

**Application made by the Law Society and the Solicitors  
Regulation Authority to the Legal Services Board under  
section 51 of the Legal Services Act 2007 for the approval  
of practising fees 2020/21**



## I. Summary and overview

1. This document asks the Legal Services Board (LSB) to approve the Law Society (TLS) and Solicitors Regulation Authority's (SRA) application for practising fees for 2020/21. The total amount required is referred to internally as the net funding requirement (NFR).
2. The following fees, outlined in table 1, need LSB approval:
  - individual regulatory fee; and
  - firm regulatory fee for recognised sole practices, recognised bodies and licensed bodies (based on turnover bandings).

**Table 1: Fee levels**

Practising Fees	2020/21	2019/20	Variance
Individual regulatory fee	£278	£278	£0 0%
Individuals (total to be collected)	£40.5m	£41.0m	- £0.5m - 1.2%
Firm fee (total to be collected)	£60.7m	£61.5m	- £0.8m - 1.3%

3. The proposal is for no change in the individual practising fee relative to 2019/20. Practising fees charged to firms will be calculated on the same basis as previous years with the amount to be charged and collected based on a percentage of their turnover.
4. This application includes additional information on the expected timetable to replenish reserves of both TLS and the SRA as requested by LSB last year.

## II. Developing the overall budget and application

### Section II(a) The Law Society Group budget-setting and practising fees

#### Background

5. The current fee structure was set in 2010. In that year, the approach changed from collecting nearly all regulatory fees from individual practising solicitors, to a split between individuals and regulated entities. At that time, the SRA adopted the following guiding principles for the fees policy:
  - be fair to fee payers
  - be efficient and economical to administer
  - ensure a predictable income to meet the cost of regulation
  - be stable – charges should not vary considerably year on year
  - be as simple as possible – to enable the regulated profession to predict their likely fees
  - be based on data that can be verified
  - ensure that, where possible, the costs of processes that are not of general application should be borne by those making such applications, as far as possible, on a cost recovery basis
  - take some account of ability to pay, in particular in relation to small and new businesses, charitable and not for profit bodies – fees should not be a deterrent to new entrants.
6. In each subsequent year, the SRA Board has maintained the same basic structure for the collection of fees. This approach remains for the current application year 2020/21. A review of fees is currently being conducted within the SRA, this will include consideration of the structure of practising fees including the split between individuals and firms. We will consult on our proposals in 2021.
7. Under the Law Society's General Regulations, it is for TLS Council to determine the total amount to be raised from practising fees, including the amount for regulation required by the SRA Board. It is for the SRA Board to determine how the total amount to be raised should be split between individual solicitors and firms.
8. Regulatory fees are split between:
  - individual: 40% of the total requirement
  - firm: based on turnover bandings: 60% of the total requirement.
9. Table 2 below summarises the total income by source and the split of costs by organisation that are funded by that income with a cross reference to the relevant table in the application where more detail is given.

Table 2: TLS Group Income and Expenditure

Budget item	2021 Draft Budget	2020 NFR	Variance	Refer to table
<b>Income</b>				
Practising Fee income	£101.2m	£102.5m	- £1.3m	6
Commercial Income (permitted)	£12.4m	£12.0m	+ £0.4m	4
Commercial Income (non-permitted)	£1.7m	£2.0m	- £0.3m	5
Regulatory Income	£3.1m	£3.1m	+ £0.0m	3
Investment income	£1.0m	£1.3m	- £0.3m	3,4 & 5
SRA recoveries	£12.2m	£12.2m	+ £0.0m	3
Funding from permitted reserves	£0.9m	£0.0m	+ £0.9m	4
Funding from non-permitted reserves	£1.0m	£1.2m	- £0.2m	5
<b>Total</b>	<b>£133.5m</b>	<b>£134.3m</b>	<b>- £0.8m</b>	
<b>Expenditure</b>				
TLS (permitted)	(£42.6m)	(£44.0m)	- £1.4m	4
TLS (non-permitted)	(£2.8m)	(£3.2m)	- £0.4m	5
SRA	(£70.2m)	(£70.2m)	+ £0.0m	3
LSB and LeO	(£13.9m)	(£13.4m)	+ £0.5m	6
SDT	(£3.2m)	(£3.2m)	+ £0.0m	6
OPBAS	(£0.8m)	(£0.3m)	+ £0.5m	6
<b>Total</b>	<b>(£133.5m)</b>	<b>(£134.3m)</b>	<b>- £0.8m</b>	

10. The net funding requirement (NFR) for TLS Group is based on:
  - the SRA and TLS's draft budgets
  - levies required by:
    - the LSB
    - the Solicitors Disciplinary Tribunal (SDT)
    - the Legal Ombudsman (LeO)
    - the Office for Professional Body Anti-Money Laundering Supervision (OPBAS)
11. Over recent months, work has been taking place to establish the SRA as a distinct legal entity within the Law Society Group. This has led to a change in the way the final Law Society Group funding requirement is discussed and agreed.
12. The SRA's draft budget and NFR is approved by the SRA Board.
13. TLS's draft budget and NFR is approved by TLS Board and recommended to Council.
14. TLS Board no longer recommends the Group budget to Council – the Group budget is discussed and agreed by Council following the recommendations of the SRA Board and TLS Board for the respective entity budgets.
15. The 2020/21 draft budgets for the SRA and TLS – and therefore the NFR for each – include an allocation of TLS Group costs. The allocation of those costs has been reviewed as a part of the draft budget and NFR process. These allocations are reviewed annually.
16. To estimate fees that will cover the total NFR, assumptions have to be made about:
  - the number of practising certificates to be issued.
  - the turnover from all firms within the profession. This is based on information supplied by firms as part of the 2019/20 renewal exercise.
17. TLS Council approved a total of £101.2m to be collected from practising fees – which is a £1.3m, or 1.3%, decrease from £102.5m in 2019/20.
18. The individual practising fee will remain unchanged at £278 in 2020/21.
19. The Law Society Group's financial year ends on 31 October, so the budget year is aligned to the practising certificate year. Budgets for the SRA and TLS are finalised before the beginning of the financial year within the individual NFR envelopes set at the point of this application.
20. In 2020/21 the practising fee income will be shared between:
  - SRA (regulatory arm): £54.8m (2020: £54.1m)
  - TLS (professional body): £28.5m (2020: £31.5m)
  - LSB, LeO, SDT and OPBAS: £17.9m. (2020: £16.9m)

## Section II(b) The SRA budget

21. As mentioned in paragraph 11 work has been ongoing to establish the SRA as a distinct legal entity within The Law Society Group. This is expected to take effect before the end of the current financial year. One of the consequences of this is a reduction in the amount of group investment income that is attributable to SRA, increasing the SRA NFR by £0.7m and reducing the TLS requirement by a commensurate amount.
22. Preparing the 2020/21 SRA budget takes the following into consideration:
  - the SRA's Corporate Strategy 2020 to 2023
  - the SRA's 2019/20 operational and financial position, including levels of activity, both in 2020 and a forecast for 2021
  - the SRA's assessment of current regulatory challenges and priorities and operational performance
  - the establishment of SRA as a distinct legal entity
  - the Modernising IT (MIT) programme.
23. The SRA published its three-year Corporate Strategy in March 2020. The NFR has been prepared to deliver against the objectives outlined in the strategy. The business plan, which is supported by the NFR and sets out the specific deliverables for year one of the three-year plan, was published for consultation in June 2020.
24. In addition to our core work to set and maintain the high professional standards that we and the public expect, the key areas of work in 2020/21 include
  - the introduction of the Solicitors Qualifying Examination (SQE)
  - increasing our monitoring of anti-money laundering (AML) arrangements
  - understanding the adoption of technology in the legal sector
  - establishing an office in Wales
  - playing our part in the UK-EU exit transition
  - responding to the implications of the Covid-19 pandemic for the legal sector.
25. During 2019/20 TLS and SRA have finalised the process of decentralising its shared services operations. Group related costs are managed by TLS and recharged to SRA. The SRA budget no longer includes a recharge for shared services costs.
26. The SRA Finance and Audit Committee considered the SRA 2020/21 draft budget and NFR and recommended it to the SRA Board, which approved both at its meeting on 2 June 2020. The Council approved the TLS group funding requirement on 15 July 2020.
27. In July 2016, TLS Council approved a major programme of investment in the IT across TLS Group. The total approved programme budget for the SRA is £34.5m. The SRA commenced work on this programme in November 2016, following a period of due diligence, and work has continued throughout 2019/20. The SRA expects that the programme, MIT, will conclude this year. Ongoing investment in our new IT will continue after MIT ends.
28. The SRA 2020/21 budget for projects is set at £5.7m, significantly reduced from previous years. 2020/21 will be a year where we build on the work done in recent years as the modernising IT programme comes to a conclusion. Spend on projects will be awarded and tracked on a project by project basis through the financial year with the SMT responsible for the allocation of funds supported by individual business cases.
29. The SRA Finance and Audit Committee was provided with regular updates on the programme of works, actual spend and total forecast spend. With the establishment of the Audit and Risk Committee, updates will now be provided directly to the Board.

30. When TLS Council approved the programme, it was agreed that part of this project's funding would come from reserves. This remains the case. By the end of the 2019/20 financial year the SRA will have spent £9.0m from historical reserves across the course of the programme.
31. The portion of the 2020/21 practising fee identified as SRA projects includes no further funding for the MIT programme the funding for this having been collected through the fee in previous years. As part of establishing SRA as a distinct legal entity, the reserves of the Law Society Group will be split between TLS and SRA. The amount owing from SRA to TLS has been considered as part of this split and replenishment of these reserves will now take place within SRA. It is currently intended that this replenishment will begin in 2021/22 and take place over four years. The aspiration is that efficiency savings within the budget and from the delivery of improved technology will allow us to replenish reserves without increasing the SRA element of the practising fee.

**Table 3: Total income and expenditure allocated to SRA**

Budget Item	2021 Draft budget	2020 Budget	Variance	Commentary
<b>Total income allocated to the permitted purposes for regulatory functions</b>				
Total PC fee income	£54.8m	£54.1m	+ £0.7m	Increase to offset reduction in investment income
Recoveries	£12.2m	£12.2m	+ £0.0m	£10.2m from the Compensation Fund and £2m in recovery of costs
Other Income	£3.3m	£4.0m	- £0.7m	Reduction in investment income
<b>Total</b>	<b>£70.2m</b>	<b>£70.2m</b>	<b>£0.0m</b>	
<b>Total SRA Expenditure by directorate</b>				
Chief Executive Office	(£1.9m)	(£2.6m)	- £0.7m	Removal of strategic reserve
Operations and Performance	(£17.8m)	(£17.2m)	+ £0.6m	Additional 6-8 staff to monitor transparency and perform QA
Client Protection	(£8.9m)	(£8.9m)	+ £0.0m	
General Counsel	(£8.2m)	(£7.8m)	+ £0.4m	Additional work in relation to anti money laundering
External and Corporate Affairs	(£4.1m)	(£3.9m)	+ £0.2m	
Resources	(£6.4m)	(£5.5m)	+ £0.9m	Inclusion of depreciation in the requirement – previously excluded

IT	(£8.6m)	(£9.1m)	- £0.5m	Removal of transitional costs incurred in 2019/20
Strategy and Innovation	(£2.9m)	(£2.1m)	+ £0.8m	Increased spend on research and approach to technology
SRA Projects	(£5.7m)	(£8.0m)	- £2.3m	Reduced expenditure due to completion of modernising IT programme
Facilities and group recharges	(£5.7m)	(£5.2m)	+ £0.5m	Annual inflationary increases
<b>Total</b>	<b>(£70.2m)</b>	<b>(£70.2m)</b>	<b>£0.0m</b>	

32. To support Table 3 a brief explanation of the structure of the SRA directorates is set out below.

#### **Chief Executive Office**

Responsible for:

- providing support to the Chair and the Chief Executive
- providing business and operational support to the Chief Executive and SRA governance fora, as required
- leading our culture change work programme.

#### **Operations and Performance**

This directorate includes the following teams:

- Investigation and Supervision - includes Supervision, Forensic Investigations, Assessment Team and Fraud and Confidential Intelligence Bureau.
- Thematic team - undertake a wide range of thematic projects with the profession generally, to assist us in reducing market risk.
- Authorisation - authorises individuals and firms to enter the profession and monitors their suitability
- Contact Centre
- Ethics Guidance - provides guidance on our Codes of Conduct and rules to the individuals and firms we regulate.

#### **Client Protection**

Manages the Compensation Fund and interventions into law firms and statutory trust account

#### **General Counsel**

Is made up of the following teams:

Legal Policy

- supporting regulatory reform by providing legal advice and drafting rules
- making sure that the organisation is governed, and operates, in a way that is lawful and robust to challenge
- making sure up to date legal principles and best practice in legal thinking are embedded across the organisation
- oversight of the quality and consistency of regulatory decision making across the business

Legal and Enforcement

- responsible for decisions to refer individuals and/or firms to the Solicitors Disciplinary Tribunal and prosecuting those cases. Also, the delivery of a variety of litigation and legal advice to other departments.
- oversight of our Adjudication function which makes formal regulatory decisions, including to discipline solicitors, control how they practise and to close firms down where necessary in the public interest.



### Regulatory Management

- Focussed on building and maintaining relationships with a range of firms.
- Anti-money laundering (AML), the aim is to prevent money laundering and terrorist financing. Work is overseen by the Office of Professional Body AML Supervision (OPBAS). Consists of three functions:
- AML policy – dealing with frequent changes in the regulations, ensuring SRA are meeting their responsibilities (set out in the money laundering regulations)
  - AML investigations –investigating cases related to AML breaches.
  - Proactive AML supervision – ensuring firms have appropriate policies and controls in place through thematic reviews, visits and desk-based reviews.

### Adjudication

- Making formal regulatory decisions, including to discipline solicitors, control how they practise and to close firms down where necessary in the public interest.

### External and Corporate Affairs

Manages internal and external engagement and is made up of the following teams:

- Corporate Complaints - handles complaints from the public and profession about our service
- Digital Communications - manages our online presence and our contribution towards [legalchoices.org.uk](http://legalchoices.org.uk) and [iclr.net](http://iclr.net)
- Equality, Diversity and Inclusion (EDI) - promotes equality in the sector and embeds and supports EDI in our own work
- External Communications - engages with external stakeholders through media and events
- Governance - supports corporate governance
- Internal Communications - keeps staff up to date and involved in our work
- Public Affairs - works with parliamentarians and others.

### Resources

The SRA's central resource function. Including Finance and Business Planning, Human Resources, Procurement, Information Security, Risk, Business Continuity, ICT and Business Intelligence.

### Strategy and Innovation

The SRA has a well-established regulatory policy function and alongside this sits an important research team. Critical areas of policy development covering consumer and competition issues, as well as the direct regulation of the profession and oversight of the market are developed through consultation and regularly evaluated to ensure they are operating in line with the regulatory framework and principles set by the SRA Board. New areas of policy, such as innovation and technology are also being developed and the emerging issues in relation to regulation of Lawtech and its adoption are core to the new SRA corporate strategy.

### Regulatory activities

The SRA can confirm that it has been given sufficient resources to carry out its functions in compliance with section 30 of the Act and the supporting Internal Governance Rules.

## Section II(c): TLS Budget

### 2009 Review

33. Since the introduction in 2010 of section 51 and the Practising Fee Rules 2009, TLS has continued to follow the established methodology created as part of the 2009 review of determining which activities fell under the “permitted” definition. Practising fees are only applied for permitted activities and it is only the expenditure on these activities that is included within the net funding requirement (NFR) and the practising fees.

### Expenditure allocation against permitted purposes

34. In calculating this year’s NFR The Law Society has continued with the methodology whereby expenditure is split into permitted and non-permitted categories using activity-based analysis codes. The NFR calculation exercise was signed off by Board at its meeting of 21 May 2020.
35. TLS budget includes costs which will be spent on projects which for 2020/21 is set at £4.1m (2019/20 £4.1m) and represents the amounts to be collected via the PC fee. Investment in projects contributes to both permitted and non-permitted activity within TLS and as such the planned expenditure is allocated on a proportionate basis across permitted and non-permitted activity.
36. In 2016/17, TLS Council approved a major programme of investment in IT; the approved programme for TLS being £26.1m. Subsequent to this, during 2017/18 TLS Council approved additional project funding from Group reserves for the refurbishment of its headquarters in Chancery Lane. Against the original allocation of funding TLS anticipates that expenditure to the end of 2019/20 will total £20.3m.
37. This investment is already proving successful enabling the Society to trade through the recent business interruptions of the fire in Chancery Lane and more recently the Covid pandemic. The original investment decision was to ensure the sustainability of the IT infrastructure and to modernize the digital offer to members and thus enable more effective ways of working for the future.
38. These projects form part of the TLS 5-year plan to modernise the organisation which went to Council in September 2018 with the final elements still expected to be delivered by 2021/22.
39. TLS Board is provided with regular updates on the programme of works, actual spend, and total forecast spend.
40. Spend on projects other than IT Transformation (funded by the £1.0m other projects budget) will be awarded and tracked on a project by project basis through the financial year with the leadership team responsible for the allocation of funds supported by individual business cases.

### TLS Group Costs

41. The shared service function has now ceased operations with the final transfer into BAU activities being the HR function.
42. The creation of the new SRA legal entity is still in the process of being finalised and as such work is still taking place to determine what residual activities, which will be managed for the Group by TLS will remain. For example, there will still be a requirement for the preparation of the Group statutory accounts, and support from TLS facilities team for the running of SRA Offices. Many contracts (a large proportion in IT) are still at the Group level and it will take time to split these into separate TLS and SRA commercial arrangements. The group activities built into the costs of this application reflect what we know at this time – the intention is that there is nil financial impact across the group.

43. Current market uncertainty due to the global pandemic has meant the Group has taken a more cautious approach to expectations from overall investment income returns (a reduction from £1.3m to £1.0m). As part of the activity creating the new entity are discussions around the separation of treasury activity and the transfer of cash; this is likely to result in TLS receiving a larger proportion of investment income which has been estimated at £0.8m versus £0.5m in last year's application and has partially contributed to our reduction in PC Fee requirement.
44. Group expenditure referable to TLS is proportionately allocated to departments and thereafter between permitted and non-permitted activity according to each department's set expenditure and allocation percentages.

## **TLS Directorate Activities**

45. The activities of TLS are allocated across permitted purposes, non-permitted and support the business using detailed analysis codes to cost the associated activities. Support the Business contributes to both permitted and non-permitted activity within TLS and as such the planned expenditure is allocated out on a proportionate basis across these.
46. Tables 4 and 5 show the budgeted figures for TLS's expenditure by directorate, on permitted and non-permitted activities, and the income funding it. Figures from the 2019/20 NFR budget are included for comparison purposes.
47. TLS delivers its permitted purpose activity through the directorate structure as set out in the application. Table 7 further in the application splits out the directorates into further detail along with the % allocation of the permitted costs against the permitted purposes as set out in s51 of the Legal Services Act 2007.
48. TLS generates commercial income from both non-permitted and some of its permitted purposes work. Examples of permitted activities which generate commercial income are the accreditation schemes which the Society runs, and training delivered via the Professional Development Centre. TLS utilises the commercial income generated from permitted purposes activity to help fund this area of the business rather than seek additional funding from the membership.
49. The external commercial environment remains challenging and the current financial year has been impacted quite significantly as a result of the Covid-19 global pandemic. The TLS Commercial Strategy was presented to Board on 20 April and set out a framework to deliver and improve revenue generated by TLS commercial activities. This has resulted in an expected 2020 NFR target of £14.2m across both permitted and non-permitted categories.
50. The activities by directorate for the coming year are set out below:

### **Directorate of the Chief Executive Officer**

This includes TLS's Chief Executive Officer and its office holders and provides strategic support to the leadership of TLS and includes Planning & Strategy and The General Counsel. The vast majority of the work undertaken by the CEO Directorate is to support the business of TLS – approximately 8% of its cost for next year relates to the leadership associated with non-permitted activities such as the development of our partnership & sponsorship offering.

- Strategy & Planning leads on translating policy and Board strategic priorities into our corporate and business plans and performance management, to ensure member value. This includes governance who provide the support necessary for TLS Council, boards and committees to perform its functions as well as the Executive Office.

- The General Counsel is responsible for making sure we operate within a robust corporate governance and legal framework, to discharge our obligations, manage risk and protect our reputation.

Within the permitted cost allocation, it is estimated that approximately 12% will relate to work that the General Counsel has earmarked for representative litigation; in particular participation in law reform and the legislative process and the promotion of the protection by law of human rights. The work falling within scope of s51 includes advising on and conducting strategic litigation. We initiate approximately 5-8 new cases each year. It will also include advising and supporting on responding to government consultations, assisting Policy with the preparation and delivery of training and education (including for example work preparing the profession for Brexit and responding to the Covid-19 pandemic).

### **Strategic Insight & Influence**

- Brand & Communications shapes and maintains the value of TLS brand and stakeholder strategy across all our activities to deliver increased value and perception of what we do. In particular the permitted activity they will be supporting is to promote the education and training of our various section's areas including In-House, Property, Private client and Law Management as well as improve members' compliance with their anti-money laundering (AML) obligations by communicating the requirements, demonstrating TLS and the profession's commitment to tackling money laundering and economic crime, raising members' awareness of economic crime threats - (Section 51 (4)(a))
- Futures & Insight works to strengthen Law Society policy, influencing and member services through the systematic use of our knowledge, alongside new research and insight. Much of the work undertaken in this area is classified as Support the Business as it is about strengthening policy through knowledge. However, planned permitted activities for the next year include continuing to look at Brexit impacts on trade in legal which fall under Section 51 (4)(a).
- Policy leads on legal and regulatory policy positions for TLS, informed by the strategic policy agenda formed by Council and the development and management of policy IP and demand. The activities that this area will support several of the main permitted purposes areas of s51 in particular regulation, anti money laundering, professional indemnity insurance (s51 (4)(a)). Areas that support law reform s51 4 (c) technology (impact & use), conveyancing & land law, tax, commercial & intellectual property. As well as supporting law reform the policy area will be doing work on civil and criminal justice which covers the promotion of the protection by law of human rights and fundamental freedoms (s51 4 (e)). Activities which will be focussed on in the coming year include:
  - We will be engaged with the Government Royal Commission on Criminal Justice which will be looking at the whole of the criminal justice system. This will be a critical opportunity to enhance and protect the rule of law and access to justice.
  - We will be engaged with the Government Commission on Human Rights and Democracy, playing a vital role in shaping constitutional reform in a way which protects and enhances the rule of law, fundamental rights and access to justice.
  - We will shape the functioning of the justice system, as courts are reopened and lessons are learned post-Covid19 about the extent to which and way in which technology can be used to secure access to justice in a way which protects the fundamental rights of parties.
  - We will influence the funding of the justice system in order to advance the fundamental right to access justice.
  - We will promote diversity in the justice system, by influencing measures to advance diversity amongst QCs and the judiciary.

- We will challenge barriers to justice for vulnerable people, such as those experiences difficulties relating to mental health, immigration status, housing or under children and family law.
  - We will develop plans to enhance and facilitate public legal education and pro bono.
  - We will continue a range of work started during the Covid19 crisis to support our members and to ensure access to justice. This includes our work to support our members in legal aid and criminal justice as they face particular hardships following court closures and new social distancing. We will pick up the work on the Criminal Legal Aid Review which was paused during the crisis to ensure access to justice is maintained. We will engage with HMCTS and others to ensure the operation of courts ensures wide access to justice and the public are not disadvantaged through Covid19 related process and practical changes.
  - We will be increasing our engagement with members on matters relating to economic crime and will represent their interests as government policy moves towards a new levy.
  - We will communicate to members on issues related to PII and engage with the insurance market to identify improvements that could help our members
- Public Affairs works closely with Policy to create a voice for TLS and influence parliament and key stakeholders in the UK and targeted international jurisdictions, about our role and our work to promote the rule of law and access to justice. These activities cover the promotion of relations between the approved regulator and national or international bodies, governments or the legal professions of other jurisdictions (s51 4(f)). A significant area of focus for the coming year will be Brexit and work around the post exit EU environment facing members. This includes market access market access and practice rights in non-EU priority jurisdictions, where we will influence foreign governments, bars and law societies.

## **Member Experience**

- The Member Experience team leads the consistent delivery of agreed membership services and products, directly and working in partnership with others. This area includes Events, Support Centre, Practice Advice Service, Library and Professional Development Centre teams.
- The Member Service Development team designs and packages new products and services and also adapts and develops our existing ones to deliver member value. Their work is informed by policy, strategic objectives and research. This area includes Risk & Compliance, Accreditations, Publications and our member learning & development offer. These teams undertake predominantly permitted activities as they are concerned with the education and regulation of the profession. Specific focus for the coming year in the 2019/20 Business Plan and supporting s51 4 (a):
  - We will continue to develop the advice and guidance delivered to members in response to the Covid-19 crisis. This includes more support for firms recovering from the crisis and the business challenges they face including developing their business plans for a new operating environment, managing their people, supporting their learning on how to invest in digital services and technology to make them more agile and keeping them informed of the support and help available from government and other organisations. We will continue to deliver these services digitally to ensure we reach as wide an audience as possible.
  - We will provide support and guidance to members as SQE starts to be rolled out, in order to help members, understand their responsibilities for trainee solicitors going through the new process.

- We will support members with their professional development and to maintain the highest standards of practice. We will be providing new learning modules mapped to TLS curriculum, which is another new feature of our education offer. This educational content will be delivered via our new Learning Management System, which provides intuitive feedback and rating options, and enhanced assessment mechanisms. We will be tailoring our support to different segments of our membership, including in-house members and look to deliver new learning on risk management, GDPR, ethics, anti-money laundering and wider regulatory issues.
- We will be implementing a new membership offer and engagement plan that delivers a personalised and valued membership offer and experience tailored to the needs of key member groups. Our aim is to strengthen our core offer whilst also developing specific packages tailored to practice types, areas of interest and career stage/role. This will ensure our members are kept up to date on the issues that matter to them, enabling them to maintain standards whilst also furthering their individual and business interests.
- The Relationship Management team focuses on member engagement in order to create value for members and for TLS. The team includes relationship management and communities; junior lawyers, in-house, law management, small law firms, careers, competition law, property law, private client, civil litigation, risk & compliance, family law and advocacy. The activity that they undertake supports the promotion of relations between the approved regulator and national or international bodies, governments or the legal professions of other jurisdictions (s51 (f)).
- The Diversity & Inclusion team works to make the profession more representative and inclusive. They encourage recruitment, retention and progression of women and under-represented groups in the profession. They also encourage and empower members to support a diverse client base through greater access to justice and pro-bono work. The majority of their work supports s51 (a) around the education and training of applicable persons. Some of their activity also supports the delivery of s51(d) through Law Care. Next year the focus will be on enhancing the diversity and inclusion agenda in the profession, so we reach more members and support their efforts to drive more inclusive cultures. This will also focus on the importance of social mobility to ensure the profession reflects the wider public.
- Up to 9% of directorate activity is expected to be allocated towards supporting the development of TLS non-permitted commercial activity and is funded via the generation of income in this area. Sales & Marketing shapes the alignment of our commercial offer, working closely with Member Service Development to determine the value of any commercial membership offers. Commercial Development is responsible for driving corporate income development and investment plans as well as leading on the overall strategy for growth in each product area and are also responsible for identifying and investing in new growth areas.

### **Corporate Strategy and Performance**

- This includes Finance & Corporate Services, IT, People & Organisational Development and Transformation. These areas support the various front-line activities of TLS including systems and processes and the physical environment via facilities. As a result, it is categorised as a Support the Business function and allocated out across the permitted purposes and non-permitted activity on the basis of the proportion of each direct permitted and non permitted costing across TLS.

**Table 4: Permitted income and expenditure**

51. This table shows budgeted figures for the expenditure of TLS on permitted purposes, split by directorate, and the sources of income that fund it. A review of business operations to realise the impact of investment and adaption to a 'new normal' as a result of the global pandemic, along with a greater share of forecasted investment income means that TLS can reduce its PC Fee requirement by £3m on the previous year. The expenditure figures include TLS's allocation of estimated residual TLS group costs. The figure shown for total practising fee income constitutes the net funding requirement of TLS for permitted purposes.

Budget Item	2021 draft budget	2020 NFR	Variance	Commentary
Commercial income (permitted)	£12.4m	£12.0m	£0.4m	
Investment Income	£0.8m	£0.5m	£0.3m	The TLS Share of investment income has increased as a result of the creation of the new SRA legal entity. The overall group level has been reduced from the 2020 NFR.
Drawn from permitted reserves	£0.9m	£0.0m	£0.9m	
Total Practising Fee income	£28.5m	£31.5m	-£3.0m	
<b>Total</b>	<b>£42.6m</b>	<b>£44.0m</b>	<b>(£1.4m)</b>	
Directorate of the CEO	(£3.8m)	(£4.1m)	(£0.3m)	
Strategic Insight & Influence	(£8.7m)	(£10.1m)	(£1.4m)	
Member Experience	(£13.1)	(£14.0m)	(£0.9m)	
Corporate Strategy & Performance	(£17.0m)	(£15.8m)	£1.2m	Transfer of what were Group activities into TLS BAU.
<b>Total</b>	<b>(£42.6m)</b>	<b>(£44.0m)</b>	<b>(£1.4m)</b>	

**Table 5: Non-permitted income and expenditure**

52. This table shows the budgeted figures for the expenditure of TLS on non-permitted activities.

Budget Item	2021 Draft budget	2020 NFR	Variance	Commentary
Commercial income (non-permitted)	£1.8m	£2.0m	(£0.2m)	
Funding from non-permitted reserves	£1.0m	£1.2m	(£0.2m)	
<b>Total</b>	<b>£2.8m</b>	<b>£3.2m</b>	<b>(£0.4m)</b>	
Directorate of the CEO	(£0.3m)	(£0.3m)	£0.0m	
Strategic Insight & Influence	(£0.2m)	(£0.2m)	£0.0m	
Member Experience	(£1.2m)	(£1.5m)	(£0.3m)	
Corporate Strategy & Performance	(£1.1m)	(£1.2m)	(£0.1m)	
<b>Total</b>	<b>(£2.8m)</b>	<b>(£3.2m)</b>	<b>(£0.4m)</b>	

## Section II(d) Contingency arrangements, reserves and capital IT investment

53. The SRA and TLS are expected to operate within approved budgets, reprioritising if necessary should unexpected needs arise in the year.
54. The TLS Group audited financial statements for the year ended 31 October 2019 show cash and cash equivalents of £97.7m and accumulated funds of £85.4m. It is proposed that £0.9m is drawn from reserves to fund TLS permitted activities and £1.0m for non-permitted activities in 2020/21. The SRA do not anticipate a requirement from reserves to support core activities in 2020/21.
55. Following the review of group shared services in 2015, the SRA and TLS undertook further analysis of the current Group IT applications and infrastructure and produced IT strategies and roadmaps for each of the businesses. TLS has now moved away from all aspects of shared IT services and is responsible for its own infrastructure, maintenance and support. Where group solutions remain in place (as a result of joint commercial contracts) they are, moving into the respective organisations, as contracts are negotiated, with an expectation that contributing to running costs will continue as necessary via recharges between the SRA and TLS. As a result, it is expected that services will be more secure, resilient and flexible. In addition, the improved services will enable the realisation of business, customer service and cost benefits in both organisations.



56. Within the draft budgets for the SRA and TLS which inform the NFR, sums of £5.7m (SRA) and £4.1m (TLS), a total of £9.8m, have been included for projects in 2020/21. The majority of these provisions will be applied to the continued development and implementation of the IT roadmaps in both bodies.
57. It is planned that any TLS programme costs above the level provided for in the 2020/21 NFR will be met by the use of reserves. SRA do not anticipate a requirement from reserves for project activity in 2020/21.
58. Where reserves are used and have been used to fund the IT programmes, it is planned to replace those reserves from future fee collections. As discussed in paragraph 31, following the establishment of SRA as a distinct legal entity, it is intended that SRA reserves are replenished over four years starting in 2021/22. TLS has not drawn down any reserves to date to fund the IT programme.

### III. Consultation on PCF

#### Engagement and consultation

59. In 2019/20 both the SRA and TLS have undertaken extensive programmes of engagement and consultation to inform the development of the programmes of work and services provided. It is the output of this engagement and consultation, in the form of the strategies and forward work programmes for both bodies, on which the draft budgets and funding requirements are based.

#### SRA

60. As is standard practice, a comprehensive communications plan was drawn up to promote the determination of the 2020/21 practising fees, including the proportion of Compensation Fund contributions. The purpose of the communications plan was to make sure that the regulated community and relevant stakeholders were informed of:

- what their fees pay for, including explaining how the fees are split between the various recipients
- the availability of the fees calculator to help them
- the level of fees to be collected

61. The following elements of the communications plan for fees have been delivered or are scheduled for delivery:

October 2019 – We launched a comprehensive consultation on our Corporate Strategy for 2020-2023, which outlined our priorities for the next three years. Respondents to our consultation had the option of influencing directly what we would be doing and therefore what our budget would be.

The consultation was publicised by:

- A press release sent to all legal press
- Social media messages
- Promotion through our various newsletters, with a reach of up to 200,000 recipients
- Workshops with legal entrepreneurs
- Workshops with small businesses
- Workshops with consumer representative groups
- Meetings with the elderly and people who do not speak English as a first language
- Meetings with young people who have been homeless or been through the criminal justice system
- A survey with more than 400 solicitors and consumer representatives

In January 2020, we also consulted on our Compensation Fund arrangements, the contributions for which are collected at the same time as PC fees.

In June, there followed a more intense period of communications activity which included:

- 8 June - The Law Society Group published its net funding review consultation
- The consultation was publicised through media releases by both us and TLS
- It was promoted through social media posts – including LinkedIn, Facebook and Twitter, also promoted this consultation
- Further promotion came through our newsletters, with a reach of 200,000. They were sent out in June and July
- TLS's Professional Update, its weekly newsletter, promoted the consultation every Friday
- The SRA launched its own consultation on its Business Plan, which sets out the activities it will undertake to achieve the ambitions laid out in the Corporate Strategy. This was promoted in the same ways listed above
- Non-commercial organisations – which do not pay an authorisation fee to the Group but nevertheless can sometimes pick up the practising fees of those working for them – were contacted via email encouraging them to respond to the consultation.

Once the consultation has ended and responses analysed and fed back to the relevant organisations, we will undertake the following activity:

- 14 July – following the SRA Board's agreement for the fee-collection mechanism, we update the fees webpage on the SRA website (with caveat that LSB still needs to approve), which explain how fees are spent, an online fee calculator, a revised turnover table and indicative Compensation Fund contributions. This will be promoted through SRA Update.
- Mid-August – following LSB decision/approval update of web materials confirming fees.
- September – large-scale communications will be sent to firms ahead of the renewal period, including a special edition of our newsletter on 9 September.

As well as this activity, as part of our consultation on our Business Plan, we included a further consultation on the principles for managing the Compensation Fund, asking for views on what we will prioritise when setting fund contributions. Because of the pandemic lockdown, we were not able to arrange focus groups as we had done in the more substantial consultation exercises held earlier in the year.

## **TLS**

62. TLS is the voice of solicitors, drives excellence in the profession and safeguards the rule of law. We consult with members in the following ways:

- Our long-term horizon scanning research reports such as “the future of legal services”
- An annual statistically representative member survey on priorities for the organisation which feeds into business planning
- An annual survey of the profession on “the state of the nation” for solicitors which also informs our work.
- Targeted surveys and qualitative research on particular issues and services with our “Insights Panel” around 2000 members who volunteer to give us their views
- Calls for input on specific issues and consultations through our website, e-newsletters, social media and local law society updates
- Through our representative Council and a range of policy and special interest committees
- Through our field team of relationship managers who bring intelligence back into the business
- At an annual strategic planning weekend with Council which considers data on the profession and sets priorities.

63. The Coronavirus pandemic has presented unprecedented challenges for our members. TLS has been in constant contact with members to ascertain the breadth and depth of the challenges and to identify the support they need. We've surveyed more than 1,000 member firms across the spectrum; we've also established response teams responsible for member enquiries and collaborative policy and content production, and we've engaged with expert members to develop policy in a responsive and agile way.
64. We have set out our member offer, based on member research which outlines the member needs we focus on: Influencing for impact in the public interest and in the interest of our members, promoting the profession, keeping members up to date, supporting practice excellence and being members' career companion.

#### **Consultation on fees**

65. TLS and SRA has worked together to publish a detailed consultation on the proposed level of the NFR and publicised this widely. This included targeted communications to more than 700 non-commercial bodies who employ solicitors and are therefore impacted by the practising fees.
66. A copy of the executive summary of the results is attached at Annex A. A detailed analysis of all consultation responses was considered and circulated to all Law Society Council members before the Council. This allowed the Council to consider the consultation responses as part of its decision on the total amount to be collected in regulatory fees. No changes were made to the proposals as a result of the consultation responses.

IV. Permitted Purposes<sup>1</sup>

Table 6: Group practising fee income and expenditure (permitted activities only)

Budget item	2021 draft budget	2020 NFR	Variance
<b>Total Practising Fee income</b>			
<b>Total Practising Fee income</b>	<b>£101.2m</b>	<b>£102.5m</b>	<b>- £1.3m - 1.3%</b>
<b>Split of Practising Fee expenditure</b>			
SRA	(£54.8m)	(£54.1m)	+ £0.7m +2.8%
TLS (permitted purposes)	(£28.5m)	(£31.5m)	- £3.0m - 9.5%
LSB and LeO	(£13.9m)	(£13.4m)	+ £0.5m + 3.7%
SDT	(£3.2m)	(£3.2m)	£0.0m
OPBAS	(£0.8m)	(£0.3m)	+ £0.5m +166.7%
<b>Total</b>	<b>(£101.2m)</b>	<b>(£102.5m)</b>	<b>- £1.3m - 1.3%</b>

<sup>1</sup> See Section C of the LSB Practising Fee Rules 2016.

**Table 7: Proportional application of Practising Fee to permitted purposes for the Law Society Group**

Proportional application of PCF to permitted purposes for The Law Society Group

Functional Area	Permitted Purposes Gross Cost	The regulation, accreditation, education and training of applicable persons	The payment of a levy imposed on the regulator	Participation in law reform and the legislative process	The provision of applicable persons of legal services or reserved legal services, immigration advice or immigration services to the public free of charge	The promotion of the protection by law of human rights and fundamental freedoms	Promotion of relations between the approved regulator and national or international bodies, governments or the legal professions of other jurisdictions	Increasing public understanding of the citizen's legal rights and duties	Permitted Purposes Sub-Total	Non Permitted Purposes Gross Cost	Not in scope of PP
	£m	s51 (a)	s51 (b)	s51 (c)	s51 (d)	s51 (e)	s51 (f)	s51 (g)		£m	
<b>Levies</b>											
LSB and LeO	13.9		100%						100%		
SDT	3.2	100%							100%		
OPAS	0.8		100%						100%		
<b>SRA</b>											
Chief Executive Office	1.85	100%							100%		
Operations and Performance	17.76	100%							100%		
Client Protection	8.92	100%							100%		
General Counsel	8.23	100%							100%		
External and Corporate Affairs	4.10	100%							100%		
Resources	6.39	100%							100%		
ICT	8.62	100%							100%		
Strategy & Innovation	2.90	100%							100%		
Projects	5.73	100%							100%		
Facilities and Group Costs	5.68	100%							100%		
<b>TLS</b>											
<b>Strategic Insight &amp; Influence</b>											
Executive Support	0.30	41%	0%	4%	0%	4%	49%	0%	98%	0.01	2%
Brand & Communications	2.11	72%	0%	7%	0%	6%	13%	0%	98%	0.04	2%
Public Affairs	2.47	21%	0%	2%	0%	21%	54%	0%	98%	0.05	2%
Legal Policy	2.94	24%	0%	39%	8%	17%	8%	1%	98%	0.06	2%
Futures & Insight	0.90	76%	0%	6%	0%	5%	11%	0%	98%	0.02	2%
<b>Member Experience</b>											
Executive Support	0.78	65%	0%	7%	0%	6%	13%	0%	91%	0.08	9%
Corporate & Partnerships	5.33	86%	0%	1%	0%	1%	3%	0%	91%	0.52	9%
Member Experience & Services	3.68	68%	0%	0%	0%	0%	23%	0%	91%	0.36	9%
Gazette	2.65	91%	0%	0%	0%	0%	0%	0%	91%	0.26	9%
Diversity & Inclusion	0.64	83%	0%	0%	8%	0%	0%	0%	91%	0.06	9%
Directorate of the CEO	3.74	57%	0%	12%	0%	11%	12%	0%	92%	0.31	8%
Corporate Strategy & Performance	17.06	65%	0%	8%	0%	7%	14%	0%	94%	1.04	6%
<b>Total Gross Expenditure</b>	<b>130.6</b>									<b>2.8</b>	

The figures in the table exclude commercial income, recoveries and other income which help reduce the gross expenditure charged against permitted purposes.

The figures in the table exclude commercial income, recoveries and other income which help reduce the gross expenditure charged against permitted purposes.

67. The SRA utilises all income from Practising Fees to undertake permitted activities and considers that this is covered within the scope of section 51(4)(a) of the Legal Services Act 2007.
68. TLS non-Practising Fee income comes from two areas, i) Corporate income from advertising, partnerships & sponsorships, forms, licences and royalties and commercial investments, ii) Member income from accreditations, publications, professional development, events and communities.
69. TLS income is allocated between permitted and non-permitted activity using the same methodology as that used for expenditure. Only income generated from non-permitted activity such as partnerships is used to support non-permitted purposes. This income does not support permitted activity but is used to fund the costs associated with non-permitted activities. All income generated from permitted activity is used to support permitted expenditure and to help negate cost pressures on the net funding requirement.

70. TLS undertakes a number of permitted activities – these will be activities which have been identified as having as their dominant purpose one of the permitted purposes set out in section 51 of the Legal Services Act 2007. In particular, the Society regularly undertakes activities coming within the scope of:
- 51(4)(a) – *accreditation, education and training of applicable persons...including:*
    - (i) the maintaining and raising of their professional standards; and*
    - (ii) the giving of practical support, and advice about practice management, in relation to practices carried on by such persons*
  - 51(4)(c) – *the participation by the Approved Regulator in law reform and the legislative process.* This will include, for example the Society’s responding to Government consultations, some strategic litigation and specific law reform campaigns such as the legal aid means test campaign.
  - 51(4)(e) - *the promotion of the protection by law of human rights and fundamental freedoms.* This will include work such as the Society’s Rule of Law Program, some strategic litigation and much of the access to justice campaigning work.
  - 51(4)(f) - *the promotion of relations between the Approved Regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions.*
  - 51 (4)(g) - *increasing public understanding of the citizen’s legal rights and duties.*

## V. Transparency of PCF information to fee-paying members

### Transparency

71. The SRA website has a dedicated page that provides a description of how fee income is allocated to the relevant bodies. This allows fee payers to see how their contributions are spent. The website also details key SRA activities to show how fees fund its activities.
72. This section of the website is updated to include details of the exact fees shared between the various bodies once decisions have been taken on budgetary requirements. Fee payers are continually invited to feed back to the SRA with any comments on this information.
73. In addition, transparency is enhanced through the detail provided in the annual fee consultation referred to at paragraph 65 above.
74. This webpage is publicised by being linked to the “fees calculator”, which gives firms a rough estimation of the fees they might have to pay before budget requirements are agreed. Further details are available in the consultation section.

## VI. Regulatory and Equality Impact assessment

75. The approach to setting practising fees and Compensation Fund contributions follows the structure adopted in 2010 as a result of the three Fairer Fees consultations. A full Equality Impact Assessment was carried out in 2010 and there are no changes.
76. We intend to review our overall approach to fees this year and consult on our proposed changes in 2021. Equality, diversity and inclusion considerations are at the heart of this work. The review will look at a range of issues such as our approach to discounting and refunding policy as well as the impact of our fee structures (if any) on various groups including those with protected characteristics. We will consult on our proposals in 2021.
77. As outlined in paragraphs 67-70 the practising fees have been prepared in accordance with the Regulatory objectives and we have provided an allocation of the costs funded by the practising fees against those Regulatory objectives. The basis for the calculation of the fees has remained consistent from previous year. The practising fees are set at a level that allows the group to undertake its activities as efficiently as possible whilst at the time same time providing sufficient resources to discharge its legal responsibilities.

## VII. Other supporting information

### Practising fees 2020/21

78. As stated at the outset of this application, under the arrangements agreed between TLS and the SRA, it is for TLS Council, having consulted with the SRA Board, to determine the total amount to be raised from practising fees, while the SRA determine how that amount should be apportioned between the different categories of fee payer.
79. On 14 July 2020 the SRA Board made the fee determinations attached as annexes B-D, subject to the approval of the LSB.

## VIII. Contact details

80. For any queries, please contact either
81. Tom Fothergill, Chief Operating Officer – Corporate Strategy and Performance, TLS, [Tom.Fothergill@lawsociety.org.uk](mailto:Tom.Fothergill@lawsociety.org.uk)
82. Liz Rosser, Executive Director of Resources, SRA, [Liz.Rosser@sra.org.uk](mailto:Liz.Rosser@sra.org.uk)

**Annex A – Summary Results of Practising Certificate Fee Consultation**

**Annex B – Practising Certificate Fee Determination 2020**

**Annex C - Recognised Body and Recognised Sole Practice Fee Determination 2020**

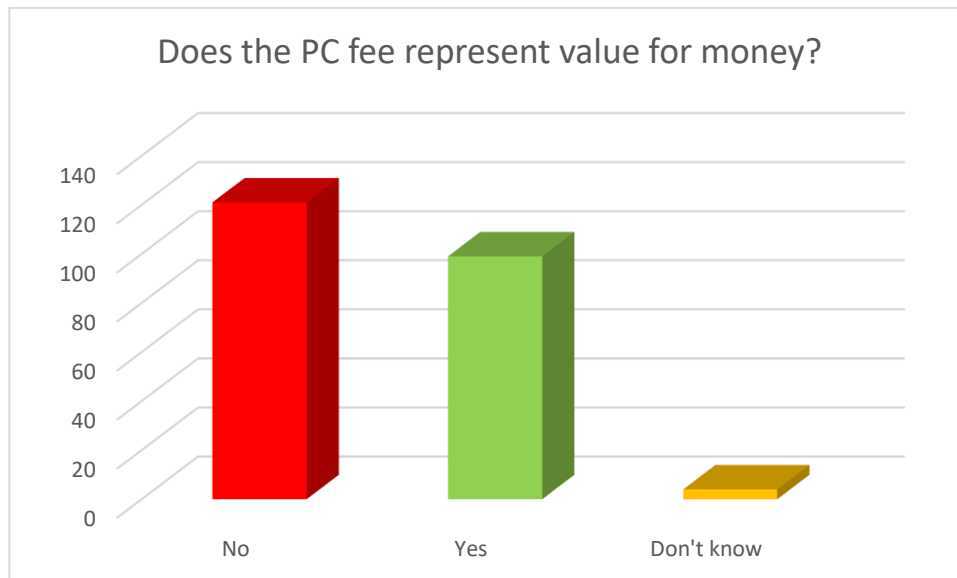
**Annex D - Licensed Body Fee Determination 2020**



## Annex A – Summary Results of Practising Certificate (PC) Fee Consultation

The PC fee survey ran from the 8 June to 10 July. It was promoted via Professional Update, through our Law Society Twitter feed, various e-newsletters and in the Gazette. There have been 224 responses. (For context we had 85 responses in 2019, 60 in 2018, 96 in 2017, 132 in 2016, 187 in 2015 and 210 in 2014).

### 1. Do you think the PC fees for 2020-21 represent value for money in terms of the benefits you gain as a solicitor?



Answer	Number	Percentage
No	151	67%
Yes	54	24%
Don't know	19	9%
Total responses	224	100%

#### Please comment further to explain your answer:

**Overall cost/value:** some people thought the fee is a bargain and should be higher reflecting on how much work is done and how the money is used. Others appreciated the stability of the fees over the last 3 years and recognised that the Law Society has done a great deal of work to promote the interests of solicitors at a modest cost.

Other members feel the fee is very expensive – particularly if they are sole practitioners/self-employed or responsible for paying their own PC (as opposed to their firm paying) and some members expressed the need for the fee to be more flexible to recognise changing circumstances (e.g. those who work part time or who are non-practising).

**Effects of Covid19 and affordability:** many respondents expressed concern at the levels of the PC fee based on the effects of lockdown on their practices and that some firms have been closed for 3 or more months. This is particularly true for sole practitioners, those working part-time or who are self-employed or working as locums.

**Understanding of benefits:** there is still confusion between what different organisations provide as part of the PC fee funding and a request for more openness and transparency about what each organisation does. Several respondents expressed the feeling that the profession is overregulated and that more free training should be provided. In house

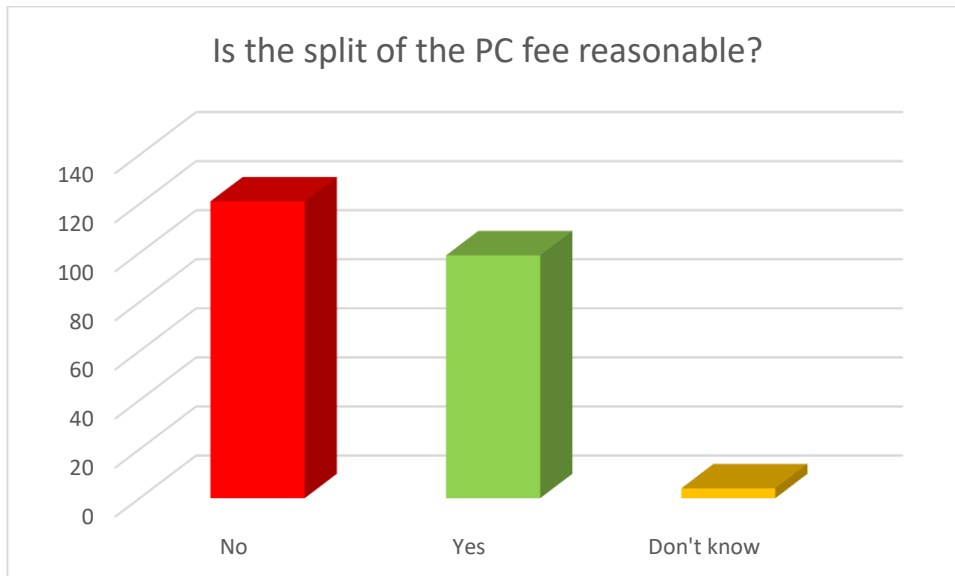
solicitors, solicitors working abroad and those practising as notaries felt they didn't receive as many benefits as other segments of the profession.

**Comments on work of the Law Society:** some respondents are still unaware of the full range of member benefits; some say they have not paid enough attention to the work done promoting and representing the profession; some recognised the work done to representing the profession – particularly in interactions with government. There is a perception among some respondents that the Law Society does not do enough to support smaller firms and sole practitioners.

**Comments on of the SRA:** some respondents didn't understand the benefits they get from the SRA, and again feel that sole practitioners don't receive any benefits. Some respondents queried why such a large percentage of the fee goes to the SRA and queried the effectiveness of regulation.

**Comments on work of both organisations:** some respondents feel that both the Law Society and SRA are unnecessarily bureaucratic and overstaffed; some feel that the Law Society does not do enough to support the profession and that the SRA over-regulates in a way which is excessively burdensome.

**2. Do you think the split of spending across the Law Society Group between the Law Society professional body, the Solicitors Regulation Authority, Legal Ombudsman, Legal Services Board, Solicitors Disciplinary Tribunal and Financial Conduct Authority is reasonable?**



Answer	Number	Percentage
No	121	54%
Yes	99	44%
No response	4	2%
Total responses	224	100%

### 3. Do you have any other comments for the Law Society Group?

Please note there's some repetition here as many respondents copied their answers from the first question when responding to this question.

**General cost and affordability and COVID19:** many respondents feel that the PC fee should be reduced on recognition of the impact that lockdown and COVID has had on their businesses, others suggested that perhaps the PC fee could be extended to over a longer period of time than the usual 12 months. Some respondents feel the PC fee should be split into a mandatory part to cover basic regulation and a voluntary part to cover all other activities. Several respondents noted that both the SRA and Law Society have talked about cost savings and efficiencies but do not feel these are being passed on to members via reduction in the PC fees.

**Split between the Law Society, the SRA and others:** some respondent asked for more clarity and transparency about how all organisations spend their respective parts of the PC fee as they felt this is not clear. Several respondents remarked that if the Law Society could ask for a smaller then all the other organisations should also review their costs/business plans and ask for less. Several respondents asked why there are so many bodies receiving a share of the PC fee and that these should be reduced or rationalised.

Several respondents expressed the opinion that the profession is overregulated when compared to other professions. Several respondents also queried why the FCA, SDT, LSB and Legal Ombudsman receive funding from the PC fee, their portion is excessive and there is no clarity what these organisations deliver in terms of outcomes.

Several respondents commented that the funding for the SRA was too high and seemed to increase year on year, and that they wanted to see a reduction similar to the one proposed by the Law Society. Some respondents felt that the SRA represents the consumer not the professions so should not receive more than the Law Society.

Some respondents suggested a tiered fee based on those who pay their own PC fee versus those who have their fee paid by their firm.

Several respondents felt that the Law Society needs to receive a greater part of the PC fee to represent and promote the profession and commended the Law Society for their COVID-19 guidance.

Some respondents felt both the SRA and Law Society do an excellent job and suggested ways areas for improvement or additional work around COVID guidance and wider training.

**Affordability for specific circumstances:** several respondents asked whether tiered fees were an option particularly with reference to those who work part time, or if refunds could be offered (e.g. for locums who are unable to secure employment/work in the next year or those who were locked down/shielding and unable to work). The possibility of reduced practising fees for those who work abroad was raised by several respondents. Many respondents feel that sole practitioners and those who pay their own PC fee should be offered reduced fees and several raised the possibility of reduced fees for specific parts of the professions (conveyancing, property lawyers and legal aid lawyers). Several respondents suggested that solicitors who are unemployed should be offered an exemption.

**Diversity & LGBT+ comments:** one respondent commented on the high number of BAME solicitors being sanctioned. One respondent said that it is not clear how the Law Society or SRA promote the profession to the public or to ensure that there is increasing diversity in the profession. One respondent expressed concern that savings may be targeted at equality,

diversity and inclusion work and that the Law Society particularly should not cut back in this area.

**Solicitors vs other legal service providers:** one respondent commented that consumers generally do not understand the difference between a solicitor and other 'legal advisers' and that it could be beneficial to some solicitors to come off the roll and still offer legal advice. The same respondent commented that consumers do not understand the use of the SRA logo on websites and what it means in terms of regulation.

## **Annex B – Practising Certificate Fee Determination 2020**

This determination is made by the Solicitors Regulation Authority under section 11 of the Solicitors Act 1974, paragraph 2(1)(b) of Schedule 14 to the Courts and Legal Services Act 1990, rule 1.1 of the SRA Application, Notice Review and Appeal Rules and regulation 7.7 of the SRA Authorisation of Individuals Regulations, with the approval of the Legal Services Board under section 51 of the Legal Services Act 2007.

### **Practising certificate fee**

1. The fee to be paid for each practising certificate issued will be £278 unless paragraphs 2, 3 or 4 below apply.

### **Newly admitted solicitors and returning to practice**

2. Subject to paragraph 3, any solicitor who applies for their first practising certificate during the practising certificate year commencing 1 November 2020 or any solicitor admitted prior to 1 November 2020 who has previously held a practising certificate and who returns to practice shall pay a fee in accordance with the following scale:
  - (a) Practising certificate issued 1 November 2020 to 31 December 2020 inclusive - £278
  - (b) Practising certificate issued 1 January 2021 to 31 March 2021 inclusive - £221
  - (c) Practising certificate issued 1 April 2021 to 30 June 2021 inclusive - £163
  - (d) Practising certificate issued 1 July 2021 to 31 October 2021 inclusive - £106

Paragraphs 2(b) to 2(d) do not apply if during the solicitor's last period without a certificate they undertook any duties which required a practising certificate.

### **Former registered European lawyers and former registered foreign lawyers**

3. A solicitor who has, at any time during the practising certificate year commencing 1 November 2020, registered or re-registered as a registered European lawyer or registered foreign lawyer and who applies for their first practising certificate shall be subject to a practising certificate fee of £0.

### **Maternity or equivalent leave provisions**

4. A solicitor who applies for a practising certificate during the practising certificate year 1 November 2020 to 31 October 2021 and who is on or has been on statutory maternity leave or a period of leave equivalent to statutory maternity leave within the previous practising year shall pay a fee in accordance with the following scale:
  - (a) Practising certificate issued 1 November 2020 to 31 December 2020 inclusive - £163
  - (b) Practising certificate issued 1 January 2021 to 31 March 2021 inclusive - £134
  - (c) Practising certificate issued 1 April 2021 to 30 June 2021 inclusive - £106
  - (d) Practising certificate issued 1 July 2021 to 31 October 2021 inclusive - £77

This scale does not apply if the solicitor received a reduction for their practising certificate in the previous year for the same period of statutory maternity leave or period of leave equivalent to statutory maternity leave.

### **Application to registered European lawyers**

5. The fee to be paid for initial registration or renewal of registration as a registered European lawyer shall, subject to paragraph 6 below, be governed in all respects by the provisions of paragraphs 1 to 4 in the same way as the fee for a solicitor's practising certificate, and for this purpose:
  - (a) references to a solicitor shall be interpreted as references to a registered European lawyer or to a European lawyer applying for registration, and references to practice as a solicitor shall be interpreted as references to the provision of legal services in the United Kingdom under, or in reliance upon, a European lawyer's professional title as such;
  - (b) references to practising certificates and the issuing of practising certificates, shall be interpreted as references to initial registration or renewal of registration in the register of European lawyers, and references to a first practising certificate shall be interpreted as references to a lawyer's first registration in the register of European lawyers;
  - (c) paragraph 3 shall apply to a European lawyer who has, at any time during the practising certificate year commencing 1 November 2020, registered or re-registered as a registered foreign lawyer and who applies for his or her first registration as a registered European lawyer.
6. Where a European lawyer or a registered European lawyer applies for initial registration or renewal of registration as a registered European lawyer and has notified the SRA that they do not intend to be either a registered foreign lawyer or a solicitor after IP completion day, the registration fee shall be £0. Should IP completion day be extended so that it is after 31 December 2020, the SRA may decide to charge such individuals a proportionate fee for the additional period of regulation as a registered European lawyer.

### **Application to registered foreign lawyers**

7. The fee to be paid for initial registration or renewal of registration as a registered foreign lawyer shall, subject to paragraph 8 below, be governed in all respects by the provisions of paragraphs 1 to 4 in the same way as the fee for a solicitor's practising certificate, and for this purpose:
  - (a) references to a solicitor shall be interpreted as references to a registered foreign lawyer or to a lawyer applying for registration as a registered foreign lawyer, and references to practice as a solicitor shall be interpreted as references to the provision of legal services in England and Wales under, or in reliance upon, a foreign lawyer's professional title as such; and
  - (b) references to practising certificates and the issuing of practising certificates, shall be interpreted as references to initial registration or renewal of registration in the register of foreign lawyers, and reference to a first practising certificate shall be interpreted as reference to a lawyer's first registration in the register of foreign lawyers.

(c) paragraph 3 shall apply to a foreign lawyer who has, at any time during the practising certificate year commencing 1 November 2020, registered or re-registered as a registered European lawyer and who applies for his or her first registration as a registered foreign lawyer.

8. The fee for a registered foreign lawyer practising mainly from an office or offices outside England and Wales shall be £100.

### Interpretation

9. In this determination:

**IP completion day** has the meaning given in Schedule 1 to the Interpretation Act 1978

**Practising certificate** means the certificate issued in accordance with sections 9 and 10 of the Solicitors Act 1974;

**Practising certificate year** means the period from 1 November to 31 October inclusive each year during which a practising certificate is operative;

**Practising certificate fee** means the sum to be paid by a solicitor for a practising certificate for the whole or part of a practising certificate year;

**Practice as a solicitor** means the provision of legal services under, or in reliance upon, the title "solicitor" whether as a principal, under a contract of employment or under a contract for the provision of services;

**Registered European lawyer** means a European lawyer registered with the SRA under regulation 17 of the European Communities (Lawyer's Practice) Regulations 2000;

**Registered foreign lawyer** means a lawyer registered with the SRA under section 89 of the Courts and Legal Services Act 1990;

All other terms are to be interpreted in accordance with the SRA Glossary.

10. The singular includes the plural and vice versa.

### Commencement

11. This determination shall come into force on 1 November 2020.

## **Annex C - Recognised Body and Recognised Sole Practice Fee Determination 2020**

This determination is made by the Solicitors Regulation Authority under rule 1.1 of the SRA Application, Notice, Review and Appeal Rules and rule 7.1 of the SRA Authorisation of Firms Rules, with the approval of the Legal Services Board under section 51 of the Legal Services Act 2007.

### **Initial Applications**

1. The fee payable by a body or sole practitioner applying for initial recognition as a New Firm is:
  - (a) £1,000 on applying for initial recognition to commence in the period 1 November 2020 to 31 December 2021;
  - (b) £800 on applying for initial recognition to commence in the period 1 January 2021 to 31 March 2021;
  - (c) £600 on applying for initial recognition to commence in the period 1 April 2021 to 30 June 2021;
  - (d) £400 on applying for initial recognition to commence in the period 1 July 2021 to 31 October 2021.
2. Where an initial recognition for a New Firm commences in a different period from the period in which the application was made, the fee payable under paragraph 1 shall be adjusted accordingly.
3.
  - (a) This paragraph applies when a body or sole practitioner is applying for initial recognition on or after 1 November 2020 in the following circumstances:
    - (i) the application is being made by an existing recognised body or recognised sole practice which is changing its legal status; or
    - (ii) the application is being made by a Successor Firm.
  - (b) Where in paragraph 3(a) the predecessor authorised body has paid a fee for the practising year 1 November 2020 to 31 October 2021, the fee shall be £200.
  - (c) Where in paragraph 3(a) the predecessor authorised body has not paid a fee for the practising year 1 November 2020 to 31 October 2021, the fee shall be determined in accordance with the following:
    - (i) in the case of a predecessor recognised body or recognised sole practice, paragraphs 4, 5 or 6, as appropriate, plus an additional application fee of £200; or
    - (ii) in the case of a predecessor licensed body, paragraph 5 of the Licensed Body Fee Determination 2020, plus an additional application fee of £200.



## Annual Periodical fees

*Recognised Bodies and recognised sole practices are required to pay annual periodical fees, calculated by reference to the firm's turnover, by the prescribed date which is 31 October in any year. The way that the annual periodical fee is determined will depend on whether the firm is a continuing firm, a new firm or a successor firm. Paragraphs 4 to 6 below deal with the way that the fee is determined in relation to each of those categories.*

4. The annual periodical fee payable by a recognised body or recognised sole practice where it is a Continuing Firm shall be determined by taking the Turnover Figure and carrying out the calculations in respect of the relevant band in accordance with appendix 1.
5. The annual periodical fee payable by a New Firm which first obtained authorisation after 31 October 2019 shall be calculated by taking the estimate of the Turnover Figure for the first 12 months of practice and carrying out the calculations in respect of the relevant band in accordance with appendix 1.
6. The annual periodical fee payable by a Successor Firm shall be determined by calculating the Successor Turnover Figure and carrying out the calculations in respect of the relevant band in accordance with appendix 1.

## Overseas Branch Offices

7. A recognised body or recognised sole practice which has one or more overseas branch offices shall pay an additional fee of £200 in respect of each overseas office.

## Application for the SRA to determine Successor Turnover Figure

8. Where a Notice of Succession does not include the agreement of all relevant firms to the apportionment of turnover, the Notice shall be treated as an application for the SRA to determine the relevant Successor Turnover Figure and the fee for the application is £250.

## Interpretation

9. In this determination:

**Continuing Firm** means a recognised body or recognised sole practice which is not a Successor Firm and in which:

- (a) the number and identity of the managers has not changed since 31 October 2019;
- (b) the only changes since 31 October 2019 in the number or identity of the managers are as a result of one or more managers leaving or joining the recognised body; or
- (c) the identity of the sole practitioner has not changed since 31 October 2019.

**New Firm** means a recognised body or recognised sole practice which obtained recognition after 31 October 2019 and is not a Successor Firm;

**Notice of Succession** means a notice required under rule 16.1 of the SRA Authorisation of Firms Rules;

**Successor Firm** means for the purposes of calculating the annual periodical fees, a recognised body or recognised sole practice which after 31 October 2019 succeeds to the whole or any part of any authorised body, for value or otherwise, in any of the following cases:

**case (I):**

a recognised body or recognised sole practice which acquires the whole or a part of one or more authorised bodies;

**case (II):**

a recognised body or recognised sole practice resulting from the merger between the whole or part of two or more authorised bodies;

**case (III):**

a recognised body or recognised sole practice remaining after it has split or ceded part of its practice to another authorised body;

**Successor Turnover Figure** means as set out in appendix 3;

**Turnover Figure** means as set out in appendix 2.

All other terms are to be interpreted in accordance with the SRA Glossary.

10. The singular includes the plural and vice versa.

**Commencement**

11. This determination shall come into force on 1 November 2020.

## Annex C - Recognised Body and Recognised Sole Practice Fee Determination

## Appendix 1

Turnover band	Turnover Range (A)	Pay %* of Turnover within band (B)	Minimum Turnover in band (C)	Minimum Fee in Band (D)
A	£0 - £19,999	0.69%	£0	£100
B	£20,000 - £149,999	0.41%	£20,000	£239
C	£150,000 - £499,999	0.39%	£150,000	£772
D	£500,000 - £999,999	0.38%	£500,000	£2,137
E	£1,000,000 - £2,999,999	0.36%	£1,000,000	£4,037
F	£3,000,000 - £9,999,999	0.25%	£3,000,000	£11,237
G	£10,000,000 - £29,999,999	0.21%	£10,000,000	£28,737
H	£30,000,000 - £69,999,999	0.19%	£30,000,000	£70,737
I	£70,000,000 - £149,999,999	0.17%	£70,000,000	£146,737
J	£150,000,000 +	0.06%	£150,000,000	£282,737

\* % is equivalent to 'divided by 100' (e.g. 0.42% = 0.0042)

Using the table above to calculate the firm fee based on the firm's turnover (T)

1. Identify the turnover value (T) and which corresponding band the turnover falls into from column A.
2. Subtract the figure in the corresponding column C from T for that turnover band.
3. Multiply this figure by the corresponding percentage in column B.
4. Finally add this figure to the corresponding figure in column D.
5. Firm fee then needs to be rounded to the nearest pound (i.e. if less than 50p then round down and if equal to or more than 50p then round up)

<b>Formula: <math>(T - C) \times B + D</math></b>
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Example 1: For Turnover of £0:  
 $(£0 - £0) \times 0.69\% + £100 = £100$

Example 2: For Turnover of £200,000:  
 $(£200,000 - £150,000) \times 0.39\% + £772 = £967$

Example 3: For Turnover of £813,421:  
 $(£813,421 - £500,000) \times 0.38\% + £2,137 = £3,328$

Example 4: For Turnover of £279,123,528:  
 $(£279,123,528 - £150,000,000) \times 0.06\% + £282,737 = £360,211$

## Annex C - Recognised Body and Recognised Sole Practice Fee Determination

### Appendix 2

#### Turnover Figure

The following paragraphs describe how the turnover figure that will be used for the purposes of determining the fee should be calculated:

1. Turnover figure means a firm's total gross fees arising from work undertaken from offices in England and Wales.
  - *Gross fees includes*: all professional fees of the firm including remuneration, retained commission, and income of any sort whatsoever of the firm (including notarial fees). Work in Progress (WIP) should be included.
  - *Gross fees does not include*: interest, reimbursement of disbursements, VAT, remuneration from a non-private practice source, dividends, rents, and investment profit.
2. The turnover figures that will be used when billing firms in October 2020 will be based on **closed accounts**, audited where possible.
  - Closed accounts are defined, in order of preference, as:
    1. an audited set of financial statements
    2. an unaudited set of financial statements signed off by an accountant
    3. a submitted tax return for the year.
3. Bad debt should be handled under normal accounting procedures. Where it has been allowed for in the turnover figure for a firm's last closed accounting period prior to 1 November 2019, that is acceptable. If a bad debt has been discovered after closing the firm's accounts, then the turnover figure cannot be re-adjusted. Those adjustments could potentially be accounted for in the following year's closed accounts.
4. The turnover figure should, wherever possible, be for the last complete (12 months) accounting period prior to the 1 November 2019 (e.g. 31 March 2019). The latest acceptable annual accounting period end date is 31 October 2019.
5. The turnover figure should be an exact figure wherever possible. A figure rounded to the nearest £1,000 will be acceptable only if more detail is unavailable.
6. Those firms who do not have closed accounts which ended within the period from 1 November 2018 to 31 October 2019, should provide the SRA with an estimate of the turnover figure as well as the previous year's turnover figure based on accounts which have been closed. The SRA will determine at its discretion whether to use the 2018 figure if an updated 2019 figure based on closed accounts has not been received by 31 August 2020.
7. The turnover figure must be for a 12 month period.
  - (a) For a brand new firm (i.e. not a successor firm nor one resulting from change in status), an estimate for the first 12 months of practice (irrespective of whether this is after 31 October 2019) will be accepted; the basis upon which the firm has made the estimate should be provided to the SRA.

- (b) If a firm has changed its annual accounting period, its latest closed accounting period prior to the 1 November 2019 will be shorter or longer than 12 months. The following approach should be used by the firm, providing an explanation of how they have derived their turnover figure:
- Preferably, provide the turnover for the 12 month period immediately preceding the new accounting period end date (as long as prior to 1 November 2019)
  - Alternatively, if this is not possible then take the last closed accounts period prior to the 1 November 2019 and scale it appropriately (e.g. if the last closed accounting period was for six months then it should be doubled; if the last closed accounting period was for 15 months, then it should be divided by 15 and then multiplied by 12).
8. If a firm has a change in status (e.g. partnership to LLP, sole practitioner to partnership), then it should respond as if there were no change in status.

## **Annex C - Recognised Body and Recognised Sole Practice Fee Determination**

### **Appendix 3**

#### **Successor Turnover**

Successor turnover is relevant where firms have changed through, for example, an acquisition, merger or split. Certain firms affected are required to submit a Notice of Succession to the SRA with an agreed apportionment of turnover among the affected firms.

As guidance successor turnover shall be calculated based on the Turnover Figures for each of the affected firms.

If a firm has succeeded to the whole or a part of one or more firms (e.g. through merger or acquisition), successor turnover will be calculated by combining the appropriate proportion of the Turnover Figure for each of the affected firms which has become part of the successor practice:

- In a simple merger between firms A and B, combine the Turnover Figures for each firm.
- In a merger of one firm (firm A) with part of another firm (e.g. one third of firm B) then firm A should add the corresponding proportion of firm B's Turnover Figure to its Turnover Figure (e.g. firm A's Turnover Figure + third of firm B's Turnover Figure)

For a firm which has split or ceded part of their practice to another firm and wishes this change to be reflected in a successor turnover figure, the successor turnover figure will be a proportion of the Turnover Figure, as long as it is clear how the Turnover Figure for such a firm is to be distributed between the successor firms. 100% of the Turnover Figure must be accounted for between the successor firms. For example:

- In a merger of firm A with one third of firm B then
  - firm B's successor turnover figure will be two thirds of its Turnover Figure, Firm A's will be its Turnover Figure plus one third of B's Turnover Figure
- Where firm A and one third of firm B become new firm C
  - firm A's turnover will be £0 (closed) and B's turnover will be two thirds of its Turnover Figure. Firm C's successor turnover figures will be the combination of A's Turnover Figure and one third of firm B's.

In a case where all successor firms agree on the apportionment of 100% of the Turnover Figures, then the SRA will accept the successor turnover figures.

In the case where all successor firms are unable to agree the apportionment of 100% of the Turnover Figures, then the SRA will treat the Notice of Succession as an application for it to determine the Turnover Figure for the purpose of calculating the fees. The SRA will determine this apportionment based on the information available and its decision will be final.

## **Annex D - Licensed Body Fee Determination 2020**

This determination is made by the Solicitors Regulation Authority under rule 1.1 of the SRA Application, Notice, Review and Appeal Rules and rule 7.1 of the SRA Authorisation of Firms Rules, with the approval of the Legal Services Board under section 51 of the Legal Services Act 2007.

### **Initial Applications**

1. The application fee payable by a body applying for initial authorisation as a licensed body will be calculated as follows:
  - (a) an initial payment of £2,000, which is based on a day rate of £600;
  - (b) £150 in relation to each candidate subject to approval by the SRA under Part 4 of the SRA Authorisation of Firms Rules, excluding those deemed to be approved under rules 13.3 and 13.5 of the SRA Authorisation of Firms Rules;
  - (c) where the SRA's costs in considering the application exceed the amounts specified in (a) and (b) above then such additional costs will be charged at a day rate of £600;
  - (d) where the nature of the application means that the SRA has to seek external assistance, the full cost of that assistance will be charged;
  - (e) on initially considering an application, the SRA will notify those bodies whose applications it considers likely to exceed the amounts specified in (a) and (b) above and will indicate any additional sums payable in accordance with paragraphs (c) or (d) above;
  - (f) notwithstanding any additional sums notified under paragraph (e), the SRA may charge further additional sums in accordance with paragraphs (c) or (d) if unforeseen circumstances arise during the application process, however the SRA shall notify the applicant as soon as reasonably practicable as to the further liability to be incurred.
2. Appendix 1 contains information on the circumstances that may give rise to additional costs that may be chargeable under paragraphs 1(c) and (d) and the SRA may publish additional information from time to time.

### **Periodical fees**

*Licensed bodies are required to pay an initial periodical fee on authorisation which is calculated by reference to the firm's estimated turnover. Licensed bodies are also required to pay annual periodical fees by the prescribed date which is 31 October in any year. Paragraphs 3 and 4 below deal with the way in which the initial periodical fee will be calculated for the period which runs from 1 November 2020 to 31 October 2021 and paragraph 5 deals with the annual periodical fee.*

### Initial Periodical Fee

3. Subject to paragraph 4, the initial periodical fee payable by a licensed body shall be determined by:
  - (a) taking the estimate of the Turnover Figure for the first 12 months of business and carrying out the calculation in respect of the relevant band in accordance with appendix 2; and
  - (b) paying one twelfth of that amount in relation to each month or part of a month between the date of authorisation and 31 October 2021.
4. (a) Where a licensed body has succeeded to the whole of the practice of an authorised body the fee calculated in accordance with paragraph 3 shall be reduced by one twelfth of the firm fee already paid by the predecessor authorised body in respect of each month between the date of authorisation of the licensed body and 31 October 2021.
  - (b) Where a licensed body has succeeded to part of the practice of an authorised body the fee calculated in accordance with paragraph 3 shall be reduced as set out in paragraph 4(a) above but the reduction shall relate to such proportion of the firm fee as the SRA shall determine taking into account any Notice of Succession or other information.

### Annual Periodical Fee

5. The annual periodical fee payable by a licensed body shall be determined by taking the estimate of the Turnover Figure for the first 12 months of business or, where the licensed body became a licensed body before 1 November 2018, the Turnover Figure, and carrying out the calculation in respect of the relevant band in accordance with appendix 2.

### Overseas Branch Offices

6. A licensed body which has one or more overseas branch offices shall pay an additional fee of £200 in respect of each overseas office.

### Interpretation

7. In this determination:

**Notice of succession** means notice required under rule 16.1 of the SRA Authorisation of Firms Rules;

**Turnover Figure** means as set out in appendix 3.

All other terms are to be interpreted in accordance with the SRA Glossary.

### Commencement

8. This determination shall come into force on 1 November 2020.



### Annex 3 - Licensed Body Fee Determination: Appendix 1

1. The initial payment of £2,000 includes the costs that the SRA will incur in reviewing the application and considering whether, and if so how much, additional time and external assistance will be required. At the end of the review the SRA will notify the applicant of additional sums payable under paragraph 1 (c) and (d). Such estimate may be exceeded if unforeseen circumstances require additional time or external assistance.
2. The following list contains indicators of circumstances relating to the applicant body that may lead to the SRA seeking further information and incurring additional costs:
  - (a) proposed outsourcing arrangements;
  - (b) proposed initial public offering;
  - (c) proposed franchise model;
  - (d) proposed multiple fee sharing and /or referral arrangements;
  - (e) proposed multi disciplinary practice, involving other regulators;
  - (f) the applicant is part of a group including other organisations or permitted separate businesses which could cross sell services and /or give rise to potential conflicts.

This list is not exhaustive.

3. The SRA estimates that a combination of indicators that includes one or more of (a) to (d) above (moderate complexity) may require an additional 15 days of cost and an approximate additional charge of £9,000.
4. The SRA estimates that a combination of indicators that includes one or more of (e) and (f) together with any of the other indicators (high complexity) may require an additional 30 days of cost and an approximate additional charge of £30,000.
5. Additional costs may also be incurred where candidates, or sources of funding are located overseas. This could include the use of specialised external agencies to provide detailed reports on foreign individual and corporate owner applicants and may cost between £3,000 and £5,000 dependent on the jurisdiction.
6. Additional costs may also be incurred where there are complex ownership structures which require investigation in order to identify all persons who hold a material interest.

## Annex D - Licensed Body Fee Determination: Appendix 2

Turnover band	Turnover Range (A)	Pay %* of Turnover within band (B)	Minimum Turnover in band (C)	Minimum Fee in Band (D)
A	£0 - £19,999	0.69%	£0	£100
B	£20,000 - £149,999	0.41%	£20,000	£239
C	£150,000 - £499,999	0.39%	£150,000	£772
D	£500,000 - £999,999	0.38%	£500,000	£2,137
E	£1,000,000 - £2,999,999	0.36%	£1,000,000	£4,037
F	£3,000,000 - £9,999,999	0.25%	£3,000,000	£11,237
G	£10,000,000 - £29,999,999	0.21%	£10,000,000	£28,737
H	£30,000,000 - £69,999,999	0.19%	£30,000,000	£70,737
I	£70,000,000 - £149,999,999	0.17%	£70,000,000	£146,737
J	£150,000,000 +	0.06%	£150,000,000	£282,737

\* % is equivalent to 'divided by 100' (e.g. 0.42% = 0.0042)

Using the table above to calculate the firm fee based on the firm's turnover (T)

1. Identify the turnover value (T) and which corresponding band the turnover falls into from column A.
2. Subtract the figure in the corresponding column C from T for that turnover band.
3. Multiply this figure by the corresponding percentage in column B.
4. Finally add this figure to the corresponding figure in column D.
5. Firm fee then needs to be rounded to the nearest pound (i.e. if less than 50p then round down and if equal to or more than 50p then round up)

<b>Formula: (T - C) x B + D</b>
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Example 1: For Turnover of £0:  
 $(£0 - £0) \times 0.69\% + £100 = £100$

Example 2: For Turnover of £200,000:  
 $(£200,000 - £150,000) \times 0.39\% + £772 = £967$

Example 3: For Turnover of £813,421:  
 $(£813,421 - £500,000) \times 0.38\% + £2,137 = £3,328$

Example 4: For Turnover of £279,123,528:  
 $(£279,123,528 - £150,000,000) \times 0.06\% + £282,737 = £360,211$

\* % is equivalent to 'divided by 100' (e.g. 0.42% = 0.0042)

## Annex D - Licensed Body Fee Determination: Appendix 3

### Turnover Figure

The following paragraphs describe how the turnover figure that will be used for the purposes of determining how the periodical fee should be calculated:

1. Turnover figure means a firm's total gross fees arising from regulated activities undertaken from offices in England and Wales.
  - *Gross fees includes:* all professional fees of the firm including remuneration, retained commission, and income of any sort whatsoever of the firm (including notarial fees). Work in Progress (WIP) should be included.
  - *Gross fees does not include:* interest, reimbursement of disbursements, VAT, remuneration from a non-private practice source, dividends, rents, and investment profit.
2. Applicant bodies are required to provide an estimated turnover figure in the application and the SRA will seek information to support the figure and explain the basis on which the body has made the estimate during the authorisation process. Where the applicant body is succeeding to any legal practice carried on by a recognised sole practitioner, an authorised body or to a previously unregulated legal services business then the historic turnover figures for such businesses will be relevant in validating the estimated turnover for the new body.
3. The SRA may substitute an alternative estimated turnover figure for the purpose of the fee calculation where it reasonably considers that the estimated turnover figure produced by the applicant body does not fully reflect the true value of the legal services to be provided. The examples below indicate the sort of circumstances in which such a substitution may be made:
  - (a) The licensed body is part of a group of businesses which provide a range of services some of which may be bundled with legal services, where the legal services may be offered at a reduced rate or as a "free" service.
  - (b) The licensed body is part of an insurance company where some of the legal services may be supported by premium funding, rather than fee income.
  - (c) The licensed body provides a mix of regulated activities and other activities which are either unregulated or regulated by other regulators, and the services provided may include a mix of such activities which may be bundled as in (a) above.

In these cases the SRA will seek further information to help it determine a fair estimate and will seek to agree the figure with the applicant body but in the absence of such agreement the SRA's decision shall be final.
4. A licensed body will have provided an estimated turnover figure for the first 12 months of trading during the application process. This estimated turnover figure will be used to determine the annual periodical fee payable by the licensed body. In some cases, the SRA may have chosen to substitute an alternative estimated

turnover figure in the circumstances outlined in paragraph 3 above to ensure the estimated turnover reflects the true cost of legal services being provided. This figure will have been communicated to the applicant prior to the licence being granted. In such cases, the revised estimated turnover figure will be used to determine the annual periodical fee payable by the licensed body.

5. Where a licensed body became a licensed body before 1 November 2018, the turnover figure should no longer be estimated. In such cases, the turnover figures that will be used when billing firms in October 2020 will be based on **closed accounts**, audited where possible.
  - Closed accounts are defined, in order of preference, as:
    1. an audited set of financial statements
    2. an unaudited set of financial statements signed off by an accountant
    3. a submitted tax return for the year.
6. Bad debt should be handled under normal accounting procedures. Where it has been allowed for in the turnover figure for a firm's last closed accounting period prior to 1 November 2018, that is acceptable. If a bad debt has been discovered after closing the firm's accounts, then the turnover figure cannot be re-adjusted. Those adjustments could potentially be accounted for in the following year's closed accounts.
7. The turnover figure should, wherever possible, be for the last complete (12 months) accounting period prior to the 1 November 2019 (e.g. 31 March 2019). The latest acceptable annual accounting period end date is 31 October 2019.
8. The turnover figure should be an exact figure wherever possible. A figure rounded to the nearest £1,000 will be acceptable only if more detail is unavailable.