

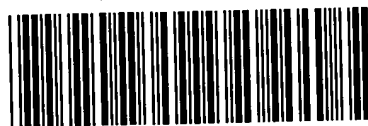


Annual Report and Financial Statements

Registered number 9067468

31 March 2016

AMENDING



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COMPANIES HOUSE

## Contents

	Page
Strategic Report	1
Directors' Report	6
Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements	8
Independent Auditor's Report	10
Profit and Loss Account	12
Statement of Other comprehensive Income	12
Balance Sheet	13
Statement of Income and Retained Earnings	14
Notes	15

AMENDING

## **Strategic Report**

Executive Director forward to the Annual Report for the year ended 31 March 2016

### Summary

2015 was an important year for LGSS Law as the company was launched and commenced trading on 1st April. In common with many start up years it proved to be an eventful one and ultimately very successful. The first 12 months has been a period of significant transition and challenge in establishing a brand new law firm and putting in place all the necessary systems and governance to ensure that the services on offer are at least as robust and cost effective as any other provider in this sector. The team has worked tirelessly and professionally throughout the year and much credit goes to them for the tenacity and willingness to embrace change and new ways of working. This appetite for seeking excellence stands the company in good stead for the future development and expansion of the team, and on the basis of the numbers of new clients and partners who have been welcomed during the last 6 months I am confident that LGSS Law has a compelling offer for those in the Public and Not for Profit sectors.

Notwithstanding the fact of this being a very busy 12 months LGSS Law has delivered a number of positive results for its owners in the form of an increase in the number and quality of external clients and succeeding in being selected as merger partner of choice for the provision of Central Bedfordshire's legal advice and support. The merger with Central Bedfordshire Council Legal will boost turnover by £2.3 million in 16-17 and provide additional capacity and geographical reach to further develop the business. LGSS Law also delivered a net benefit of around £1 million to its founding owners through cost reductions and profit generated. In addition, the service continued to improve and received some very positive customer feedback in the annual survey.

### Progress in Delivering Key Strategic Objectives

The key objectives set out for LGSS Law can be summarised as follows:-

- Implement integrated accounts and case management system based on a stable and accessible ICT platform enabling agile working and effective financial management.
- Enhance capacity of financial support for the business in terms of commercial awareness and to further enhance the rigour and professionalism of the financial management of the business.
- Move towards a hub & spoke model to enhance service provision and cost efficiency.
- Recruit to enhance the core compliment of high performing staff.
- Grow the business through attracting new clients and partners.

As a result of the work involved in identifying and developing an in-house accounts system for LGSS Law Ltd. the advantages of combined case management and accounts system have been highlighted. In particular, combined systems provide more up to date financial management information due to the fact that they are constantly updated with new data as opposed to a monthly cycle in the case of separate systems. In addition, the time involved in transferring data from case management to accounts systems is avoided with the result that the process is

more cost efficient. Lastly, combined systems, in theory, should be less prone to error due to the reduced human intervention.

Over the last 6 months a rigorous procurement exercise was conducted to invite and evaluate bids from potential providers of these specialist software systems. The process has recently concluded and the company is currently mobilising the implementation phase which is due to be completed by February 2017. The implementation of this new case management system will deliver a step change in the functionality available to LGSS Law and enable improved efficiency across the team.

#### Case Management System – Migration to Single Database

The move to a single database is a key development in enabling a more efficient and joined up working across the LGSS Law offices. Colleagues working in any of the four branch offices or indeed remotely from home or elsewhere are able to access all client matters, (subject to certain restrictions relating to confidentiality). It also provides a single source of billing data which enables the availability of more accurate and up to date billing information for clients. Lastly, there are also benefits from a compliance perspective in that it enables a single perspective for the practice management team who can more readily ensure that the LGSS Law business processes are being complied with consistently across the business.

#### Enhancement of LGSS Law Finance Support

One of the key areas of focus for LGSS Law in its start-up year has been the establishment of financial accounting systems that are suitable for a law firm trading with a turnover in the range of £6-10 million. The format of the accounts and the associated skills necessary to deliver them have fundamental differences to that of local authority accounts.

Running a firm of this nature requires this dedicated senior finance support in order to deliver and maintain a financial system which is robust and compliant in the regulatory sense. The current Head of Finance has drawn together a small team with a wealth of experience in dealing with the financial aspects of law firms and this has been reflected in the feedback received from our specialist Legal Auditors.

Another key requirement is that of timely and granular financial reporting and analysis to assist in the day to day management of the business and for informing strategic decision making. Although further improvements in this regard will be released with the new Case Management System management now have much greater clarity as to all financial aspects of the business.

#### Hub & Spoke Model – Move to Scott House

The LGSS Law strategic plan envisages the growth of the business being delivered primarily through increasing the client base within the immediate geography of East of England and East Midlands. Client organisations will range from partners who have a stake in the business to clients who utilise the service on a less formalised basis as and when necessary.

In order to better support clients across this territory the company devised a strategy to develop a 'hub and spoke' model for its office locations. The project has successfully progressed

to the point where the company has identified an ideal office space, Scott House, to form the Hub Office and in July 2016 a significant number of team members transferred including all financial and the bulk of the business support staff.

Huntingdon is ideally placed in the centre of the LGSS Law geography with excellent transport links making it readily accessible from all the key points in the area. It is also served with an excellent rail connection to London. The office itself is well suited to the needs of a legal practice having ample and varied meeting room facilities. The addition of Central Bedfordshire Council as a major client augments the rationale for the location as it is within a 35 minute drive.

As well as being in a good location, Scott House also enables the co-location of back office services and of some transactional types of legal work. This provides a more cost effective option and will deliver productivity gains. The legal finance team was the first team to be co-located and it has provided opportunities for more effective utilisation of the team and more joined up working across the four branch offices. The development of this hub will provide an excellent base from which to deliver high quality and cost efficient back office services and front line legal services.

#### Lexcel - Joint Accreditation

Lexcel accreditation is the ISO 9000 equivalent for law firms and is administered by the Law Society which gives it greater credibility as a quality measure. This year LGSS Law achieved single accreditation across two branch offices which constitutes further evidence of the success in bringing processes and procedures in to line across the branch network. Much credit is due to the acting Practice Manager for her determination and hard work in rolling the single office manual out across the branches.

#### Recruitment - Structure

Recruitment is an ongoing challenge across the public sector where the rewards for lawyers are materially less than those in the private sector. However, LGSS Law has continued to recruit with a view to achieving a higher proportion of permanent employees within the team. However, the company is also mindful that law is a people business and there is a great variation in quality of candidates and it is clear that it will not compromise on its requirements for the sake of securing a permanent employee.

LGSS Law is also undertaking a review of its terms and conditions with a view to introducing a pay and reward system better able to recognise the value of being highly skilled and knowledgeable in a particular area of law. The company needs to further develop centres of excellence and through implementing a new scheme of pay and benefits this will provide additional leverage in recruiting the best candidates and to incentivise existing staff to maximise service levels and activity.

#### Growing the Business – CBC and New Clients

LGSS Law currently has in excess of 100 client organisations for whom it regularly undertakes legal work. These range from Local Authorities, Clinical Commissioning Groups, Fire Services

and Charities. Over the year the company has seen a steady flow of new clients from all of the above groups.

Of particular note and by way of example, is Coram. Coram is a highly regarded national charity which has operated since its formation, by Thomas Coram, in 1735, to support children and families who are involved in the adoption process. Coram usually sources its legal support from Bates Wells & Braithwaite, a city firm which has a charity department. On this occasion Coram has instructed LGSS Law to support it in delivering against a new central government initiative requiring the creation of Regional Adoption Agencies. The team at LGSS Law are excited to be involved in such an innovative project and delighted to be supporting a charity such as Coram.

LGSS Law has also delivered a new client from the other end of the spectrum in the shape of Central Bedfordshire Council, a relatively new unitary authority who chose LGSS Law as preferred partner to lead on the establishment of a shared legal service to replace their existing in-house provision. Over a very short time scale, LGSS Law, with the support of other parts of LGSS Group, was able to rapidly mobilise and complete the merger of the CBC legal team in to LGSS Law. This involved the transfer of over 35 staff who from 1st April 2016 joined LGSS Law and now work using LGSS Law systems and processes.

Mergers of this nature are rarely conducted entirely without incident but on this occasion it has proved to be a relatively smooth initial phase of transition. The second phase involves the implementation of the new Integrated Accounts & Case Management system (IPMS) which is scheduled to take place during the Spring 2017. The rollout will be combined with the extension of the LGSS network in to the CBC office building in order that LGSS Law colleagues working on that site will have a hard wired stable connection to the new IPMS. Work is ongoing to ensure that the LGSS network will be accessible from the Shefford Branch Office.

#### Financial Performance 15-16 & Projections 16-17

In its first year of operation the company has delivered benefits to its shareholders and stakeholders alike and has proved successful in many areas.

The company has delivered over 75,000 hours of high quality legal advice in a wide range of areas to over 100 public clients at competitive tariffs for all. By the end of March 2016 the company employed some 48 legal staff who were assisted by 18 support staff and 18 locum lawyers in 3 locations.

Early in the new financial year, the company welcomed Central Bedfordshire Council as a third shareholder into the group, demonstrating support in the concept of a locally owned Alternative Business Solution (ABS) legal firm and an appreciation of its added value. A further 25 lawyers and 5 support staff joined the company at the same time.

The company expects to deliver benefits to the shareholders in 2016/17 in excess of those delivered in 2015/16 generated by improved business performance and the addition of a third shareholder council.

### Financial Performance

Income from fees was above Plan for both the Shareholders and other stakeholders but a late debt provision reflecting where the company delivered services beyond its contractual requirements has rendered some of this surplus unrecoverable.

The primary cost of delivering the service is that of the cost of trained legal staff. The company uses a mixture of Employed staff, Agency and Direct Contract staff to deliver the income and in total 129 fee earners were involved during the year.

The Balance Sheet shows that the company has only a few fixed assets of any material value – mainly IT equipment - and £1,465,000 in its bank account. Much of the bank account will be used to pay VAT and PAYE liabilities of £530,000 and Trade Creditors of £149,000 leaving £786,000 for other uses. This shows that the company is in a healthy short term financial position.

In the early part of April, some the surplus was used to repay £100,000 from the loan from Northamptonshire County Council.

### Value of the company to its Shareholders

The company has a value to its shareholders over and above its provision of services and the Balance Sheet that is reflected in the table below.

In accordance with the partnership ethos within the LGSS Group and in the interests of efficiency through economies of scale, LGSS Law sources its back office support services from the LGSS Group unless this is not possible due to technical or regulatory reasons. This has a financial benefit to the owners as do the fee rates available exclusively to shareholder clients.

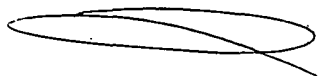
Taking all such matters into account the value of the company to its shareholders can be estimated and the table below demonstrates this.

#### Estimated value of company to its Shareholders

Item	Justification	Estimated Value
Business Volume	Added value on services delivered.	964,317
Owners' rights to Assets		4,891
Estimated Budget reductions in Other Departments	50% of Charges from Owners	182,000
Total Value to Parent Authorities		1,151,208

This report was approved by the Board on 28<sup>th</sup> November 2016

Signed



Q Baker  
Executive Director

14/12/16

## **Directors' Report**

### Principal Activity

The Principal Activity of the company is to deliver and supply timely, flexible and effective legal services to Public Sector and not for profit clients - in particular to its shareholders.

### Registered Number

The company's Registered Number is 9067468.

### Directors

The directors who held office during the year were as follows:

Quentin Baker who was appointed as a Director on 3 June 2014.

John Kane who was appointed as a Director on 24 March 2015.

Matt Bowmer who was appointed as a Director on 24 March 2015.

### Employees

The company employed an average of 56.3 Fulltime Equivalents during the year. At the year-end there was a total of 66 employed staff

### Financial Instruments

The company entered into Financial Instruments during the year with its Shareholders in relation to trading activity and with Northamptonshire County Council in relation to an overdraft facility details of which are included in Note 16.

### Proposed Dividend

The directors do not recommend the payment of a dividend.

### Political Contributions

The Company made no political donations or incurred any political expenditure during the year.

### Other Information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1 and in Note 21 on Page 31

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Signed



Q Baker  
Executive Director

16/12/16



## **Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### **Disclosure of information to the auditor**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable

accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

Signed



Q Baker  
Executive Director

14/12/16

### **Independent Auditors Report to the members of LGSS Law Limited**

We have audited the financial statements of LGSS Law Limited for the year ended 31 March 2016 set out on pages 12 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

the financial statements are not in agreement with the accounting records and returns; or

certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit; or

the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Sarah Brown (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill, Snow Hill Queensway

Birmingham B4 6GH

14 December 2016

**Profit and Loss Account**

*for the year ended 31 March 2016*

	Note	Total £000
Turnover	2	5,627
Cost of sales		-4,317
<b>Gross profit</b>		<b>1,310</b>
Administrative expenses		-1,477
<b>Operating loss</b>		<b>-167</b>
Other interest receivable and similar income	7	38
Interest payable and similar charges	8	-52
<b>Loss on ordinary activities before taxation</b>		<b>-181</b>
Taxation	9	-1
<b>Loss for the Period</b>		<b>-182</b>

**Statement of Other Comprehensive Income**

*for the year ended 31 March 2016*

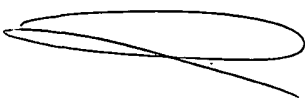
	Total £000
<b>Loss for the period</b>	<b>-182</b>
<b>Other comprehensive Income</b>	
Remeasurement of defined benefit pension liability	825
Remeasurement of defined benefit pension asset	-638
<b>Total Comprehensive Income for the Period</b>	<b>5</b>

**Balance Sheet**

**As at 31 March 2016**

	Note	2016 £000
<b>Fixed assets</b>		
Tangible assets	10	1
<b>Current assets</b>		
Debtors (Including item due after more than one year of £466k)	11	2,516
Cash at bank and in hand	12	1,465
Creditors: amounts falling due within one year	13	-2,561
<b>Net current assets</b>		<b>1,420</b>
<b>Total assets less current liabilities</b>		<b>1,421</b>
Creditors: falling due after more than one year	14	-950
<b>Provisions for Liabilities and Charges</b>		
Pension fund Liability	15	-466
<b>Net assets</b>		<b>5</b>
<b>Capital and reserves</b>		
Called up share capital	18	5
Profit and loss account		
<b>Total Capital</b>		<b>5</b>

These financial statements were approved by the board of directors on 28 November 2016  
and were signed on its behalf by:



14/12/16  
Q Baker  
Executive Director  
Statement of Income and Retained Earnings

**Statement of Income and Retained Earnings for the year ended 31 March 2016**

	Note	Total £000
<b>Balance at 1 April 2015</b>		
Recognition of Opening Pension fund liability		-1,066
Recognition of Opening Pension fund asset		1,066
<b>Total Comprehensive Income for the period</b>		
Loss for the Period		-182
Other Comprehensive income for the period		187
<b>Balance as at 31 March 2016</b>		<b>5</b>

## **Notes**

### ***(forming part of the financial statements)***

#### **1 Accounting policies**

LGSS Law Ltd (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000, unless otherwise stated.

The Company's ultimate parent undertakings, Cambridgeshire County Council and Northamptonshire County Council include the Company in their consolidated financial statements. The consolidated financial statements of both councils are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the addresses shown in Note 22. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

##### **1.1 Measurement convention**

The financial statements are prepared on the historical cost basis except that the assets and liabilities are stated at their fair value.

##### **1.2 Going concern**

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

##### **1.3 Basic financial instruments**

###### ***Trade and other debtors / creditors***

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.



**Notes (continued)**

*Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances.

**1.4 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment      4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

**1.5 Employee benefits**

The Company's employees are members of a group wide defined benefit pension plan administered by LGSS Pension Services and a part of the Local Government Pension Fund. The net defined benefit cost of the plan is charged to participating entities on the following basis: Actuarial valuation of the liability as at the year end.

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Up until 31 March 2014 the pension scheme provided benefits based on final salary and length of service on retirement. Changes came into effect from 1 April 2014 and any benefits accrued from this date are based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension scheme assets are measured using fair values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full.

**Notes (continued)**

LGSS Law Ltd will continue to show the deficit on the pension scheme as a liability on the Balance Sheet.

It has been agreed with Cambridgeshire County Council and Northamptonshire County Council that they will provide an indemnity in respect of the pension obligations of the Company and accordingly an asset has been recognised on the Balance Sheet to reflect the Council indemnity. This asset will always be equal and opposite to the pension liability and is presented within other debtors.

The reimbursement asset is treated similarly to a plan asset, interest income is calculated by multiplying the asset at the start of the period with the market yield on high quality corporate bonds and recognised in interest receivable.

The remeasurement gains / losses arising are recognised in other Comprehensive Income.

The Councils' indemnity of the pension deficits supports the preparation of the financial statements on a going concern basis.

**1.6 Turnover**

Turnover is recognised at the point of charging time to clients. The base unit of charge is 6 minutes of Fee Earner time.

**1.7 Expenses**

*Interest payable*

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

**1.8 Taxation**

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

**2 Turnover**

	2016 £000
Fee income	5,627
Total	<u>5,627</u>

**Notes (continued)**

**3 Expenses**

*Included in profit/loss are the following:*

	<b>2016</b>
	<b>£000</b>
Impairment loss on Debtors	<b>157</b>
	<hr/> <b>157</b> <hr/>

**4 Auditor's remuneration**

*Included in profit/loss are the following:*

	<b>2016</b>
	<b>£000</b>
Audit of these financial statements	<b>25</b>
	<hr/> <b>25</b> <hr/>

**Notes (continued)**

**5 Staff numbers and cost**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2016
Director	1.0
Fee Earning Staff	44.7
Others	10.6
Total	56.3

The aggregate payroll costs of these persons were as follows:

	2016 £000
Wages and salaries	2,260
Social security costs	174
Expenses related to Retirement Benefit Plans	452
Total	2,886

**Notes (continued)**

**6 Directors remuneration**

	<b>2016</b>
	<b>£000</b>
Directors' remuneration	<b>132</b>
<b>Total</b>	<b>132</b>

The aggregate remuneration of the highest paid director was £132,876. He is a member of a defined benefit scheme, under which his accrued pension at the year-end was £36,266, and his accrued lump sum was £63,419

John Kane and Matt Bowmer are statutory Directors of LGSS Law however no remuneration or expenses were paid to these Directors during the year by the company.

	<b>2016</b>
Retirement benefits are accruing to the following number of directors under:	
Defined Benefits Scheme	<b>1</b>
<b>Total</b>	<b>1</b>

**7 Interest receivable and similar income**

	<b>2016</b>
	<b>£000</b>
Net interest receivable on Pension Fund assets	<b>38</b>
<b>Total interest receivable and similar income</b>	<b>38</b>

Notes (continued)

**8 Interest payable and similar charges**

	2016 £000
Interest payable on financial liabilities at amortised cost	14
Net interest payable on Pension Fund liabilities	38
Total interest payable and similar charges	<u>52</u>

Interest payable and similar charges includes interest payable on an overdraft facility from Northamptonshire County Council of £13,564.

**Notes (continued)**

**9 Taxation**

**Total tax expense recognised in the profit and loss account**

	<b>2016</b>
	<b>£000</b>
<i>Current tax</i>	
Current tax on income for the period	-1
<b>Total</b>	<b>-1</b>

**Reconciliation of effective tax rate**

	<b>2016</b>
	<b>£000</b>
Loss for the year	-181
<b>Total tax expense</b>	<b>-1</b>

	<b>2016</b>
	<b>£000</b>
Loss for the year	-181
Tax using the UK corporation tax rate of 20 %	-36
Taxable adjustments	35
<b>Total tax expense included in profit or loss</b>	<b>-1</b>

No deferred tax asset has been recognised on the basis that the company does not consider it should be recoverable.

**Notes (continued)**

**10 Tangible fixed assets**

	<b>Plant and Equipment</b>	<b>Total</b>
	<b>2016</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
Balance at 1 April 2015	0	0
Acquisitions	1,245	1,245
	<hr/>	<hr/>
Balance at 31 March 2016	1,245	1,245
	<hr/>	<hr/>
<b>Depreciation and impairment</b>		
Balance at 1 April 2015	0	0
Depreciation charge for the year	311	311
	<hr/>	<hr/>
Balance at 31 March 2016	311	311
	<hr/>	<hr/>
<b>Net book value</b>		
At 1 April 2015	0	0
	<hr/>	<hr/>
At 31 March 2016	934	934
	<hr/>	<hr/>

**11 Debtors**

	<b>2016</b>
	<b>£000</b>
Trade debtors	530
Amounts owed by group undertakings	1,475
Prepayments	45
Pension fund asset (due after more than one year)	466
	<hr/>
Total	2,516
	<hr/>
Debtors include accrued income of £34,529	



**Notes (continued)**

**12 Cash and cash equivalents**

	2016 £000
Cash at bank and in hand	1,465
Total	<u>1,465</u>

**13 Creditors: amounts falling due within one year**

	2016 £000
Trade creditors	149
Amounts owed to group undertakings	1,682
Taxation and social security	484
Employee Benefits	67
Accruals and deferred income	179
Total	<u>2,561</u>

**14 Creditors: amounts falling due after more than one year**

	2016 £000
Amounts owed to Group undertakings	950
Total	<u>950</u>

Notes (continued)

**15 Provisions for Liabilities and Charges**

	<b>2016</b>
	<b>£000</b>
Pension fund Liability	466
Total	<u>466</u>

**16 Interest-bearing loans and borrowings**

The company benefitted from a start-up loan from Northamptonshire County Council of £100,000 and has an overdraft facility also with Northamptonshire County Council at 1.62%pa. Total available overdraft facility £1,000,000, of which £950,000 has been drawn down.

	<b>2016</b>
	<b>£000</b>
<b>Creditors falling due more than one year</b>	
Loan from shareholders	950
	<u>950</u>
<b>Creditors falling due within less than one year</b>	
Start-up Loan from shareholders	100
	<u>100</u>
The Start-up loan was repaid in April 2016	

Notes (continued)

**17 Employee benefits**

LGSS Law Ltd staff are entitled to join the Local Government Pension Scheme (LGPS) which is a defined benefit plan.

Former employees of Northamptonshire County Council are members of the Northamptonshire County Council LGPS. All other employees who join the scheme are members of the Cambridgeshire County Council LGPS.

The Net Pension Liability is guaranteed by the respective Local Authorities and not the company.

Details of the funds and their treatments in these financial statements are as follows:

**Cambridgeshire Pension fund**

*Net pension (liability)/asset*

	2016	2015
	£000	£000
Defined benefit obligation	-3,439	-3,407
Plan assets	3,155	2,887
Net pension liability	-284	-520

*Movements in present value of defined benefit obligation*

	2016
	£000
At 1 April 2015	-3,407
Current service cost	-341
Interest expense	-120
Change in Financial Assumptions	526
Contributions by member	-97
At 31 March 2016	-3,439

**Notes (continued)**

***Movements in fair value of plan assets***

	<b>2016</b>
	<b>£000</b>
At 1 April 2015	2,887
Interest income	101
Remeasurement: return on plan assets less interest income	-159
Contributions by employer	229
Contributions by members	97
	<hr/>
At 31 March 2016	<b>3,155</b>
	<hr/> <hr/>

***Expense recognised in the profit and loss account***

	<b>2016</b>
	<b>£000</b>
Current service cost	-341
Net Interest	-19
	<hr/>
Total expense recognised in profit or loss	<b>-360</b>
	<hr/> <hr/>
Change in Actuarial Assumptions	<b>367</b>
	<hr/>
Total Income recognised in Other comprehensive Income Statement	<b>367</b>
	<hr/> <hr/>

**Notes (continued)**

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2016	2015
	%	%
Discount rate	3.6	3.3
Other material assumptions	2.2	2.5

Last full actuarial valuation was performed on 31<sup>st</sup> March 2013.

In valuing the liabilities of the pension fund at 31<sup>st</sup> March 2016, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.5 years (male), 24.5 years (female).
- Future retiree upon reaching 65: 24.4 years (male), 26.9 years (female)

**Northamptonshire Pension fund**

*Net pension (liability)/asset*

	2016	2015
	£000	£000
Defined benefit obligation	-2,989	-3,071
Plan assets	2,807	2,525
Net pension liability	-182	-546

*Movements in present value of defined benefit obligation*

	2016
	£000
At 1 April 2015	-3,071
Current service cost	-284
Interest expense	-107
Change in Financial Assumptions	537
Contributions by member	-64
At 31 March 2016	-2,989

**Notes (continued)**

*Movements in fair value of plan assets*

	<b>2016</b>
	<b>£000</b>
At 1 April 2015	<b>2,525</b>
Interest income	<b>88</b>
Remeasurement: return on plan assets less interest income	<b>-79</b>
Contributions by employer.	<b>209</b>
Contributions by members	<b>64</b>
	<hr/>
At 31 March 2016	<b>2,807</b>
	<hr/> <hr/>

*Expense recognised in the profit and loss account*

	<b>2016</b>
	<b>£000</b>
Current service cost	<b>-284</b>
Net Interest	<b>-19</b>
	<hr/>
Total expense recognised in profit or loss	<b>-303</b>
	<hr/> <hr/>
Change in Actuarial Assumptions	<b>458</b>
	<hr/>
Total Income recognised in Other comprehensive Income Statement	<b>458</b>
	<hr/> <hr/>

**Notes (continued)**

Principal actuarial assumptions (expressed as weighted averages) at the yearend were as follows:

	2016 %	2015 %
Discount rate	3.6	3.3
Other material assumptions	2.2	2.5

Last full actuarial valuation was performed on 31<sup>st</sup> March 2013.

In valuing the liabilities of the pension fund at 31<sup>st</sup> March 2016, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.3 years (male), 24.3 years (female).
- Future retiree upon reaching 65: 24.0 years (male), 26.6 years (female).

**18 Capital and Reserves**

**Share capital**

	2016	2015
	£	£
<b><i>Allotted, called up and fully paid</i></b>		
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**Notes (continued)**

**19 Related Parties**

Cambridgeshire County Council and Northamptonshire County Council jointly operate a Shared Services Centre called LGSS. The table below shows the value recognised in the Profit & Loss Account in the year for services delivered by the three entities, totalling £464k.

The shareholders also settled supplier invoices on the company's behalf totalling £1,218k, for services delivered by 3<sup>rd</sup> party suppliers.

Supplying Entity	Purchases £000	Outstanding at 31 March 2016 £000	
		Purchases	Others
Cambridgeshire County Council	104	104	267
Northamptonshire County Council	210	210	951
LGSS	150	150	
<b>Total</b>	<b>464</b>	<b>464</b>	<b>1,218</b>

At the yearend £1,582k was included in creditors on the Balance Sheet in respect of these transactions.

The table below shows the value of Legal services purchased by the three entities during the year and the Outstanding Balance at 31 March 2016

Purchasing entity	Invoiced Fees £000	Outstanding at 31 March 2016 £000
Cambridgeshire County Council	1,682	471
Northamptonshire County Council	2,378	882
LGSS	333	123
<b>Total</b>	<b>4,393</b>	<b>1,476</b>



**Notes (continued)**

**20 Ultimate parent undertakings**

The Company is a subsidiary undertaking of Cambridgeshire County Council and Northamptonshire County Council who jointly also operate the LGSS Group

The consolidated financial statements of the LGSS Group contain the results of the company. The consolidated financial statements of the LGSS Group are reported to the LGSS Joint Committee, which is a public meeting. In turn the LGSS Group accounts are consolidated into the accounts of Northamptonshire County Council and Cambridgeshire County Council, which are available to the public.

**21 Subsequent Event**

Subsequent to the balance sheet date, the company issued 50 new shares to Central Bedfordshire Council who have become a joint shareholder with Cambridgeshire County Council and Northamptonshire County Council. The value of additional income the company can expect from this arrangement is c £2.3m a year.

**22 Business Addresses**

Registered Office and Cambridge Office	Shire Hall Castle Hill Cambridge CB3 0AP
Northampton Office	John Dryden House 8-10 The Lakes Northampton NN4 7YD
Huntingdon Office	Scott House 5 George Street Huntingdon PE29 3AD