The Realisation Audit

Uncovering the work that never reaches an invoice in law firm billing

CloudCapcha

Fee income across most UK law firms has held up surprisingly well in recent years, given the significant changes wrought by private equity investment, consolidation, AI and the grey tsunami.

Yet profit per partner appears not to have kept pace, impacted by rising salaries, higher indemnity and case management software costs, to say nothing of the more competitive market with clients who resist rate increases and are comfortable shopping around.

These pressures have squeezed margins, even at firms reporting solid revenue growth prompting many to focus more closely on utilisation and billable hours but this can overlook where much of the damage is really happening. The more useful question for firm leadership is not how many hours fee-earners are recording, but how much of the value they create even makes it onto an invoice. Clio's 2025 Legal Trends Report puts the gap between the two, the realisation rate, at 88% on average, meaning 12% of everything worked is never billed at all.

A firm can collect almost everything it invoices and still leak a material share of its earnings before an invoice is ever raised. This means it is not a collections problem, and this gap belongs on the agenda of every partner meeting where profitability is discussed.

The *Managing Partner's* perspective

Every Managing Partner has sat through an annual review where fee income is up and profit per partner either shows no growth, or worse, has gone down year-on-year. The explanations offered will be familiar to many readers: salaries have risen faster than fees, professional indemnity, technology and case management costs keep climbing, and long-standing clients who accepted a rate rise last year are now pushing back or shopping around.

All of that is true, but it doesn't tell the whole story. Another familiar problem receives far less attention: the work that never becomes chargeable time at all.

- the scope discussion that happens on a call and is never converted into a written variation
- the follow-up advice given from a mobile between two client meetings,
- the quick favour for a long-standing client that nobody opens a file to record because there seems no reason to.

None of this will ever show up as a write-off, because it was never captured in the first place. It disappears before it ever reaches a bill, and for a senior team trying to protect margin without seeking more billable hours from a stretched team, this is precisely where the opportunity sits.

Recovering value that a client is aware of is a far easier conversation to have than asking them to pay more or trying to work out how fee-earners can do more.

Where the gap *begins*

Most firms still record time in six-minute units, a convention built for a world of paper files and dictated letters. It was never designed for the fragmented, screen-based way fee-earners work now, moving between case management systems, email, phone calls, Teams messages, client portals, and of course, locations.

Research from Gloria Mark at the University of California found that it takes an average of over twenty-three minutes to fully refocus after an interruption, and a widely cited Harvard Business Review analysis put the average knowledge worker's daily app switching at around 1,200 instances, costing roughly four hours a week in reorientation alone.

A 2020 study from ETH Zurich, built a simulated group office environment and tracked participants' stress hormones while they worked, with one group repeatedly interrupted by urgent chat messages from a fictional manager.

That group's cortisol levels rose to nearly double those of a comparable group that wasn't interrupted in the same way, showing these moments carry a real physiological cost, not just a lost-time one.

What stood out was that the interrupted group did not report feeling any more stressed, but their conscious sense of pressure barely moved even as their bodies registered a genuine toll. That gap between what an interruption costs and what a person notices or remembers about it is a large part of why these moments so rarely make it onto a time sheet.

It isn't carelessness or idleness. The fee earner often does not register, in the moment, that anything billable just happened and that bit of work is simply invisible to a billing system that only sees discrete, self-reported entries.

A scope shift confirmed on a call is a good example. If a client agrees to widen the brief verbally and nobody writes it down as a variation, there is nothing for even the best billing software to capture, because nothing was ever entered for it to find.

Multiplied across a team of fee-earners and a working year, this is where a meaningful share of the missing 12% actually sits: not in any single dramatic write-off, but in thousands of small moments that never had the chance to become a logged, billable entry.

Industry benchmark breakdown

Realisation rate and collection rate answer two different questions and firms that treat them as one problem still tend to look for the leak in the wrong place. Collection rate measures what a firm actually receives once an invoice has been issued for the work undertaken and recorded. Realisation rate measures what proportion of the work performed ever reaches an invoice.

According to Clio's 2025 Legal Trends Report, the average law firm collects 93% of what it bills but only realises 88% of the work fee-earners actually undertake, doing so at an average utilisation rate of just 38% of the working day.

Metric	Law firm average	Source
Realisation rate	88%	Clio 2025 Legal Trends Report
Collection rate	93%	Clio 2025 Legal Trends Report
Utilisation rate	38%	Clio 2025 Legal Trends Report
Median realisation lockup	43 days	Clio 2025 Legal Trends Report
Median collection lockup	32 days	Clio 2025 Legal Trends Report

A simple test on these two figures shows that if a firm's collection rate sits close to the 93% average but its realisation rate is well below the 88% average, the billing team is doing its job.

Reaching for faster invoicing and more diligent chasing will not slow the actual leak, which sits earlier in the cycle. Whether the work gets seen, logged and flagged as chargeable while it is happening, is just as critical as whether the resulting invoice gets paid.

What this looks like *in practice*

Take a 10-partner firm with 35 fee-earners, billing at a blended rate of £250 an hour, reporting a realisation rate close to the 88% average that most full-service firms would consider unremarkable rather than alarming.

On paper, 12% below a healthy top line looks acceptable. But in practice, spread across every fee earner's diary in the form of an unlogged scope change here, a phone call favour there, a matter that quietly absorbed more work than was ever costed for, represents a six-figure sum moving through the firm each year without ever becoming an invoice.

None of it is owed by clients refusing to pay or arguing over the invoice, it was simply never captured as chargeable time in the first place.

What to look for this week

The leak only tends to show up when someone asks three questions. When did a client last change the scope of a matter on a call rather than in writing, and did that get logged as a variation anywhere, or did the file just get bigger?

When a fee earner last said a matter was getting complicated or taking longer than expected, did that turn into an actual conversation about budget and cost with the client, or did it just get absorbed into the file?

And the next time a write-off crosses a partner's desk, does the reason recorded on it explain what actually happened, or just enough detail to close it off?

None of these questions produces a number on their own, but together they tell a Managing Partner whether the pattern is present in their own firm.

Anticipating the *obvious* objection

From many Managing Partners, the natural response to all of this is that since the firm already records time, it is surely accounted for somewhere. The honest answer is that traditional time recording captures the work a fee-earner remembers to log, at whatever resolution the system allows, entered after the event. That system was never built to catch anything smaller than its own unit of measurement, and it depends entirely on a fee-earner recognising, at the time that something is worth billing and taking time to record it.

This is not a discipline problem. Even the most conscientious fee earner cannot log a scope shift they never registered as chargeable, without either rounding generously in the firm's favour, which few people do consistently, or simply not logging it at all, which is what tends to happen.

The issue sits in the measurement tool, not in the person using it, which is exactly why the answer must be a change in how activity gets captured rather than another push for more diligent manual entry.

Real-time margin visibility

The answer is not to ask fee-earners to record time more carefully. Diligence has its limits and asking busy people to interrupt their work more often to log it is close to the same context switching that caused the leak in the first place.

The more durable answer is automated activity capture, technology that observes how time is genuinely spent across email, Teams and practice systems, to reconstruct a realistic picture of chargeable and non-chargeable work without relying on a fee earner's memory at the end of the day.

Done properly, it changes the conversations within the leadership team, from reviewing utilisation after the fact and hoping the numbers are close to accurate, to a live view of where value is being created and where it is leaking, on hourly matters and fixed-fee work alike.

Where this leaves firm *leadership*

None of this requires a Managing Partner to overhaul the firm's billing system or renegotiate every client relationship. It requires an honest look at how much of the value fee-earners create is genuinely being captured today, and a willingness to treat the gap as a visibility problem rather than a discipline one.

Quiss Technology works with firms on exactly this challenge, bringing real-time activity and margin visibility to legal practices without adding to the administrative burden already sitting on fee-earners. For firms wanting to find out where their own realisation gap sits, that conversation is a useful next step.

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