the big tech brands getting into law than I would be about the big 4 professional services firms. The sector relies on knowledge and process and this is where firms like Google operate well. I think it's a matter of time before one comes into the sector in a meaningful way."

Darren Mee, Partner & Management Consulting Lead, RSM UK

"We can learn a lot from the big 4 professional services firms regarding the effective use of technology. Law is a people business at heart, but those that embrace technology as a means of supporting lawyers in driving productivity and enhancing the customer experience will fare well in a highly competitive market."

Peter Allchorne, Partner and Head of Innovations Lab, DAC Beachcroft

"Three key areas we are focussing on are: supporting our Client to ensure only the most appropriate cases are taken to litigation (such as with selection models built around a neural network); working to provide multiple channels for people to engage with us - their "channel of choice" (eg digital self-serve, webchat, telephone etc), and having the right people to provide expertise when it is required."

Eddie Harrison, Director of Strategy, Lowell Solicitors

Stakeholder quotes: taking a client perspective

"Clients are not getting any less demanding. Their needs are becoming more complex and their legal spend budgets – internal and external - are continually under scrutiny."

Matt Peacock, Managing Partner, OMC Partners

"It's great to be able to be serviced by some of our Global Primary Panel law firms like Addleshaw Goddard, Eversheds Sutherland Pinsent Masons not just from London, but from Leeds too. We are increasingly asking our top-tier UK law firms to partner with us using their regional teams more extensively, and to not simply default to their London teams. Leeds will continue to benefit from this decentralising of service-delivery."

Richard Crabb, Head of Commercial Management, Technology & Innovation, Global Legal, HSBC

"Activity at the moment is limited, niche, it's internally focused and efficiency focused. These things won't really change the profession and they are not helping the client in the right way. Law firms will not pass the savings on to clients and it is about improving their performance so that they can likely charge more whilst reducing overhead. Until you change the business model you won't change the profession. In my view, the billing model, incentivisation, client engagement, corporate structure - they all need changing."

Gary Gallen, Founder & CEO, radar

"Being in the legal function at BT is very different to being in-house in an SME. For BT, one big driver is automation and process efficiency. We are constantly being asked to find cheaper and better ways to deliver the service to BT."

Chris Fowler, General Counsel, Technology, BT

"The fusion of tech and the legal sector is important. It's currently dominated by lawyers building things for lawyers. But where does the client sit? Most firms don't have a lot of experience of improving the client experience."

Paul Smith, Head of Professional Services, Calls9

"I think the majority of law firms don't engage with AI LegalTech unless they are forced to either by their clients or their competitors deploying it i.e. fear of losing clients to them. They prefer to adopt the wait and see approach. A lot of the LegalTech providers started providing direct to General Counsel, often clients of the law firm, which is what primarily woke the law firms up to either buying-in or developing proprietary Legaltech."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd

"When I worked in a law practice the number one source of complaints from across the profession was around communication – particularly with private clients rather than corporate and commercial. This has been exacerbated by the rise of client expectations driven from other sectors plus the addition of social media and instant feedback and online reviews. If it's not a great experience for the client then it's also not a great place to work, which is bad for the people employed in the sector."

Lauren Riley, Founder, The Link App

"Many firms have developed their own innovation labs / design hubs in the last 18 months. These are often pointed at increasing efficiency for the firm via legal tech solutions, rather than being created with a specific client need in mind. This can be confusing for clients, who prefer solutions that are already within use in organisations, not new tech installations. As an example, Microsoft 365 has huge untapped potential."

Matt Peacock, Managing Partner, OMC Partners

"I agree with the view that law firms are not customer-centric. Once the challenger firms start to get market share things will change. But it's also about the clients and what they want to buy. They need to be willing to buy non traditional services."

Rob Warren, Director, Law, EY

Technology & Innovation

Technology

Innovation

LegalTech & RegTech startups & scaleups

Technology & Innovation - key themes

Technology

- Law firms are followers not leaders in tech adoption, and legacy issues are common
- Investment has been focused on automation, with cybersecurity also a priority
- The legal tech providers in the region are primarily service providers rather than being LegalTechs themselves
- There is a reliance of law firms on external providers

Innovation

- Significant internal barriers to innovation include the partnership-based model and risk aversity
- New business models are being introduced by new entrants and challengers, but these are not being applied to existing law firms
- ABS providers are seen to be the most innovative part of the sector

LegalTech & RegTech Startups / Scaleups

- The UK startup / scaleup sector is small but growing fast
- Founders have a strong tendency to have a legal background
- The primary focus of LegalTech at present is on efficiency rather than disruption
- LegalTech in the Leeds City Region is in its early stages, with more activity evident in RegTech

Technology

Law firms are followers not leaders in tech adoption, and legacy issues are common

Investment has been focused on automation, with cybersecurity also a priority

The legal tech providers in the region are service providers rather than being legal techs themselves

There is a reliance of law firms on external providers

Nationally, law firms have commonly been referred to as followers regarding the adoption of technology and this was found to be reflected across the Leeds City Region too despite every firm acknowledging the need for ongoing investment in technology. Predominantly, we identified there is substantial 'non-innovative' technological advancement in the region's sector such as the modernisation of existing systems or migrating to the cloud.

Much of the legal sector still relies upon on-premise software which, in addition to other legacy issues, stops law firms from embracing change at the pace observed in other industries. Case management systems are core functionality for law firms and barristers but were commonly cited as sources of legacy issues by the tech suppliers we surveyed, with the providers dominated by a small number of players restricting choice and flexibility for legal service providers within the region. For law firms, the choice of provider appears to range between 4 -10 main systems whilst for barristers, the choice is narrower, with two main choices of systems for chambers (Lex & Advance Legal). Modern applications are now challenging the status quo in this space, and are providing integrated services such as case tracking, document sharing, e-signature, milestones, and secure messaging; all of which have begun to be adopted in the region.

Most firms in the industry are increasing their spending on technology from the 2018 average of 2 - 5% revenue in top 100 firms and 0.8 - 2% revenue on innovative tech.²⁵ We found this to mostly include technology that reduces human error and speeds up routine work in the region; increasing time employees have to

engage in more valuable activities. These have largely been advancements using AI, blockchain and smart contracts.²⁶ Moving forward, tasks such as document scanning and analysis will become commoditised, and the adoption of e-discovery, cloud software and anything AI based is expected to increase. There are also growth opportunities in data if the sector can mitigate concerns of data sharing and sensitive information; Blockchain may offer some of the answers. Spending on cybersecurity has increased as securing confidential client information has been a priority for law firms. According to the insurance company QBE, £85m had been stolen from UK law firms by hackers. Clearly a breach in cybersecurity could heavily hinder reputation, diminishing competitiveness.

The legal tech providers in the region are service providers rather than being LegalTechs themselves, aligning to our online survey which found tech suppliers are seen as the most innovative in the ecosystem. 69% of law firms responding to our online survey said their tech was engineered both by suppliers/partnerships & internal, while 31% only used suppliers/partnerships. Not one respondent developed their tech purely in-house. Digital tech capability was cited in the survey as representing the biggest source of innovation in the Leeds City Region, which suggests the region could consider aspiring to position itself as a hub for sourcing technology for law firms.

²⁵ HSBC / The Lawyer: Investment Trends in Legal Technology (2018)

²⁶ IBISWorld: Legal Activities in the UK (2020)

Key developments in the region:

- Key areas of focus for **HSBC's** Global Technology & Innovation team include optimisation and continued roll-out of its global eBilling tool – Thomson Reuters' Legal Tracker, as well as the adoption of HighQ and KIM Technologies as workflow and collaboration tools are more deeply embedded across the legal function. Some more recent developments include the testing of legal services RFP and eAuction tools and leveraging the capabilities of Microsoft365.
- **Squire Patton Boggs'** Innovation Initiatives Committee is tasked with developing recommendations and a business plan for the leadership team. Its areas of focus are tech-led, including Artificial Intelligence and related technologies, analytics, incubators, think tanks, partnerships and spin offs.
- **radar** has an AI platform for legal automating the more manual repeatable activities, automating advice, and documentation templates.
- Bradford-based **Eclipse Legal Systems** is a successful provider of Case Management, Practice Management, Matter Management and Process Management Software. Its Proclaim system is in use by over 25,000 professionals. In June it was sold by Capita to Access UK for £56.5m.
- **Linetime** is a Yeadon-based provider of software and services to the legal sector which has been trading for more than 30 years.
- **Thomson Reuters, Lexis Nexis, LEAP** were other commonly referenced case management providers throughout the research.
- **LexisNexis** has a product development team in Leeds.
- **Panintelligence** provides a white label dashboard, reporting and predictive analytics tool used by legal software solutions to enhance the data insight capabilities of their solution (which is also used in other sectors). Regional clients include Eclipse and LineTime.
- **BJSS** is one of the success stories of the Leeds tech sector, having enjoyed stellar growth over recent years. Although the tech consultancy has worked in the legal sector, it is not currently one of its priority sectors. It does, however, carry out regulatory work, mainly in the finance and energy sectors.
- **Lowell Solicitors** utilises technology that has, primarily, been developed in-house or with technology partners, and has plans to invest further in technology, some of which is already in use or being trialled within Lowell, such as Robotic Process Automation, Machine Learning, and AI-driven decision making. Through its parent company, the firm can also leverage Lowell Labs, an advanced analytics centre of excellence in Amsterdam.



Stakeholder perspectives: Technology (legal sector)

"We know that Leeds has thriving tech and fintech sectors. We would welcome steps to bring more collaboration between law in Leeds and those sectors. It is logical to bring these sectors closer together to improve awareness to those sectors of the legal offering in Leeds, and increase collaboration with the legal sector, benefitting clients."

Tom Matusiak, Legal Director, Stewarts

"There's a big difference between private clients (consumers) and business clients, with the latter tending to be far more knowledgeable and sophisticated in their requirements. There are some very savvy clients. The more transparent you are, the better the relationship is as the client can see what the time is being spent on. Transparency and tech tend to go hand in hand."

David Barraclough, President, Yorkshire Union of Law Societies

"Collaboration between competitor panel law firms for the benefit of their shared client is a vision, an aim, but it is challenging. Often it needs a client to lead the way and demand that all its panel firms use a single technology. There's a tendency for all law firms to believe (and to tell their clients) that their system is the best. Collaboration makes sense, but it needs a client to lay down the law, and insist what tech is used."

Mark Collins, Senior Technologist, Eversheds Sutherland

"As a profession, barristers are slowly transitioning from paper-based to more modern ways of working. The trend is for chambers to move to smaller premises with better client facing areas, but fewer desks."

Andrew Sugarman, Barrister, Park Lane Plowden

"If someone was able to get the legal sector to agree on data, application, naming conventions and process standards it would be hugely beneficial and improve efficiencies. The sector is heavily reliant on integration so a standardised process would be significant."

Mark Downs, Partner & Head of IT, Blacks Solicitors

"We built our own case management system based on Eclipse's Proclaim platform. We felt this was the best way to give flexibility on front end digital capability, as it enabled us to invest in where we could create competitive advantage, namely integrations, digital touchpoints. Moving (and analysing) data effectively is key for us."

Shirley Woolham, CEO, Minster Law

"We are looking to innovate and invest in a wider range of LegalTech solutions including e-discovery, complete new solutions, and cryptographic solutions. Innovative use of technologies and ways of working will help us provide a more efficient service to our clients and allow our lawyers to focus on delivering high quality support."

Andrew Dyson, Managing Partner, DLA Piper

"We anticipate more collaboration between lawyers and software / technology businesses. There has to date been a degree of disconnect between lawyers (who know about the law and about their own businesses but not much about technology) and software / technology businesses (who know a lot about tech but not much about the particular applications of tech in the practice of law or what it takes to get a lawyer to adopt the tech)."

Tony Randle, Partner, Shoosmiths

"We work with a lot of legal tech providers and also with our clients to achieve real tangible benefits from tech. We are aiming for a data-focussed approach that uses and reuses data wherever they are needed; in process, in forms, in documents, in reports, but keeping the data live and accessible. We use AI and Machine Learning across multiple parts of the firm, for example in contract review, to ensure that our operation is data rather document-centric. AI is extremely useful to help us digitise a portfolio whose data have been, till then, locked away in documents."

Mark Collins, Senior Technologist, Eversheds Sutherland

"Even at the higher value bespoke end of litigation coding to automate aspects of documents will become much more prevalent than it currently is."

Tom Matusiak, Legal Director, Stewarts

"Change and organisational upheaval creates resistance. Senior management need to passionately lead change and create a strong line of communication about the benefits. To remain competitive in a digital age of rapidly growing technologies, the need to recognise and engage with disruptors at an early stage is paramount."

Renato Peral, Commercial, IP & Tech Senior Associate, Squire Patton Boggs

"Internally, we are streamlining business services in areas such as HR using no code and low code automation platforms. Automation and RPA are firmly on our radar."

Jon Heeley, Global Solutions Centre Manager, Reed Smith

Stakeholder perspectives: Technology (providers to the sector)

"The tech we will use in the legal sector is on its way but it's not here yet. Many firms will struggle over the next 10-15 years as their business models won't work. They think legal tech is document tech, there's not enough awareness of what else is possible. It's a traditional industry."

**Patrick Grant, Project Director (North)
Legal Innovation & Technology, University of Law**

"Legal is very slow moving, there are many barriers and firms are risk-averse. They spend millions on better computing power rather than finding better ways of doing things. There is no real direction, everybody is waiting for someone to move first, and everybody on the outside is frustrated with the experience. It is time to wake up before they are irrelevant. A change of mindset is required."

Jamie Hinton, CEO, Razor

"We have worked with firms looking at the billing process, which can be easily automated. This can be onerous as it is often completed on excel spreadsheets. We looked at their processes to both streamline and automate them, to remove the risk of error and to speed up the process and release staff to work on more complex tasks. A lot of contract work can be automated, bots can for example read standard clauses in NDA's and contracts and advise if they are acceptable, leaving just the more complex clauses to be reviewed by the lawyers."

Sarah Green, Client Director, Symphony

"I've seen some firms develop their own case management and workflow systems, but they usually build in far too much complexity which means roll out takes too long, costs too much, and uptake is limited. I've seen some bold CIOs arrive at a firm and mothball projects, then buy something off the shelf instead to capture the required business benefits."

Matt Peacock, Managing Partner, OMC Partners

"BJSS is always monitoring the industry landscape, but entering a new sector - and meaningfully supporting it - takes substantial planning, investment, structuring and nurturing. In addition to our standard Digital Transformation offerings, we routinely support our clients with legal and regulatory technology programmes which help to achieve governance and legislative compliance."

Stuart Bullock, Managing Director, BJSS

"Every firm knows it needs to invest in technology. There is a fear that someone else will come up with a solution that makes their own redundant. A lot of the big firms feel they need to build their own tech, but it is a high risk and expensive strategy for a law firm to try to develop an internal entrepreneurial technology innovation team, it would make more commercial sense to find and invest in specialist partners"

Paul Smith, Head of Professional Services, Calls9

"The legal sector has never felt very accessible to us, even though we work in heavily regulated sectors such as financial services. We need to know what is important to the law firms, so we can design and adapt propositions that will be of value. It's definitely on our radar, especially for the product side of our business. Where there is repetitive work, there is a role for ML, AI or predictive tools. Operations and finance need to be linked to show where value and profit come from, and this must be an issue for legal firms."

Anna Sutton, Managing Director, The Data Shed

"The legal profession is still a conservative one where business leaders want to see a proven track record with technologies in their specific context before taking the plunge. This has limited the extent to which new tech like RPA has been used. I think the big opportunity for RPA is to enable legal services to be delivered in a highly automated and scalable way, rather than just using it to automate routine tasks in back-office areas."

Daren Mee, Partner & Management Consulting Lead, RSM UK

"It is a really interesting market. The use of legal data reflects similar challenges to those relating to medical data. Big data and machine learning would seem to be very relevant. We haven't been really close to the sector but are very interested to explore it. To date it's not been as big a sector as things like insurance."

Steve Anderson, Managing Director, Infinity Works

"There is a growing realisation in the legal sector that technology is an enabler to a better service, not an alternative to service."

Chelsea Boothroyd, Engagement Manager, Nexus

"Technology could bind together the legal community in Leeds and create economic value for the region. Legal work can already be completed at lower cost here, technology could bring those costs down further."

Alistair Maiden, CEO, SYKE

Innovation

Significant internal barriers to innovation include the partnership-based model and risk adversity

New business models are being introduced by new entrants and challengers, but these are not being applied to existing law firms

ABS providers are seen to be the most innovative part of the sector

As with the national legal sector, innovation in the Leeds City Region's legal sector is predominantly restrained by internal barriers. The partnership-based structure was identified as the leading prevention of innovation by the law firms and tech suppliers we surveyed as, along with the billable hour pricing model, it incentivises cost leadership, preventing true customer centricity whereby law firms are only incentivised to innovate from supply factors rather than responding to client demand.

Additionally, the partnership model and cost leadership mentality has engendered risk adversity, creating a 'follower' attitude to innovation, restraining the acceleration of legal tech and innovation despite the tremendous opportunity within the region to facilitate it.

Whilst most innovation in the sector is technological developments, there are some non-tech innovations within the region's legal sector. Some firms, such as rradar have challenged the billable hour model with a subscription based and pay-as-you-go structure in response to demand for better pricing transparency.

There is also evidence of evolution in organisational structure and job roles and some firms become more data driven.

Most of the innovation activity can be seen in ABS (alternative business model) providers who are said to have the highest levels of service innovation in the sector. This is primarily due to amalgamated service offerings as they are better able to provide complementary services. This is visible in the Big 4 accounting firms, all of whom have offices in the region, who have recognised that multi-disciplinary is a strength and enables them to leverage the wider team to ensure they have a wide knowledge base from all areas, not just legal. One large corporate we spoke to said it is giving as much as 25% of its external legal work to ABS providers, citing this group to be low cost and more agile in terms of people, technology and process. They also highlighted that they tend to provide more certainty and flexibility on price.

Key developments in the region

- Billable hour model, cost, internal resistance to change, partnership model was recorded as the most popular reasons for not innovating by the law firms we surveyed.
- 100% of suppliers to the legal sector said the partnership structure had prevented their law firm customers from innovating.
- **Brilliant Law** was the world's first law firm founded by non lawyers. It was founded in Leeds.
- **rradar** has been used by McKinsey as a case study of an alternative business model for a law firm.
- In 2019, **Reed Smith** became the first international law firm to gain an ABS licence. In December 2019, the firm launched TermJet, an e-solution that automates the production of online competitions, prize

promotions and sweepstake terms and conditions. Additionally, Gravity Stack, Reed Smith's legal tech subsidiary, has adapted its natural language processing (NLP) software to meet client demands for a turn-key solution to COVID-19-related contract management.

- **Government Legal Department**, a non-ministerial department which is the government's principal legal adviser, has created a new role of Innovation Engagement Manager, reporting to the Director of Knowledge. The new role is based in Leeds.
- **DAC Beachcroft** uses its Innovations Lab to explore opportunities to engage with disruptors, which to date has included interactions with startups relating to its claims subsidiary. Projects include an AI powered motor liability assessment tool, and a secure platform for engaging with barristers.
- **Law Superstore**, a North East based firm, was the first in the world to do real time price comparison for legal services across multiple firms. Identifying that price and jargon can make it hard to talk to law firms, the founders set out to use technology to make this easier for customers / clients. During the course of this research we spoke with former CEO Matthew Briggs, based in Yorkshire, who told us that "Building the platform was the easy bit, getting the law firms to sign up was the harder part." The organisation was acquired by a law firm.
- **Shoosmiths** has two Partners whose time is almost 100% dedicated to the development of innovation. The firm has developed a suite of Resource Solution products, designed for in-house legal teams, all at fixed prices and adopting innovative processes to reduce cost and time.

Stakeholder perspectives: Innovation (legal sector)

"Our model is intentionally designed to be different. The established industry will not change willingly. The best way to drive change, I decided, was for me to leave the profession and create a completely new business. There are lots of examples in other sectors, eg Starling, Your MD, Babylon Health and Lemonade. We do not promote hourly rates, we are subscription based and work collaboratively across industry sectors helping others succeed by sharing our intellectual property. We aim to make holistic solutions for clients that are platform based, accessible and user friendly."

Gary Gallen, Founder & CEO, radar

"People from Yorkshire generally take a common sense and logical approach, and they question hype. This means that innovation in Yorkshire is likely to be genuine and not marketing spin."

Tom Matusiak, Legal Director, Stewarts

"When we launched Innovations Lab in 2016, doing things differently in a legal business was something new, now it's in our DNA. We have to deliver the services we do in a more customer centric and efficient way. This doesn't exclusively involve tech but it often does. Many things relate to moving to a digital environment."

Peter Allchome, Partner and Head of Innovations Lab, DAC Beachcroft

"People are still talking about, and debating, the hourly rate and partnership model as they have been since I joined the profession 30 years ago. These are major restrictions but we are a profession that likes to talk and we are not great at being entrepreneurs and embracing risk. We do not promote hourly rates, we are subscription based and work collaboratively across industry sectors helping others succeed by sharing our intellectual property. People have asked us about franchising our model and partnering with us. This has included a big tech company, accounting and insurance companies wanting to offer professional services as well as other law firms wanting to adopt our model."

Gary Gallen, Founder & CEO, radar

"Niche firms and newer firms are moving more towards fixed pricing – it's becoming the norm. Traditional small firms and big internationals are more focused on hourly rates. There will be more platform businesses in future. They will take on the risk, and let the lawyers do the legal work. I think more law firms will become listed companies. If more firms move to retainers and subscriptions, this makes the model listable."

Ian McCann, Chief Engagement Officer, Legal Studio

"Our pricing model is one of the things we are grappling with. Nobody in family law offers fixed fee – the time investment is so variable. Some cases take years."

Tor Burns, Chief Marketing Officer, Stowe Family Law

"Minster is very innovative. We were the first to develop an in-house case management system, the first to go paperless, the first ABS, and the first to not require legal skills for legal work."

Shirley Woolham, CEO, Minster Law

"We encourage doing things differently within the legal sector and so we enable our lawyers to use technology for efficiency purposes to deliver services through new and innovative means. For example, we have developed publically available and free to access self-service products, such as our Cash Repatriation tool. Developing products like this and in particular making them free to access differentiates us."

Laura Bygrave, Innovation and Ventures Lead, Deloitte Legal

"As a larger law firm, we are always looking out to see where the next challenge points come from. We are keen to innovate and test new solutions."

Andrew Dyson, Leeds Managing Partner, DLA Piper

Stakeholder perspectives: Innovation (non-law firms)

"The legal ecosystem has shifted. There are now a whole range of different providers supplying legal services and products via alternative entities, including companies that are operating without any human lawyers. But the charging model in the traditional law firm set-up is still the same and I don't see partners changing this approach quickly. Things could accelerate if the regulatory environment made it more competition sensitive and lay people were more widely educated as to alternative options. If it was widely understood and accepted that there are non-law firms available providing excellent alternative legal services and products to people, it would certainly help."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd

"Law firms are stuck with the billable hour model. It's so dated, so few things work this way now. The age of open-ended hourly remuneration is going away – the internet has been a big influence. You either adapt and accept change, or you get left behind. A subscription model with a relationship focus would seem to be a better way to work. New challengers will be bolder and use subscription models more readily."

Joey Jones, Co-Founder, CurveBlock

"I hear a lot about innovation in the sector but I am often left somewhat underwhelmed by what it is and what impact it has. Often solutions are not new or novel to our clients. E.g. project management has been around for decades, but legal project management is much newer."

Matt Peacock, Managing Partner, OMC Partners

"We've seen fixed fee pricing grow. Our law firm clients are becoming more proficient at project management, process management and this makes them more comfortable with fixed pricing."

Matt Peacock, Managing Partner, OMC Partners

"To work successfully in the legal sector we'd need access to a progressive thinking firm. Most law firms bill by the time they spend on work and this data needs to be factored into the financial and resourcing models. I'm not sure how well the law firms target prospective clients or understand their KPIs. The time of the senior team in a law firm is really valuable, but how are their diary decisions made and based on what data?"

Anna Sutton, Managing Director, The Data Shed

"It's often harder for the medium sized, and larger firms to innovate. Magic Circle firms in London will generally have their own incubation plans around R&D, but those without the funding or ability to do this will struggle to stay ahead of the curve. Most firms I speak to aim to be fast followers. But someone needs to lead – they will steal a march if they do. Truly innovative projects within law will need to focus on specific sectors, they can't be grouped together in an umbrella firm anymore because the technology needed to improve processes in real estate for example, will look very different to those in employment."

Deb Hetherington, Head of Innovation, Platform Tech Hub, Brunwood SciTech

"There should be an Uber for legal work. So much of what lawyers do could be commoditised. Users would be able to post their requirements using conditional logic 'interview' technology, and lawyers could bid for the work. A rating system would provide quality control. Customers want legal output not a legal brand"

Alistair Maiden, CEO, SYKE

"We're advising a new startup law firm which will be entirely digital, based on the Microsoft 365 platform. Cloud is the big enabler."

Alistair Maiden, CEO, SYKE

LegalTech & RegTech startups & scaleups

The UK startup / scaleup sector is small but growing fast

Founders have a strong tendency to have a legal background

The primary focus of LegalTech at present is on efficiency rather than disruption

LegalTech in the Leeds City Region is in its early stages, with more activity evident in RegTech

In this section of the report, we use the term **LegalTech** to refer to startups and scaleups operating in the legal sector. Within the legal sector, these firms are also often referred to as **lawtech** firms, especially if they have a proposition which replaces the need for a lawyer or law firm in the delivery of a product, service or process.

There is limited data available on the UK's LegalTech sector. Tech Nation figures show in 2017 there were around 70 legal tech companies in the UK, but in 2019 there were estimated to be more than 250, illustrating the growth of startups in the sector. In May 2020, Tech Nation found that 71% of the UK's lawtech firms were based in London and the South East.²⁷ 13% were in the north of England, with 3% in Yorkshire, highlighting that although at present the sector is focused on London, there is activity emerging in the north. A study of legal tech founders in Europe showed 76% have a background in law, with 27% having experience in law and tech, and 25% with a background in business.²⁸ In terms of the firms themselves, 75% involved customer service, 61% documents and contracts, and 28% related to risk. Many

of the LegalTech founders we interviewed that were based in the region had been Partners at large law firms, correlating to the European trend however it was perceived by many that the imminent disruption will transpire from outside the legal sector due to the more contemporary perspective. Because of this, there is an opportunity in the region for those ex-lawyers to work with business expertise from the other strong sectors and digital hubs in Leeds City Region to form and scale legal tech startups.

In the UK, current forms of LegalTech are still more focused on efficiencies and automation than on delivering new ways of working with the law. A recent report on the tech sector showed that enabling self-serve capability was the joint biggest challenge facing General Counsels within tech firms in terms of trying to add value (the other being commercial strategy).²⁹ This is assumed by the report to be due to these firms having small teams which do not scale proportionately with the firm's growth but have significant volumes of contracts to process.

LegalTech firms in Leeds City Region and North of England

This research identified a small number of LegalTech operators in the Leeds City Region, including lawyers, tech consultancies and others. Prominent names based in the region are rradar, SYKE, Calls9, Robot Lawyer LISA, F-LEX and The Link App. These are northern-based firms which are well known in Leeds, and we also heard early noises about Lexblock, a new firm starting up in York.

During the research it was suggested that RegTech is part of LegalTech. RegTech refers to the use of technology to enhance regulatory processes. If we broaden the view to include RegTech firms, this brings a number of other organisations in the region onto the radar, such as TruNarrative, Recordsure, SmartSearch, and Hark.

Whilst these firms would not be considered to be legal services providers, they are focused on ensuring compliance with the law in the industries within which

they operate. Most of the firms mentioned above are also categorised as FinTech, illustrating the overlap of the two sectors and also highlighting the strength of the financial sector in the region. The links between the legal and financial sectors are well established. For example, as part of the Legal Access Challenge in 2019, the Financial Conduct Authority offered one-to-one advice with finalists on what was possible within their regulatory boundaries. Given the small number of LegalTech firms when compared with the size of the legal sector, it would appear there is a strong potential for LegalTech firms to come to Leeds City Region.

So what would encourage more LegalTech firms to focus on Leeds? The obvious draws would be the availability of a strong pool of talent and a commercial opportunity within the legal sector. Beyond this, the Legal Access Challenge identified three key factors that are important to LegalTech firms:

- **Connections** - Partnerships, networks and connections are vital for any new venture.
- **User research** – the ability to involve users throughout the design and development of a new product or service.
- **Data protection** - Potentially all new tech-based initiatives and those using machine learning and artificial intelligence where personal data is involved will have to consider data protection and privacy requirements from the very start.

These three factors all seem to be well within reach of the capabilities of the established legal and tech sectors in Leeds, not to mention the vibrant digital community which the region is increasingly well known for.

²⁷ <https://technation.io/lawtechuk/> (accessed 6/9/20)

²⁸ Thompson Reuters & Legal Geek: LegalTech Startup Report 2019 - A maturing market (2019)

²⁹ Juro / Wilson Sonsini: The 2020 Tech GC Report - Enabling the business through the crisis (2020)

LegalTech & RegTech firms

- **rradar**, based in Leeds, Hull Birmingham and Glasgow, is a law firm but has many of the characteristics of a LegalTech. The firm has been named by the Northern Tech Awards in the Top 100 fastest growing technology companies in the each of the last 4 years and is the only licensed law firm to have appeared in this list. In addition to legal practitioners, rradar has a team of designers, analysts, developers, multi-media, audio, podcast & video specialists.
 - **SYKE** is a Leeds-based tech agnostic consultancy launched in 2016 which has grown to a team of 60 people drawn from a combination of legal and tech backgrounds. The firm is led by Alastair Maiden, who was voted the world's leading legal technologist in 2019. It specialises in document automation and the digitisation of the contract process
 - **Calls9** is a digital transformation agency for professional services businesses. In the legal sector they work with start-ups and established businesses to accelerate growth and reduce inefficiencies. This is achieved via the delivery of digital platforms that enable new business models, better ways of working and improved customer experiences.
 - **Robot Lawyer LISA**, an AI lawyer, is a Leeds-based early stage startup which aims to make access to basic everyday legal services achievable and affordable for the masses of business people and consumers. to deliver new, improved, high quality, cost effective and time efficient AI legal services and products which benefit the buyers of legal services in the UK and beyond.
 - **Lexblock** is a new firm based in York, which describes itself as a FinTech / blockchain startup. Founded by a former lawyer. It has yet to formally launch.
 - **Synap** is a Leeds-based tech startup which has signed a contract with University of Law to help with a teaching app for legal courses, as part of a push to embed technology within the teaching process.
 - **F-LEX** is a tech firm and alternative legal services provider, connecting law student paralegals and solicitors with legal teams for a flexible, on demand service. Its mission is to redesign how legal teams work, and to date it has 5,000 paralegals and solicitors on its platform, including more than 350 workers in Leeds, as well as a number of clients. The Manchester-based firm has aspirations to add further northern offices, including Leeds.
 - **The Link App** is a northern-based LegalTech startup operating across the UK but headquartered in Manchester. It offers secure digital communication and client onboarding functionality which aims to improve the client experience and protect against cybersecurity risks. Its founder, Lauren Riley, is a former solicitor and a regular conference speaker on the topic of innovation in the legal sector.
 - **TruNarrative** is a RegTech firm based in Leeds with a financial crime and compliance platform which is gaining traction across fUK inancial services industry. It provides single-platform solution for Fraud Detection, Prevention, Anti-Money Laundering, KYC, Behavioural Monitoring and Identity Verification.
 - **Recordsure** is the sister company of Leeds-based TCC, and provides speech and document analytics for regulated industries.
 - **SmartSearch**, based in Ilkley, is an online provider of Anti Money Laundering Services, helping businesses comply with the Anti Money Laundering Regulations. It is used by is used by 40% of the top 100 accountancy firms, 25% of the top 200 law firms, banks, mortgage intermediaries and estate agents.
 - **Hark** is based in Leeds and operates across multiple sectors. It uses Internet of Things technology to capture and monitor data in real time and provide dynamic analytics and reporting tools.
- We also identified interest in Leeds from firms outside the region. This included two international legal tech firms considering UK market entry, and a London-based LegalTech firm:
- **Avokaado** (Estonia) is a contract automation system for law firms and businesses.
 - **Protectum** (Latvia) provides a LegalTech marketplace.
 - **ScribeStar** is a London-based legaltech / software company which is interested in growing its presence in the north. Its software takes away the manual and repetitive parts of documentation production. Being cloud-based it can be used remotely and it saves 30-50% of the time lawyers spend on these documents - which, given lawyers are often working on fixed fees for these projects means they can reduce write-offs and improve profitability.

Stakeholder perspectives: LegalTech (legal sector)

"I'm not sure why there are not more legal tech firms in the region, but location is not a key issue for law firms. With InsureTech and LegalTech it's been a slower burn than FinTech. Shoreditch won't stay as the only hub, and to create a buzz in Leeds we'll need proper collaboration between legal practices in the region."

Susan Ford, Head of Knowledge, DAC Beachcroft

"I went on the Cambridge University and attended the Judge Business School as well as being invited to join the London Stock Exchange Elite fast growth business programme. We had to go through stringent due diligence and we became the first law firm to be invited to join those two prestigious accelerator programmes.

Here we met other like-minded people from a diverse range of industries all focussed on growth, disruption, technology and investing in new business models. Each of these programmes was led by other entrepreneurs, facilitated by world leading industry experts. Accelerators need to be led to by experienced entrepreneurs. I have three key mentors now, and they all understand me, the entrepreneur's mindset, and they have my attention and trust."

Gary Gallen, Founder & CEO, radar

"New products or approaches, including those that are tech driven, need to be sold in a benefit-led way, to make it easier to sell than traditional legal services. There's a tendency for new products to be poorly sold as they are not as well understood, which then means they are not successful."

Rob Warren, Director, Law, EY

"There's an opportunity for new startups but the way it's going is that legal firms prefer to have as few suppliers as possible as law firms are protective of their data and security. If case management suppliers can be pushed in the right direction we would be in a better place."

Mark Downs, Partner & Head of IT, Blacks Solicitors

"We keep a good eye on the market in terms of legal tech. A key consideration is what to own and what to buy in. We have spoken to some legal tech firms but have not got any active relationships. We're a data led company, it is not always easy to work with external partners."

Tor Burns, Chief Marketing Officer, Stowe Family Law

"We have seen evidence of large corporates in the region using legal tech in their daily business. However, generally we have not seen a significant take-up of legal tech solutions outside of major law firms."

Alex Kirkhope, Partner, Shoosmiths

"Leeds has always been a centre for tech innovation and it will be interesting to see how this translates into the legal profession."

James Thomas, Head of Legal Tech & Innovation, KPMG

"We're piloting various solutions with LegalTech firms but we also have considerable in-house developer capability which means we can solve many problems with our own resources. We are also aiming to make more use of Microsoft, as this is where most of our clients are working so it is also where we need to be."

Adam Curphey, Innovation Engagement Manager

Stakeholder perspectives: LegalTech (non-law firms)

I thought it was about the legals, but actually it's about empowerment, The customer chooses when and how to engage with us. They can self-serve. I haven't seen law firms reinventing themselves. I'm quite surprised they don't have chatbots like we do."

Anthony Rose, Founder & CEO, SeedLegals

"The LegalTech startup market is thriving in London with corporates, startups and connector organisations working collaboratively to co-create and support each other (there was even a regular curry night). It would be great to bring that community together in Leeds."

Chelsea Boothroyd, Engagement Manager, Nexus

"To succeed you need to work with a firm that focuses on the consumer. Virtually no law firms use net promoter score. The profession is not known for listening to customers and acting on feedback. An innovator would be customer focused and continually push the envelope on this front."

Matthew Briggs, CEO, Auto Protect Group

"We are definitely interested in expanding into the north. We can bring big savings to the production of complex documents and also improve the work that lawyers actually do by allowing them to focus on the value-added parts of law for their clients. It's not taking revenue away from lawyers, it's about helping them serve their clients better and become more profitable."

Adam Shaw, Executive Chairman, ScribeStar

"What we have not yet seen in the legal sector is a large scale move toward innovation across the wider market, particularly in terms of how services are provided to consumers. However, there are signs that this is beginning to change. In our recent Legal Access Challenge many of the ideas shortlisted for development funding, as well as the ultimate winners, were all about technology that would directly support people who need legal services."

David Bish, Head of Research & Analysis, Solicitors Regulation Authority

"Disruptors / startups are often founded by disenchanting lawyers. Some entrepreneurial solicitors tend to have great ideas and spot opportunities by putting themselves in the client's shoes. The successful firms have a mix of lawyers, entrepreneurs and techies. I think this is the best dynamic – you need the lawyer's knowledge and expertise in the mix."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd

"For us, as we're looking at how 'personality' impacts upon decisions, choices and behaviour, and using language as the additional data source in those prediction models. There's huge scope for applying natural language processing to making sense of all the vast reams of data in legal."

Barry Singleton, Client Relationship Officer, Scaled Insights

"I think there's a big difference between B2C and B2B legal services providers. B2C is very data heavy, but data quality has been poor and this is a blocker to what tech firms can offer. With B2B services it all comes down to the CRM and how time is spent. You need to be able to see the cross-sell opportunities. From what I've seen, there is very little understanding of lifetime value of the client in the legal sector."

Anna Sutton, Managing Director, The Data Shed

"I think to bring more LegalTechs to Leeds we need there to be more customers in the region for their services. I think irradar is a beacon of hope. They have been able to go national by doing things differently, and in a tech-enabled way."

Alistair Maiden, CEO, SYKE

"We have very few customers in Yorkshire, which is frustrating. I feel many law firms here will find themselves way behind the curve. I would suggest Yorkshire is a world leader in document automation expertise, but the in-house legal team and lawyers have been slow to adopt it."

Alistair Maiden, CEO, SYKE

"A lot of FinTech developments could work well for the Legal industry, for example Open Banking could offer efficiency benefits for us, whilst making the process of providing financial/admission statements far easier for Defendants. The challenge is building sufficient trust with consumers for them to share their data with us."

Eddie Harrison, Director of Strategy, Lowell Solicitors

Talent & Ecosystem Support

People & skills

Higher Education

Connectivity in Leeds City Region

Funding & investment

Talent & Ecosystem support - key themes



People, Skills & Higher Education

- Leeds City Region has a large supply of experienced legal practitioners
- The role of legal practitioners is expected to change in the medium-term
- There is opportunity to recruit from other sectors for more specialised expertise
- Universities have a key role to play in the future of the sector, especially with changes to the way lawyers can train

Connectivity

- There is an opportunity for law firms to collaborate and knowledge share with one another
- There is demand for stronger links between the legal and tech sectors
- There is already evidence of national scale collaboration initiatives

Funding & Investment

- Funding activity has been relatively low to date
- Leeds City Region has a range of sources of funding which can support the sector
- Firms in the region are also working with LegalTech funding partners outside the region

People, skills, higher education

Leeds City Region has a large supply of experienced legal practitioners

The role of legal practitioners is expected to change in the medium-term

There is opportunity to recruit from other sectors for more specialised expertise

Universities have a key role to play in the future of the sector, especially with changes to the way lawyers can train

The Leeds City Region has a large supply of experienced legal practitioners; a key strength for legal tech activity. In 2018/19, the region's legal sector employed over 14,400 workers³⁰ which, despite Leeds being the 3rd most populous city in the UK, equates to a 28% greater proportion of non-London legal workers than non-London populations.³¹ As a result, the pool of experienced talent is recognised as a key strength to the region with law firms believing it to represent an even greater opportunity for legal tech and innovation than the graduate pool.

There is a question around whether the positions of junior lawyers and paralegals will be replaced by technology. Labour makes up the biggest cost for law firms, and 38% of the law firms we surveyed had already implemented some form of AI or machine learning; cited as the largest threat for young legal professionals, particularly in northshoring areas. However, the consensus in our study was that the roles of such positions would visibly evolve with the technology in the medium-term. Because of this, law firms in the region are starting to recruit analysts and technologists but are still demanding candidates to be proficient in legal research. Not much has emerged about the changes in more senior roles and lawyers who conduct quality law due to difficulty in automating their day-to-day, but new line manager roles such as process managers and legal technicians are expected to be prevalent in the medium-term.

There are mixed opinions within law firms regarding the existence of a skills gap from technological developments, however the tech suppliers we surveyed found no evidence of suppliers associating this with a lack of skill, rather that the technology does not cover the full range of tasks required and is therefore not fully adopted. Nonetheless, the gap is expected to widen as law firms embrace and adopt greater volumes of more advanced technology. Law firms in the region have an opportunity to minimise or even eliminate this by recruiting experts from the region's strong tech sectors to stay on or ahead of the sector's transformation curve, or indeed by enhancing their internal training processes. Trainees at Addleshaw Goddard can spend 6 months in the legal tech team.

The emergence of technology within the legal sector causes some challenges for higher education. Lawtech skills and capabilities more closely relate to computer science, not the law school. Stanford, Harvard and others have been teaching legal tech and innovation for a number of years.

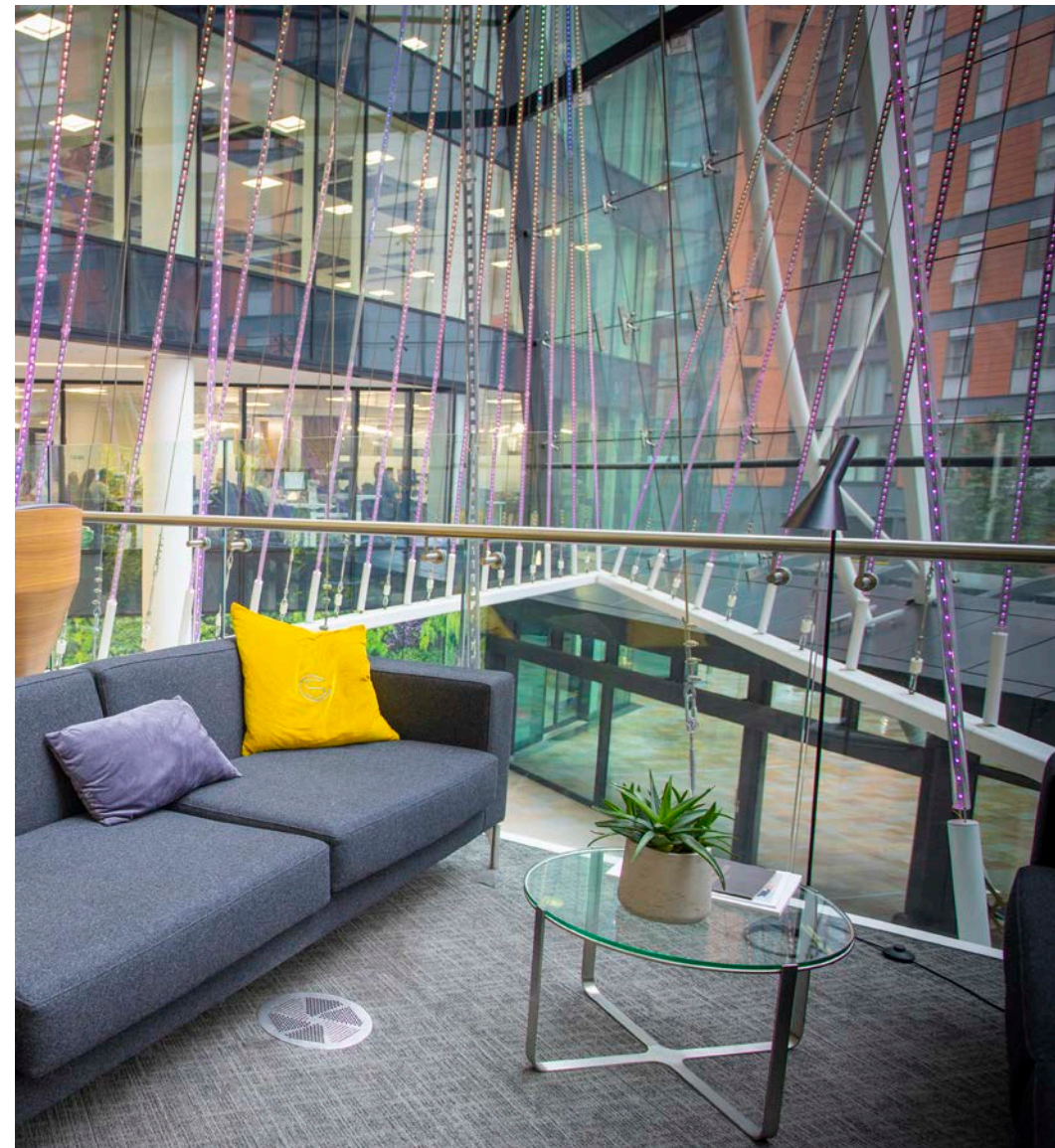
³⁰ LEP: Leeds City Region Legal Services (2018)

³¹ Calculated using 'LEP: Leeds City Region Legal Services (2018)'

The interest of the universities focuses on their academic syllabus, research opportunities, and business engagement:

- **University of Law** is one of the largest providers of legal education in the UK, and has one of its 15 campuses in Leeds, which is also the location of its innovation hub. Three years ago the university launched ULTRA Uni of Law Legal Tech Academy (soon to be rebranded).
- The university launched a new **LLB degree** with legal innovation & technology in Sept 2019. It already offers an MSc in legal tech, designed for law and non-law graduates who want to develop an in-depth knowledge of legal technology and how the legal landscape is being changed by technology.
- **BPP University Law School** is a private, for-profit provider of professional and academic legal education, and has one of its seven branch sites in central Leeds.
- A research team at the **University of Leeds** is currently in the early stages of a research project looking at the future of professional services in the UK, with a particular focus on digital technologies. The Law School at the university has active relationships with a number of national law firms and also works with some startups on smart contracts.
- **Squire Patton Boggs** announced in June it is joining the Nexus community at the University of Leeds as their new legal professional services partner, offering a multidisciplinary team for Nexus members.
- For law firms, their primary engagement with the universities is in relation to recruitment. Law firms typically start to hire in the second year from law schools and in the third year of other degrees. Small firms more commonly engage when students are doing finals. Some students graduate, do paralegal work and then work their way up, but there has typically been no structured career progression for paralegals.

Over next 3-5 years the SRA will introduce a new qualification whereby students will not have to do a law degree to become lawyers, they can do an exam and two years of practical work. This will be a more flexible way to qualify although there will be strict rules around how the training is delivered. The changes have not been well received by all law firms, many of which prefer to train internally. But some are engaging with it and see it as a way to hire paralegals and enable them to get qualified. The jobs of paralegals are being changed dramatically as the impact of technology takes hold within the sector, and moving forward they will do less repetitive admin and will be concerned more with the management of information and process.



Stakeholder perspectives: Talent & Skills

"We're growing fast, we are looking a lot at our employee value proposition. We aim to recruit for the environment. We are data driven, performance focused, and we want lawyers who want to work in these frameworks. We also have a family feel to the business, it's very supportive."

Tor Burns, Chief Marketing Officer, Stowe Family Law

"Diversity in all respects, including background and perspective, is massively lacking in the legal profession. The profession generally appears to still be recruiting based on the same criteria it always has – which university and what level of qualification. Means a strong focus on white middle class – there needs to be a shift and to look at things like apprenticeships."

Richard Turner, CEO, Alpaca

"What lawyers do in terms of legal work should be a given – lawyers are expected to get the law right. The areas for growth are around the strategic, softer skills. We will need people with more of the skills that enable them to get under the skin of a business and really understand what is required. Presentation skills, interpersonal skills, communication skills. We need people who are more questioning in mindset."

Ian McCann, Chief Engagement Officer, Legal Studio

"It will be interesting to see whether firms with specialists in utilising data will become a big thing. I believe they will be common in the big firms but not sure about the smaller firms."

Paul Berwin, Managing Partner, Berwins

"Our claims business induction process now includes understanding the drivers of the business. This includes innovation, which helps put people in the right mindset to constantly challenge the status quo. Innovation is everyone's responsibility."

Peter Allchorne, Partner and Head of Innovations Lab, DAC Beachcroft

"Data is a big part of what our clients expect from us, in addition to the legal services. From a learning and development perspective we are always looking at new ways we can share information internally and with our clients."

Susan Ford, Head of Knowledge, DAC Beachcroft

"20 years ago law firms started hiring economists as a lot of cases involved the application of economic principles. Today, law firms need to do the same with/rely also on technology experts and scientists."

Konstantinos Stylianou, Associate Professor of Competition Law & Regulation, University of Leeds

"One skill we really need now is data analytics, so we can help clients manipulate and interpret data. We can provide informative MI to help clients manage their business, for example by showing spikes in certain issues in certain geographies."

Georgina Powling, Addleshaw Goddard

"We are trying to find people who can bridge the gap who can understand law and technology. Moving forward I anticipate we will be recruiting more underqualified paralegals and fewer junior qualified lawyers."

Malcolm Simpson, Managing Partner, Walker Morris

"We are seeing some recognition that lawyers need to have better awareness of things like project management, pricing, and process, in order to deliver on time and to budget. We deliver training in legal project management and are seeing a boom at the moment- a 200% growth during lockdown as people work remotely from their respective kitchen tables."

Matt Peacock, Managing Partner, OMC Partners

"Lawyers need to be able to run a business, it's not just a profession. The way a matter is managed requires business skill and relationship management."

Simon Harris, Partner, Eversheds Sutherland

"Our global delivery centre is based in Leeds, as well as our legal project management and process improvement teams. We chose Leeds as we have a great underlying business here and we found we could recruit people with the right skill set and willingness to get involved in some great project work. Recruitment works well in a city which offers such a great mix of high-quality work and life."

Andrew Dyson, Leeds Managing Partner, DLA Piper

"Before COVID I was hiring a lot of people in London. Recently I haven't hired anyone in London, I've found really good people more locally, for half the price."

Alistair Maiden, CEO, SYKE

Stakeholder perspectives: Higher Education

"Increasingly, being a top quality law graduate will require an understanding of evolving technology and ability to work with it and litigate cases in which it is the subject matter. Data, algorithms and cryptocurrencies are obvious areas in which knowledge will be needed."

Tom Matusiak, Legal Director, Stewarts

"The SQE will be a real challenge. There's a lot of anxiety about this from students. We have just taken someone on who will be a solicitor apprentice. The new options appear more cost effective than the traditional LPC law degree route."

Jodie Hill, Founder, Thrive Law

"Graduates shouldn't just think about the traditional legal advice giving role in law firms; there are now exciting law firm roles in for example knowledge, compliance, marketing, and project management – all of which need to be highly attuned to new technologies."

Tom Matusiak, Legal Director, Stewarts

"You can get law, tech and business students working on things together now. This opens up a new route to potential disruptors. I am involved in the innovation hub at the University of Westminster which aims to help students understand law firms and develop the type of things people need moving forward."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd

"We have a lot of ideas. Being able to share challenges and insights with academia or tech firms would help us develop solutions. We work with the universities local to our offices. Research and insight into our market would be really interesting for us – keen to have student projects."

Tor Burns, Chief Marketing Officer, Stowe Family Law

"To fully exploit our data for the benefit of customers and partners, we'll need to recruit more data scientists to ensure our data is well organised. Our requirements focus on data, digital development, dot net capability, UX and UI developers."

Shirley Woolham, CEO, Minster Law

"We have been in discussion with a University about the prospect of sponsoring one or more PhDs to develop some of our legal innovation products. That discussion is ongoing."

Tony Randle, Partner, Shoosmiths

"Our engagement with the university is great although it does not relate to tech and IT. FinTech and digital are recognised as great skills in the region but so is legal, so why don't we engage more with universities in the region? Collaborating with other firms is tough as they are competitors and there is not a lot of love between them, but to get the universities to collaborate with the sector as a whole would be of great benefit."

Jonathan Oxley, Chairman, Lupton Fawcett

"If you're going to be pursuing a career in law and are in law school or university you should try to supplement the core modules with something focussed on technology in law. I don't think it will be enough in the future to just rely on knowing the law and whilst you might not need to learn to code, I think that good lawyers will still need an understanding of technology and what's possible. I think that law schools should place greater emphasis on legal technology within their courses because this will start future lawyers on their careers in the right place, with a relevant skillset. This can help define the region and create a point of difference."

James Thomas, Head of Legal Tech & Innovation, KPMG

"In terms of disruption and innovation, University of Leeds is an alternative law school as it uses problem-based learning. It's a unique teaching style and they have been engaging with the O Shaped Lawyer group along with other universities."

Adam Curphey, Innovation Engagement Manager

Connectivity within Leeds City Region

There is an opportunity for law firms to collaborate and knowledge share with one another

There is demand for stronger links between the legal and tech sectors

There is already evidence of national scale collaboration initiatives

Universities can play an important role in connectivity

Collaboration within the region amongst law firms is not yet commonplace; constrained by the highly competitive environment in which the firms operate, reducing knowledge sharing. Additionally, there is a lack of cross-sector collaboration, eliminating law firms from innovation systems which has prevented the acceleration of legal tech activity in the region. However, not only are both demanded by almost everyone we spoke to, the region has strong tech sectors with proven collaborative initiatives to make such schemes successful, representing a key finding and recommendation to this report.

While collaboration amongst law firms within the Leeds City Region does not yet appear to be common, connectivity throughout the UK is evidenced. The managing partner of one large firm told us of a group he is involved in; made up of firms from outside the region to minimise competing interests. Furthermore, Lawtech UK was launched in May of this year, a collaborative initiative between Tech Nation, the Lawtech Delivery Panel and the Ministry of Justice, to support the digital transformation of the UK legal sector.

There are an increasing number of collaborative workspaces in the Leeds City Region. These spaces have typically been the focal point for startups and smaller businesses, occasionally housing regional offices of businesses based primarily elsewhere. Moving forward, the way organisations use workspaces looks set to change, leading to the creation of more open working areas which larger firms may start to use more. This has interested some of the large firms we've spoken to. There has also been speculation whether firms may take

this view in relation to excess office space they may have in light of the changes to working practices due to COVID-19.

There are other national initiatives which are looking to engage with regional economies. In June 2018, Barclays formally launched its Eagle Lab legal tech incubator in partnership with The Law Society, described at the time by Legal Insider as "an attempt to help the legal sector catch up with its fintech peers and turbo-charge London's law-tech ecosystem."³² Barclays had just commenced a national series of events prior to COVID-19, one of which had been due to be held in Leeds.

We spoke to Barclays about the incubator programme as part of the research process, and they told us they aim to engage with small and medium sized firms as these firms may be able to give startups an opportunity to get access to the market. There are also plans to create regional 'launchpads' as part of the evolution of the incubator.

The University of Law has expressed a strong ambition to take a leading role in creating more connectivity, especially between the legal and tech sectors. There is evidence in other northern regions to suggest this will be successful. The University of Manchester, for example, has helped bring together groups within the legal sector via a programme of groups and events. These sessions have addressed technical and non tech issues such as the partnership model, career progression, decision making, and data standardisation.

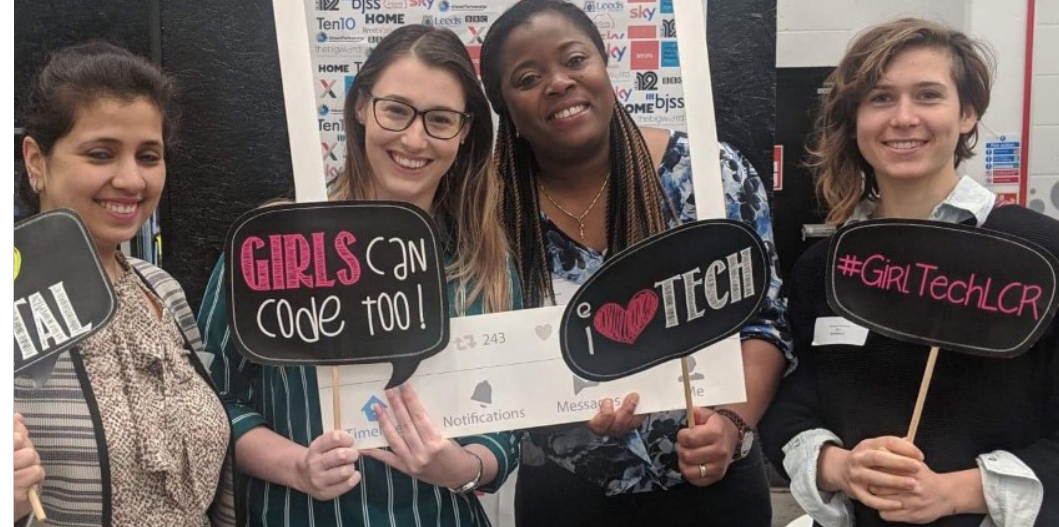
³² Legal IT Insider: Barclays Eagle Lab legal tech incubator launches - here's why you should embrace it (2020)

Highlights in the region

- **Leeds Law Society** has led roundtable meetings of legal tech and innovation professionals from a range of organisations aiming at boosting connections in Leeds and collaborating on ideas to promote Leeds.
- **University of Law** plans to launch a legal innovators breakfast club, alternating between law for innovators and innovation for law firms. The aim is to help people understand where the issues are and how they can help. The university has also indicated it can provide an educational list of problems to solve.
- **CurveBlock**, a Leeds-based FinTech / PropTech startup, has been part of the equlP programme offered by CMS, one of the top 10 global law firms (not based in the region). The programme gives discounted rates on legal services, and there is no fee to take part.
- A year ago, Matt Peacock of **OMC Partners** set up 'Northern Powerhouse Legal Operations' as a networking group in Leeds. It is a small informal group, with no formal mission, no selling, just a small group of like-minded people getting together regularly and - crucially - being able to do so outside of London.
- **MIT REAP** has helped bring together a unique public and private collaboration of senior leaders from the University of Leeds, Nexus, the Leeds City Region Enterprise Partnership (LEP) and West Yorkshire Combined Authority, Leeds City Council, KPMG, Bradford City Council, Leeds Teaching Hospital Trust, Arup, Leeds Academic Health Partnership, and entrepreneurs David Aspin, Adam Beaumont and Ben Ziff. This team have worked alongside MIT faculty developing an action-driven inclusive growth strategy to inspire entrepreneurs from more varied backgrounds and champion their socially useful innovations to be globally scalable Leeds City Region businesses that investors want to back.

Collaboration is key to unlocking talent, ideas and investment which can't be achieved by one organisation. Developed by the team, **BUILD** will be a new Leeds City Region based programme, which connects ideation/early stage startups with private and public sector organisations looking for new insights on key challenges to accelerate the route to market and investment. BUILD is multi-sector so as well as being open to innovative new legal tech ventures can foster transfer of ideas and technologies between sectors.

- The Leeds City Region is home to a number of high profile groups which bring together elements of the tech sector, including **Leeds Digital Festival**, **FinTech North**, **AI Tech North**, **WiLD** and numerous other networks.



Stakeholder perspectives: Connectivity within Leeds City Region (legal sector)

"Collaboration is 'hard-wired' into the way we do business here –we believe that the best, most inclusive answers are those that are arrived at by bringing people together to extract a brilliant diversity of perspective and experience. You can see that in the way this report came together, in the Leeds Digital Festival and in other networks and communities across the city. This, alongside the talent that exists in our law firms, the tech sector and at our universities is why I believe we can seize this opportunity and we want people across the UK and internationally to join us."

Eve Roodhouse, Chief Officer, Economic Development, Leeds City Council

"We would like to get more involved in building a regional legal tech community. Events are the best way to network as you can build relationships - Legal Geek in particular has always been really good way to meet peers and have a chat – it would be great to have something similar hosted in the north so we can build a local community of people interested in or working in legal tech."

James Thomas, Head of Legal Tech & Innovation, KPMG

"Everybody knows everybody but they are not joined up. I'm more of a fan of collaboration rather than competition but it's not how it works at the moment. There's still a lot of holding back of firms who compete and are struggling, when they could help each other by collaborating. "

Richard Turner, CEO, Alpaca

"There is a huge opportunity for a law firm to work with a savvy consultant and tech company. This could be an online and/or offline collaborative venture. Leeds has the law firms and the tech companies, it's the experienced consultant bridge and ambassador that is missing. They exist in Leeds but, as far as I can see, aren't currently involved in the development of LegalTech and/or LawTech, which is a real shame and lost opportunity."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd

"Technology is probably an area where it's easier to talk collaboratively with other law firms than some more sensitive areas. Tech tends to be efficiency focused, rather than being a competitive advantage."

Malcolm Simpson, Managing Partner, Walker Morris

"I don't know where to meet the people who are interested in my sector and could help add value. An event that combined the legal sector and other sectors such as tech and innovation would be hugely exciting."

Ian McCann, Chief Engagement Officer, Legal Studio

"I'm more plugged to my areas of the law than I am simply to other lawyers in the region. Locally there's generally less appeal as most events are not as relevant. Events I would make an effort to go to would be the ones focused on what I do, with local employment solicitors."

Andrew Sugarman, Barrister, Park Lane Plowden

"Creating an ecosystem or network that helps people would be very valuable. Law firms could be members and people could subscribe to the network, getting reduced rates on legal services when they need them."

Joey Jones, Co-Founder, CurveBlock

"Prior to Covid, we attended and hosted various events and forums on a regular basis. We are interested in supporting and assisting others in the best interests of the industry. We would welcome the opportunity to play a role in helping bring together the regional legal community and to increase connectivity."

Eddie Harrison, Director of Strategy, Lowell Solicitors

Stakeholder perspectives: Connectivity within Leeds City Region (non-law firms)

"There is a gaping gap in Leeds, there is a fantastic tech sector and a fantastic legal sector but nothing connecting the two. Historically the law has been seen as a big secret. A lot of people don't understand the law and it points to the fact that we don't explain it well enough."

**Patrick Grant, Project Director (North)
Legal Innovation & Technology, University of Law**

"There isn't a forum to get together and a lot of people have tried and failed to put things together over the years. A formal group could work if it brought together people in similar roles / similar remit, e.g. project managers or tech specialists in the legal sector."

Matt Peacock, Managing Partner, OMC Partners

"We have spoken to a number of companies through Nexus with use cases in LegalTech and RegTech and a number of our members have expertise in underlying tech capabilities such as data and AI. There are a number of University led research activities in this field and we see it as a huge opportunity for growth in the next year."

Chelsea Boothroyd, Engagement Manager, Nexus

"You only need a handful of forward-thinking firms to get something going and we seem to have them in Yorkshire. We can drive inward investment by talking about what is possible and delivering on projects that are succeeding already. If there are other enterprising legal providers who will come here this will help drive competition in the region and beyond. This is one way to force the much needed change."

Chrissie Lightfoot, CEO, EntrepreneurLawyer Ltd

"Creating an ecosystem or network that helps people would be very valuable. Law firms could be members and people could subscribe to the network, getting reduced rates on legal services when they need them. A list of suitable law firms to reach out to would have been useful to us. The same for accounting. We needed to know who specialises in what."

Joey Jones, Co-Founder, CurveBlock

"If we can bring Tech and SME law firms together in a series of events and workshops, active projects will evolve naturally. The tech sector needs to have the opportunity to showcase to the legal sector to help drive activity. The legal sector has too narrow a focus, they need to see the wider opportunity of what tech can do to create value add and stronger relationships for their firms."

Zandra Moore, CEO, Panintelligence

"For genuine innovation to occur, all it really takes is for a tech expert to be teamed up with someone who can identify the pain points of the customers (the lawyers), and some kind of innovation catalyst (a project manager, a facilitator or similar). With some more structure in lawtech some exciting innovations could come out. We need to get these people into a room and working together."

**Deb Hetherington, Head of Innovation, Platform Tech Hub,
Brunwood SciTech**

Funding & Investment

Funding activity has been relatively low to date

Leeds City Region has a range of sources of funding which can support the sector

Firms in the region are also working with LegalTech funding partners outside the region

The topic of funding was not something which came up frequently in the research which underpins this report, largely because there is only a small amount of legal tech startup activity in the region at present so the requirement for funding has been limited to date.

Tech Nation has stated that UK lawtech startups and scaleups have raised £290m of investment. A regional breakdown was not provided, but with the same source also stating 71% of lawtech startups and scaleups are based in London and the South East it can safely be assumed that the funding will have been focused on that region to date.³³

This investment almost trebled between 2017 and 2019. The growth trajectory is impressive although these numbers are dwarfed when they are compared with other UK sectors such as FinTech, which raised £1.84bn of funding in the first

half of 2020 alone (which was a near 40% year on year reduction from 2019, as a consequence of COVID-19). However, if the sector is to provide the building blocks for new startups to grow, then the availability of funding will be a vital component and there are a growing number of funding providers in the Leeds City Region who LegalTechs, RegTechs and other firms can look towards for support.

Since 2018 Leeds-based NorthInvest has helped over 700 entrepreneurs in Leeds who are seeking funding, around of third of which have been based in the Leeds City Region. Helen Oldham, Founding Board Director, told us that to date there have only been a couple relating to legal tech or the legal sector, but there is appetite to invest in this area amongst their network of more than 130 angel investors.

There is also a range of grant funding available within the Leeds City Region. Innovation, technology and startups are all areas where grants are available. Most grants are for specific capital investment purposes such as technology spend or broadband installation, rather than overheads such as salaries or rent. The Digital Inward Investment Fund, available via the Leeds City Region LEP, supports companies with up to £50,000 grant funding for business expansion into the region alongside soft landing support to establish networks and find the property.

radar's founder Gary Gallen told us that raising funding for their disruptive platform and subscription-based model was very difficult. Funding outside of London is particularly challenging for professional services and law. Gary raised capital twice from London based funders. He was frustrated because people wanted to know where there was a similar model already working and successful and

because there wasn't one, something which he found ironic as he trying to raise funds for an innovative business model in a new sector. As a startup, Gary backed it himself by putting his own funding into the business including remortgaging, selling assets and cashing in his pension to prove a point. As he pointed out, this is not something many lawyers would choose to do.

Some of the startups in other sectors have been using LegalTech firms from outside the region as part of their journey. For example CurveBock has been using London-based LegalTech startup SeedLegals. The firm operates across the UK and claims that one in every 12 early stage funding transactions in the UK goes through its platform. Startups pay a subscription fee and are able to access legal document templates and advice, as well as managing shareholder matters via a digital capitalisation table. SeedLegals firm replaces law firms, rather than working with them.

There are other useful resources in Leeds City Region to help the sector grow. For example Inngot is a company with a presence here which straddles legal (intellectual property) and finance (IP valuation and tools to help companies obtain financing from lenders). It has benefited from an Innovate UK grant and a separate grant helping with collaboration with a university in South Wales. The grants have helped towards creating new solutions for the financing of IP through AI and scrutiny of IP databases.

³³ <https://technation.io/lawtechuk/> (accessed 3/9/20)

Further information

Participants

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Participating organisations

Addleshaw Goddard
Alpaca
Alt Theory
Arla Foods
Armstrong Watson
Auto Protect Group
Barclays
Berwins
BJSS
Blacks
Bruntwood SciTech
BT
Bury & Walkers
Calls9
Clarion
Coates & Co Solicitors
Crowbar
Curveblock
DAC Beachcroft
Deloitte Legal
Digital Strategy Unit
DLA Piper UK LLP
DWF Law LLP
Dynamo North East
Edge International

Endless LLP
Entrepreneurlawyer Ltd
Eversheds Sutherland
EY
F-LEX Legal Ltd
Gateley
GBSLEP
Government Legal Department
Gunner Cooke
Harrogate Borough Council
Holden Smith
HSBC
Infinity Works
Inngot
Knights
KPMG
LASSN
Law Society
Leeds Beckett University
Leeds City Council
Leeds Digital Festival
Leeds Law Society
Legal Studio
Lester Campbell
LexisNexis

Lowell Solicitors
Lupton Fawcett
Mills & Reeve
Minster Law
Nexus
ODI Leeds
OMC Partners
Page White & Farrer
Panintelligence
Park Lane Plowden
Pinsent Masons
Prgx
Razor
Redcentric
Reed Smith
Ridley & Hall
Robot Lawyer LISA
rradar
RSM
Sandstone Technology
Savvy
Scaled Insights
Schofield Sweeney
SeedLegals
Shoosmiths

Solicitors Regulation Authority (SRA)
Solution Path
Squire Patton Boggs
Stewarts
Stowe Family Law
Syke
Symphony (Sykes)
Tech Nation
The Data City
The Data Shed
The Link App
Thomson Reuters
Thornton Jones Solicitors
Thrive Law
UDL Intellectual Property
University of Law
University of Leeds
University of Manchester
Virgin Media
Walker Morris
Ward Hadaway
West Yorkshire Combined Authority
Yorkshire Union of Law Societies

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