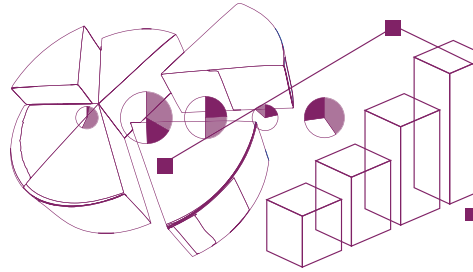




- Business Advisors
- Audit & Accountancy
- Tax & Wealth Planning



Profit from an R&P Legal Seminar

Book your place now for our three way seminar on

- Profit Improvement
- Tax Planning
- Changes to SAR

Date: 12th January 2012

Time: 9am - 11.30am

**Venue: Legends Lounge,
Kingsholm Rugby Club,
Gloucester**

Contact Jo Kline on 01242 548600

or email jk@randall-payne.co.uk



Randall & Payne Offer Specialist Advice to Legal Practices

Solicitors and accountants have always worked closely together, often in client related work but also as trusted advisors to each other. The latter has never been as important as it is at the moment, as Russel Byrd, Partner at Randall & Payne explains:

“The legal services industry is changing as never before. The number of mergers is increasing and this trend looks set to continue.” (continued page 2)

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Front page article continued:

Research from the Law Consultancy Network (LCN) showed that a third of law firms either merged with another firm or took over a department in another firm in the first half of 2011. Furthermore, the research showed that larger firms (those with more than ten partners) were more likely to merge than those firms with less than ten partners, with over 40% of the larger firms surveyed saying that a merger was likely. This trend is likely to accelerate, with the view that mergers will ultimately drive competitiveness.

“Solicitors need to fully understand the financial and logistical impact of mergers and those not pursuing a merger programme need to understand how to maintain a competitive advantage and be profitable”, says Russel. It is for this reason that Randall & Payne want to continue working with local legal firms to review business strategy and assist in implementing a Profit Improvement Programme. Led by Russel and Strategy Partner of Randall & Payne Will Abbott, an expert in facilitating business strategy reviews across a wide range of industries, the initial two hour interactive seminar has been well received by those partaking in the workshop.

In such difficult times there is agreement throughout the sector that solicitor firms of all sizes need to be financially astute and ensure that fee earners and administrative staff alike are aware of the effect that their actions can have on the financial success of the business. The Randall & Payne Strategy Workshop does just this, taking the key decision makers within the solicitors firm through a ‘revision’ trip, looking at financial and business performance and benchmarking against headline statistics from the UK200Legal Group (of which Randall & Payne are a prominent member) benchmarking survey.

The session concludes with an open discussion regarding the strengths and weaknesses of individual firms, encouraging the participants to be open and frank with their input.

As Will points out: “The whole process is designed to encourage partners and practice managers to be more inclusive in the manner in which they run their individual practices. We can undertake a financial review using an exclusive modelling tool for solicitors and as a follow up to the seminar participants are encouraged to maintain an ongoing dialogue with us. The benefits are that partners and practice managers can model the business based on decisions made at the seminar and beyond, with a forecasting model that can be altered on a rolling basis to take account of trading conditions.”

In these testing times can solicitors’ firms ignore the opportunity to work with industry specialist accountants who are able to assist with strategic plans. The day of the old retained firm accountant has passed and we believe that an accountant who is familiar with the legal profession should become an essential part of any progressive legal practice. **For more information please contact Russel on 01242 548600 or email rb@randall-payne.co.uk**





Solicitors' Accounts Rules: Top Tips to Avoid Problems

Solicitors are required to operate in accordance with the very rigid and precise Solicitors' Accounts Rules (SAR) when dealing with client money, with any errors seen as a breach of those rules.

Vicky McNaught-Davis, Client Director and Legal Services Specialist shares her top tips to avoid making those errors.

- 1 Ensure any withdrawals are signed by an authorised person.
- 2 Client bank accounts should be clearly named to include the word client.
- 3 If a client's cheque is dishonoured, a debit balance will arise unless the bank has instructions to charge such unpaid items to the office account. Avoid overdrawn client ledger accounts by instructing your bank.
- 4 Office ledgers should be regularly reviewed to ensure that they do not represent client money incorrectly held in office account, shown with a credit balance.
- 5 Transfer money earmarked for costs out of the client account within fourteen days.
- 6 Ensure designated deposit accounts are included in both the ledger and reconciliations.
- 7 Once a matter is completed, ensure any sum in the client account is dealt with, not left in the account.
- 8 Describing profit costs as disbursements, including charging for telegraphic transfers (when these are made electronically at no cost) could cost you - if in doubt, your accountant will be able to advise you.

With SAR's so rigidly defined it is not difficult for a firm to find that it has breached one or more of them over the course of a year. Professional advice, robust systems and an awareness of common problem areas will help to ensure that the rules are followed.

For more information please contact Vicky on 01242 548600 or email vmd@randall-payne.co.uk



Corporate Partners and Solvent Liquidations

There was a time when all legal practices were partnerships. Now solicitors can adopt structures which include LLPs and Limited Companies or a mixture of both.

There are many elaborate structures which have been introduced in recent years and many of these remain untested from HMRC scrutiny - only time will tell if their artificiality will result in extra tax. **Our advice is that you should always be able to commercially justify the structure of your business.**

One such addition to the traditional partnership is the corporate partner. These have become popular because partners are able to allocate profits to a company that will be assessed to tax at the lower corporate rates. Funds are then distributed to partners by the strategic payment of dividends or the winding up of the company at lower capital gains tax rates.

The winding up of the company is currently straightforward and it is possible to take advantage of extra-statutory concession C16 to obtain capital treatment. However, this concession is nearing its end and it will certainly not escape the next budget. As a result, a corporate partner will almost certainly have to carry out a solvent liquidation to obtain favourable tax treatment.

The question is, how would such a public liquidation affect the reputation of your firm?

If you would like to discuss your practice structure, please contact:
Chris Mattos, Tax Partner – cjm@randall-payne.co.uk

Find Me an Expert Witness

Solicitors looking to appoint an expert witness may have difficulty in finding one to instruct, following the recent decision in *Jones v. Kaney*, which could lead to a significant reduction in the number of individuals who are willing to undertake such work in the future.

This case involved an expert (Kaney), who had acted for Jones, following a road traffic accident. Kaney prepared a report advising that in her opinion Jones was suffering from post-traumatic stress disorder as a result of the accident. The defendant to Jones' claim appointed their own expert who came up with a different opinion. As is commonplace when experts disagree, a meeting of the experts was ordered, following which a joint statement was prepared.

That statement suggested Kaney had changed her opinion. In fact she had failed to read the statement the other expert had prepared. Jones' claim therefore settled for a lower amount than would otherwise have been the case. Jones therefore decided to bring a negligence claim against Kaney. Up till then, it was believed that experts were immune from suit when acting in that capacity and merely owed a duty to the Court and not to the relevant parties. Jones' claim was initially dismissed, with Kaney making a plea of witness immunity in line with the decision in the case of *Stanton v. Callaghan*. Jones decided to appeal the decision.

The Supreme Court by a 5-2 majority came down in Jones' favour and thus swept aside the immunity for breach of duty that expert witnesses had previously enjoyed, thus overturning the decision in the *Stanton* case. As a result, it is likely that experts who come from professions where exposure to liability is not the norm, will now withdraw from the work, leaving solicitors with a lack of experts to appoint.

**For more information on providing expert witness statements contact:
Oliver Newbold, Client Director, Stroud – oan@randall-payne.co.uk**





Legal Aid Cuts Threaten Law Centres

Many law centres could close when the Government's plans to cut legal aid by 10% go ahead, solicitors have claimed.

A third of law centres rely on legal aid for over 60% of their revenue, giving rise to fears that they will struggle following the cuts.

In addition, the Ministry of Justice (MoJ) has removed welfare, debt, employment and housing advice from the scope of legal aid provision, which law centres fear will reduce their client numbers dramatically. The MoJ has provided a £20 million transitional fund for law centres, but legal experts have warned that closures could lead to reduced access to justice for disadvantaged groups.

Advocates Raise Concerns About QASA

Contrary to initial information, the Quality Assurance Scheme for Advocates (QASA) will be implemented in stages but no pilot will take place, the Joint Advocacy Group has announced.

In addition, the Criminal Bar Association (CBA) raised concerns that silks are not provided for in the payment structure for Crown court advocates under QASA, and would no longer receive payment for publicly-funded defence cases. However, the Solicitors Association for Higher Court Advocates (SAHCA) has stated that silks are included in the QASA payment structure, and a separate category for silks is being considered in a consultation.

Legal Services Board to Investigate Will Writing

A statutory investigation into consumer protection in the Will-writing, probate and estate administration markets has been launched by the Legal Services Board (LSB). The investigation is a result of research conducted by the LSB in 2010, which revealed that many Wills contained basic errors and often failed to reflect the client's wishes.

The investigation will identify any necessary changes to the regulation of the three markets and examine the possibility of making them reserved activities, whereby only people authorised by an approved regulator could carry them out.

Outcry Over Delayed Legal Aid Payments

Criminal barristers are experiencing significant delays in receiving payment of legal aid fees from the Legal Services Commission (LSC). The LSC took over the responsibility for administering payments from Her Majesty's Courts Service (HMCS) in April. Previously, the timescale for receiving payment was 28 days, but under the LSC administration some barristers report that they have waited up to four months.

The LSC admitted that they were outside of their target of eight weeks for processing claims, and were training additional staff to clear the backlog.



Lawyers Criticise Telephone Advice Plan

Access to publicly-funded legal advice in community care law will only be available through a telephone gateway, the Government has announced.

The gateway would be used to determine whether clients seeking advice would be eligible for legal aid, and if so, whether it would be delivered by telephone or in person.

However, the Public Law Project (PLP) has requested permission to apply for a judicial review of the plan. The PLP argue that vulnerable groups most in need of the service could be prevented from accessing legal aid because they will have difficulty communicating their issues by telephone.

Law Firms Must Merge To Compete, Experts Claim

A third of law firms either merged with another firm or took over a department in another firm in the first half of 2011, according to research by the Law Consultancy Network (LCN).

This had increased from 20% in the second half of 2010 and 13% a year ago. The study revealed that larger firms were more likely to merge, with 41% of firms with more than ten partners stating that they were likely to do so, compared with only 14% of those with fewer than ten partners.

Andrew Otterburn of LCN claimed that this trend is likely to accelerate in the future and advised firms to identify appropriate merging opportunities to build competitiveness.

If you would like to discuss further the impact on mergers or acquisitions please contact either Russel Byrd, Partner: rb@randall-payne.co.uk or Chris Mattos, Tax Partner: cjm@randall-payne.co.uk

Valuation of Legal Practices

Because of the significant changes within the industry, valuing businesses at times of disposal/acquisition or merger have never been so complex or prevalent. Every change within business operations has a potential impact upon its value and early consultation with an expert in business valuations is paramount. As Oliver Newbold, Client Director and Corporate Finance Specialist explains: "There is no simple formula to valuing a business. Consequently, purchasers will try and drive the acquisition price downwards and vendors will clearly seek to maximise returns. A robust independent valuation report will underpin the final price paid."

For more information on business valuations contact Oliver on 01453 763471 or e-mail oan@randall-payne.co.uk

This newsletter has been prepared for general interest and it is important to obtain professional advice on specific issues. While all possible care is taken in the preparation of this newsletter, no responsibility for loss occasioned by any person acting or refraining from acting as a result of the material contained herein can be accepted by Randall & Payne LLP. We believe the information contained in this newsletter to be correct at the time of going to press, however, it is important to remember that tax legislation changes regularly.



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