

**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 2012/13**



## Table of Contents

### Law Society Practising Fees 2012/13

	PAGE
Section 1: Introduction	3
Section 2: Developing the application / setting the budget <ul style="list-style-type: none"> <li>• Fee Levels.</li> <li>• Budget setting process.</li> <li>• Budget setting approach.</li> <li>• Contingency arrangements and reserves.</li> <li>• Strategic plans.</li> <li>• Consultation.</li> </ul>	4
Section 3: Permitted purposes	8
Section 4: Regulatory functions	10
Section 5: Clarity and transparency	14
Section 6: Regulatory and diversity impact assessment	15
Section 7: Consultation with non-commercial bodies and the Consumer Panel	16
Section 8: Practising fees determinations 2012/13	16
Annex A: Practising Certificate Fee Determination [2012]	19
Annex B: Determination of Sole Practitioner Fees [2012]	28
Annex C: Recognised Body Fee Determination [2012]	29
Annex D: Licensed Body Fee Determination [2012]	36

# Practising Certificate Fee application 2012/13 for the Law Society Group

## Section 1 – Introduction

1. This document seeks the Legal Services Board's agreement to the Law Society/SRA application for practising fees for 2012/13.

## Background

2. Significant changes were made to the fees structure in 2010, moving from collecting virtually the whole of the cost of regulation from practising individuals to the cost being borne by individuals and firms. As part of the process the SRA adopted the following guiding principles for the fees policy:
  - 1) be fair to fee payers
  - 2) be efficient and economical to administer
  - 3) ensure a predictable income to meet the cost of regulation
  - 4) be stable - charges should not vary considerably year on year
  - 5) be as simple as possible – to enable the regulated profession to predict their likely fees
  - 6) be based on data that can be verified
  - 7) 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
  - 8) 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.
3. In April 2011 the SRA Board agreed that the basic structure for the collection of fees for 2011/12 should remain the same as previous year, meaning that the 40/60 split between individuals and firms for the apportionment of the regulatory requirements should be maintained and that the current discounts to the individual fee for maternity leave should be maintained.
4. In February 2012 the SRA Board agreed to maintain the current apportionment and discounts of the regulatory requirements for 2012/13 taking on board the following reasons:
  - The consequence of the delay in the introduction of the mySRA system is that the profession will have to pay their renewal fees twice in this calendar year – 2011/12 fees early in the year and 2012/13 fees in November 2012.
  - To minimise impact on those we regulate, and in line with policy principles, namely principle 3 (predictable income) and 4 (stable income).
  - Additionally as part of the Fairer Fees EIA in June 2010 on the proposed discount for the maternity leave fees, it was agreed that "...if there was a change in the ratio of the overall fee as between individuals and firms, then it would be appropriate to review the position".
5. Notwithstanding the above approach, the SRA Board agreed the need to undertake a more fundamental review of the SRA's approach to apportioning regulatory costs across the individuals and entities it regulates. This work is at an initial stage of planning but the expectation is that it will be undertaken during 2012 and 2013 for implementation PC Fee year 2014/15. This will enable the SRA to address not just the issue of, for example, the balance in annual fees between individuals and entities, but also more fundamental

issues such as the balance between income from fees charged for one off processes (e.g. on the authorisation of a new entity) and those charged on an annual periodic basis.

## Section 2: Developing the application / setting the budget

### Fee Levels

6. Under the arrangements agreed between the Law Society and SRA, it is for the Law Society Council, having consulted the SRA Board, to determine the total amount to be raised from practising fees. It is for the SRA to determine how the amount required for regulation should be apportioned between the different categories of fee payer.
7. In 2010 the SRA changed the mechanism for collecting the regulatory net funding requirement and Compensation Fund requirement. The regulatory funding was split into an individual fee (40% of total) and a firm fee (60% of total) based on turnover bandings. The Law Society adopts the same approach to apportionment of the sums required for the Law Society's other 'permitted purposes' under the Legal Services Act.
8. The Law Society Council approved a total of £103.5m to be collected from practising fees – an increase from £94.8m collected in 2011/12. The underlying budgeted expenditure in 2012/13 is little changed from 2011/12, but in 2011/12 we were able to offset the amount which would otherwise have been needed because of an over collection of £5.6m in 2010/11, whilst in 2012-13 we need to collect an additional £3m in order to rebuild reserves.
9. The individual practising fee is £344, an increase from £328 in 2011/12. Private practice firms (including licensed bodies as they are authorised) will also pay a fee based on their UK turnover. The proportion of turnover charged declines as turnover increases.
10. The sum required for the Compensation Fund is £21.9m, an increase from £13.5m in 2011/12. This increase is driven by increased expectations of Compensation Fund to grant payments in the period up to the end of the 2012/13 practising year, coupled with a revision to the method of calculating minimum levels of reserves in the Fund requiring a higher reserve to be maintained.
11. The overall cost to the profession (including the Compensation Fund requirement) has increased from £108.3m in 2011/12, to £125.4m in 2012/13, an increase of 16 per cent.
12. Although budgets for the Law Society Group in 2013 are not set until later in the year, it is anticipated at present that the practising fee income will be applied broadly as follows:
  - Solicitors Regulation Authority - £52.8m<sup>1</sup>.
  - The Law Society (professional body) - £25.3m<sup>21</sup>.
  - Statutory levies (Legal Services Board (LSB), Legal Ombudsman (LeO), Solicitors Disciplinary Tribunal (SDT)) - £22.4m.
  - A contingency of £3m to mitigate the potential calls on reserves.

---

<sup>1</sup> Including Shared Services and Central Costs allocation of £22.2m (2012 budget £25m)

<sup>2</sup> Including Shared Services and Central Costs allocation of £12.7m (2012 budget £16.3m)

### The following fees require LSB approval:

- Individual regulatory fee.
- Firm regulatory fee for both recognised bodies and licensed bodies (turnover bandings).
- Individual Compensation Fund contribution.
- Firm Compensation Fund contribution for both recognised bodies and licensed bodies .

**Table 1: Fee levels**

Practising Certificate Fees	2013 Budget Year	2012 Current Year	Variance (£ and %)	Commentary
Individual fee – Regulatory	£344	£328	+ £16 + 5%	Expected increased grant payments and increased reserves
Firm fee (total £m to be collected)	£62.0m	£56.9m	+ £5.1m + 9%	
Individual fee – Compensation Fund	£92	£60	+ £32 + 53%	
Firm fee – Compensation Fund	£1340	£772	+ £568 + 74%	

### The budget setting process

13. The foundations of the budget, or net funding requirement for the Law Society Group, are submissions from the business based on their expected activity in 2013. The process is worked through on a bottom up basis from both the SRA and the Law Society, starting with cost centres, business units and directorates and it is at the directorate level which the 2012/13 application is shown. The budget is submitted by each of the Directorates and entities and authorised by the SRA Board of the relevant part of the Group with a full Law Society Group budget discussed and agreed by both the Law Society Management Board and the Law Society Council.

### The budget setting approach

14. When setting practising fees levels we are working against anticipated budgetary figures which will not be finalised until November 2012.
15. Where actual information is known this is used. Where information is not fully known at the time of creating the net funding requirement then assumptions are used based on a range of scenarios. These assumptions and scenarios are agreed by directors and CEOs prior to submission to SRA Board, Law Society Management Board and the Law Society Council. Some examples of the issues for which assumptions need to be made are shown below:
- Number of interventions into firms.
  - Claims on and costs to be recharged to the Compensation Fund.
  - Continued impact of the introduction of alternative business structures.
  - Benefits realisation of projects.
  - Cost of group projects required.
  - Interest rates, inflation rates and VAT.
16. The net funding requirement also includes a provision for levy payments to the LSB,, LeO and the SDT. The funding requirement for these is based on funding requirement

information from the relevant bodies. In translating the net funding requirement into proposed fees, we also need to make assumptions about:

- Number of practising certificates to be issued.
- The turnover from all firms within the profession, which is based on information supplied by each of the firms as part of the 2011/12 renewal exercise.

### **Contingency arrangements and reserves**

17. The SRA, like other parts of the Law Society Group, is expected to live within its approved budget, reprioritising if necessary should unexpected needs arise in year. However, if reprioritisation is not practical, the SRA can seek approval for additional funding.

18. At the end of 2012 the Law Society Group had cash reserves totalling £56.6m<sup>3</sup> and accounting reserves of £75.2m. It should be noted that cash reserves were unusually low due to the delayed collection of the 2011/12 practising fees. The following calls on reserves are proposed during 2012:

- £5.6m - Funding of 2012 expenditure planned for in the 2011/12 funding requirement<sup>4</sup>.
- £10.6m - Funding of 2012 budget in excess of net funding requirement expectations.
- £7.2m - Initial funding of the proposed midlands single site.
- £1.5m - Funding of the midlands archives project.
- £3.2m – Costs associated with finalising the buyout of the Law Society defined benefit pension scheme.
- £1.4m – Funding of the London property strategy.
- In place of budgeting for general contingencies, any forecast overspends on budget would be met by reserves (subject to approval).
- Any proposed project expenditure in excess of the £11.0m Group Project Investment Fund budget (subject to approval).

19. These calls on reserves may be partially mitigated by one off asset sales and the inclusion of a £3m contingency in the net funding requirement.

20. It should also be noted that reserves of £32.6m were held by the Solicitors Indemnity Fund at the end of 2011, however it is currently proposed by the SRA that a portion of these reserves be used to fund changes to the Assigned Risks Pool.

### **Strategic Plans**

21. The impact of both the SRA Enabling Programme (which supports the introduction of new business processes, new IT, and new skills across the organisation) and the Law Society Blueprint has been taken into account, so far as information is currently known.

22. No allowance has currently been made for any surplus arising from new firms and Alternative Business Structures (ABS) setting up in 2012 onwards due to current uncertainties surrounding the impact of such firms. However any such surplus will be offset against the net funding requirement for 2014. Additionally no allowance has been included for a potential loss of firms to alternative regulators.

---

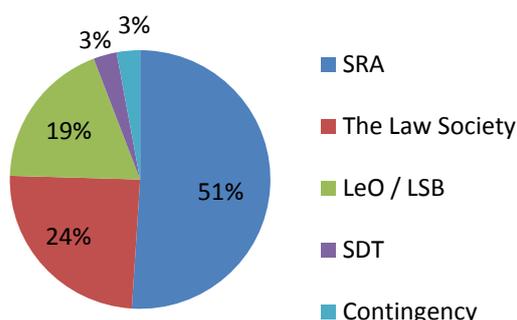
<sup>3</sup> Excluding cash held in escrow to finalise the buyout of the defined benefit pension scheme and reserves of the Solicitors Indemnity Fund.

<sup>4</sup> This represents repayment of the £5.6m over collection of fees in 2010/11

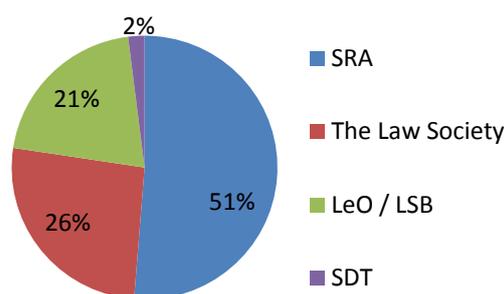
**Table 2: Total PC fee income and expenditure (Permitted activities only)**

Budget Item	2012/13 Budget Year	2011/12 Current Year (budget)	Variance	2012 Quarter 1 forecast	Commentary
<b>Total PC fee income</b>					
Total PC fee income	£103.5m	£94.8m	+ £8.7m + 9%	£93.8m	Extraordinary funding from reserves not expected to be required in 2013
Funding from reserves	£0.0m	£16.2m	- £16.2m - 100%	£21.8m	
<b>Total</b>	<b>£103.5m</b>	<b>£111.0m</b>	<b>- £7.5m - 7%</b>	<b>£115.6m</b>	
<b>Split of PC fee expenditure</b>					
Solicitors Regulation Authority	(£52.8m)	(£56.9m)	- £4.1m - 7%	(£61.9m)	Decrease in shared service allocated costs due to lower project spend
The Law Society (permitted purposes)	(£25.3m)	(£29.0m)	- £3.7m - 13%	(£28.7m)	
Legal Ombudsman (LeO), Legal Services Board (LSB)	(£19.4m)	(£22.9m)	- £3.5m -15%	(£22.0m)	Lower budgeted expenditure by LeO / LSB
Solicitors Disciplinary Tribunal (SDT)	(£3.0m)	(£2.2m)	+ £0.8m + 36%	(£3.0m)	
Contingency	(£3.0m)	£0.0m	+ £3.0m + 100%	£0.0m	
<b>TOTAL</b>	<b>(£103.5m)</b>	<b>(£111.0m)</b>	<b>- £10.5m - 9%</b>	<b>(£115.6m)</b>	

**Total PCF income split by expenditure category - 2012/13**



**Total PCF income split by expenditure category - 2011/12**



## Consultation

23. As described in paragraphs 2 and 4, we are not changing our approach to either fees structure or any discounts offered. This decision was made at the public session of the SRA Board in February 2012.

24. There has been a communications plan to keep the regulated community informed in place and enacted – more details are in Section 5: Clarity and transparency and Section 7: Consultation with non-commercial bodies and the Consumer Panel.

### **Section 3: Permitted purposes**

25. During 2011, the Law Society Group reviewed all the group activities and allocated them between a) regulatory activities, b) permitted activities and c) non-permitted activities. The definition of permitted purposes comes from the Practising Fee Rules 2009 made under the Legal Services Act 2007 (c.29), section 51(3) and (6). In getting to this point, the following methodology has been used and agreed with the Law Society Management Board and the Law Society Council. It is only the costs for permitted activities which are included within the net funding requirement and the practising fee.

26. A detailed study of the Law Society activities, covering both costs and revenues was undertaken, reviewed and signed off by the Law Society's senior management team. Directorate and department costs were calculated initially based on the directly assignable costs and / or revenues along with an apportionment of shared services and central costs. Shared services and central costs have been allocated based on a number of drivers, mainly headcount.

27. Where a department conducts both permitted and non-permitted activities and individual costs could not be directly associated with either, an appropriate allocation percentage was agreed and signed off by the relevant director or head of business unit.

28. The tables below contain the detailed numerical information to support this process and split the net funding requirement for 2013 and approved budget for 2012.

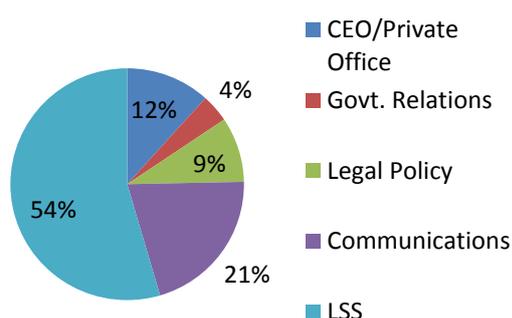
- Non-permitted activities (proportion of the Law Society) – Table 3.
- Regulatory activities (SRA only) – Table 4.
- Permitted activities that are non-regulatory (proportion of the Law Society) – Table 5.
- Income and expenditure on group shared services and central costs – Table 6.

**Table 3: Total non-Section 51 permitted income & expenditure**

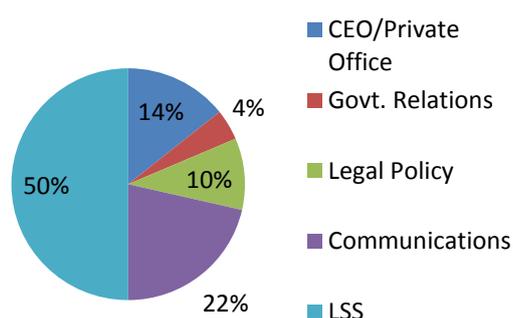
This table shows income in relation to non-permitted activities and associated expenditure. There is not expected to be any excess of income over expenditure in 2013 or 2012. Any surplus would contribute to the cost of the Law Society's permitted activities as shown in table 5.

Budget Item	2012/13 Budget Year	2011/12 Current Year (budget)	Variance	2012 Quarter 1 forecast	Commentary
<b>Total non-Section 51 income</b>					
TLS non-S51 income	£7.8m	£7.8m	£0m 0%	£7.8m	
Contribution of non-S51 income to permitted activities	(£0.1m)	(£0.8m)	- £0.7m - 88%	(£1.3m)	
<b>TOTAL</b>	<b>£7.7m</b>	<b>£7.0m</b>	<b>+ £0.7m + 10%</b>	<b>£6.5m</b>	
<b>Total non-Section 51 expenditure</b>					
CEO/Private Office	(£0.9m)	(£1.0m)	- £0.1m - 10%	(£1.0m)	
Government Relations (including General Counsel)	(£0.3m)	(£0.3m)	£0m 0%	(£0.3m)	
Communications	(£1.6m)	(£1.5m)	+ £0.1m + 7%	(£1.5m)	
Legal Policy	(£0.7m)	(£0.7m)	£0m 0%	(£0.7m)	
Law Society Services (LSS)	(£4.2m)	(£3.5m)	+ £0.7m + 20%	(£3.0m)	
<b>TOTAL</b>	<b>(£7.7m)</b>	<b>(£7.0m)</b>	<b>+ £0.7m + 10%</b>	<b>(£6.5m)</b>	

**Total non-PC fee expenditure on non-permitted purposes by directorate- 2012/13**



**Total non-PC fee expenditure on non-permitted purposes by directorate- 2011/12**



- **CEO/President's Office** - This includes the chief executive and the office holders. Provides strategic support to the leadership of the Law Society.
- **Government Relations** - Responsible for the Law Society's role as approved regulator under the Legal Services Act. Main activities include liaison with the LSB and responses to its consultations and representing the Society's interests in the implementation of the Legal Services Act.
- **General Counsel** - Comprises constitutional affairs elections and appointments and legal services department.

- **Communications** - Includes media, branding, public affairs and corporate social responsibility (CSR) (i.e. equality & diversity). CSR involves promoting best practice throughout the profession.
- **Legal Policy** - To develop policy to support the profession and ensure that the Society is recognised as one of the significant players in the legal system. 5 teams covering law reform, legal aid, professional representation and policy, regulatory affairs and research.
- **Law Society Services** - Includes commercial services, membership services, events and also international and UK operations. Commercial activity covers magazines, book publishing, venue hire, catering and affinity schemes. Membership services include sections and accreditation schemes as well as the practice advice service and the library.

## Section 4: Regulatory functions

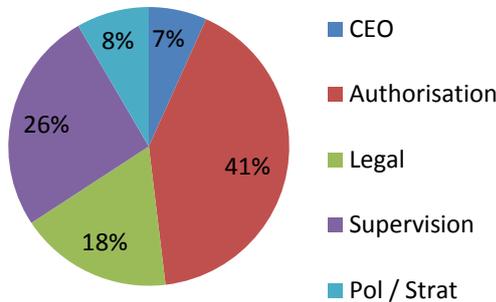
29. The budget setting process for the SRA is set out in Section 2.

**Table 4: Total income & expenditure allocated to regulatory functions (Solicitors Regulation Authority)**

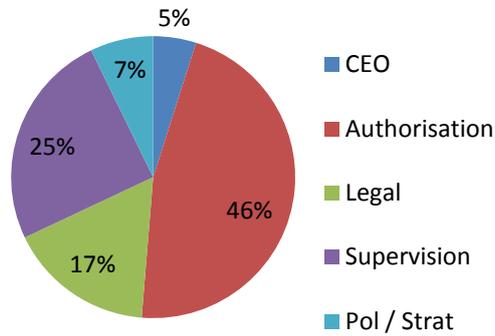
This table shows the expenditure of the Solicitors Regulation Authority, split by directorate, and the sources of income that fund that expenditure.

Budget Item	2013 Budget Year	2012 Current Year (budget)	Variance (£ and %)	2012 Quarter 1 forecast	Commentary
<b>Total income allocated to the permitted purposes for regulatory functions</b>					
Total PC fee income	£52.8m	£46.5m	+ £6.3m + 14%	£47.1m	Overall reduction of £4.1m 2013 due to reduced allocated costs
Funding from reserves	£0.0m	£10.4m	- £10.4m - 100%	£14.8m	
Recoveries	£6.7m	£6.2m	+ £0.5m + 8%	£7.3m	
Other Income	£6.2m	£6.5m	- £0.3m - 5%	£6.1m	
<b>Total</b>	<b>£65.7m</b>	<b>£69.6m</b>	<b>- £3.9m - 6%</b>	<b>£75.3m</b>	
<b>Total expenditure on permitted purposes that are regulatory functions by directorate</b>					
Chief Executive's Office (CEO)	(£4.4m)	(£3.4m)	+ £1.0m + 29%	(£3.5m)	
Authorisation	(£27.2m)	(£32.3m)	- £5.1m - 16%	(£34.0m)	
Legal	(£11.6m)	(£11.6m)	£0.0m 0%	(£13.0m)	
Supervision	(£17.0m)	(£17.3m)	- £0.3m - 2%	(£18.8m)	
Policy and Strategy	(£5.5m)	(£5.0m)	+ £0.5m + 10%	(£6.0m)	
<b>Total SRA</b>	<b>(£65.7m)</b>	<b>(£69.6m)</b>	<b>- £3.9m - 6%</b>	<b>(£75.3m)</b>	

**Total PC fee expenditure on Regulatory Functions by directorate - 2012/13**



**Total PC fee expenditure on Regulatory Functions by directorate - 2011/12**



### Solicitors Regulation Authority

- **CEO** – includes costs of SRA CEO, communications, strategy, assurance, research, inclusion, complaints handling, consumer engagement and board
- **Authorisation** – includes costs of authorisation, operations, intelligence & investigation, contact centre and administration centre
- **Legal** – includes the costs of discipline and legal team, disciplinary legal fees and adjudication
- **Supervision** – includes the costs of firm based & thematic risk supervision, risk centre and legal education
- **Policy and Strategy** – includes ethics policy and guidance and strategy

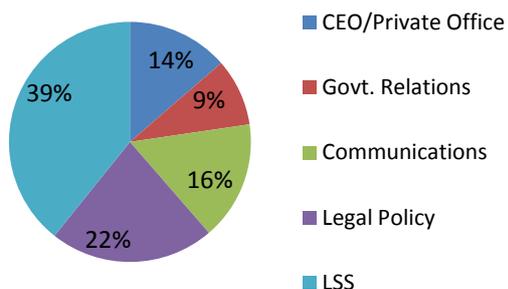
**Table 5: Total PC fee income & expenditure allocated to non-regulatory functions (The Law Society)**

This table shows the expenditure of the Law Society on permitted activities, split by directorate, and the sources of income that fund this expenditure. Any surplus from non-permitted activities will reduce the cost of permitted activities (see table 3).

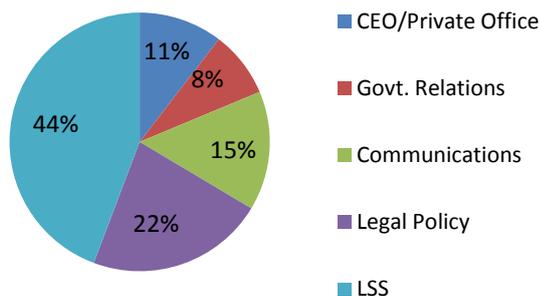
Budget Item	2012/13 Budget Year	2011/12 Current Year (budget)	Variance	2012 Quarter 1 forecast	Commentary
<b>Total income allocated to the permitted purposes for non-regulatory functions</b>					
Section 51 permitted income	£7.4m	£7.4m	£0m 0%	£7.3m	
Non-S51 Income (from table 3)	£0.1m	£0.8m	- £0.7m - 88%	£1.3m	
<b>Total PCF income</b>	<b>£25.3m</b>	<b>£23.2m</b>	<b>+ £2.1m + 9%</b>	<b>£21.7m</b>	Overall reduction of £3.7m due to reduced allocated costs
Funding from reserves	£0.0m	£5.8m	- £5.8m - 100%	£7.0m	
Recoveries	£0.3m	£0.3m	£0m 0%	£0.3m	
<b>Total</b>	<b>£33.1m</b>	<b>£37.5m</b>	<b>- £4.4m - 12%</b>	<b>£37.6m</b>	
<b>Total expenditure on permitted purposes that are non-regulatory functions by directorate</b>					
CEO/Private Office	(£4.5m)	(£3.9m)	+ £0.6m + 15%	(£4.2m)	
Government Relations (including General Counsel)	(£3.0m)	(£3.1m)	- £0.1m - 3%	(£3.1m)	
Communications	(£5.3m)	(£5.6m)	- £0.3m - 5%	(£5.3m)	
Legal Policy	(£7.3m)	(£8.3m)	- £1.0m - 12%	(£8.0m)	
Law Society Services (LSS)	(£13.0m)	(£16.6m)	- £3.6m - 22%	(£17.0m)	
<b>Total</b>	<b>(£33.1m)</b>	<b>(£37.5m)</b>	<b>- £4.4m - 12%</b>	<b>(£37.6m)</b>	

Detail of the contents of each directorate can be found under Section 3: Permitted purposes above.

**Total PC fee expenditure on Non-regulatory functions by directorate - 2012/13**



**Total PC fee expenditure on Non-regulatory functions by directorate - 2011/12**

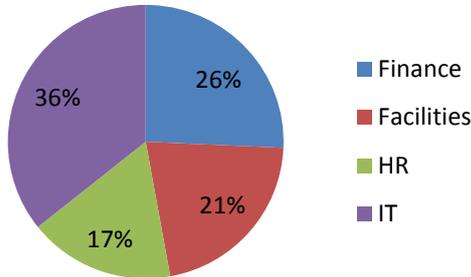


**Table 6: Total PC fee income & expenditure on Group shared services and central costs**

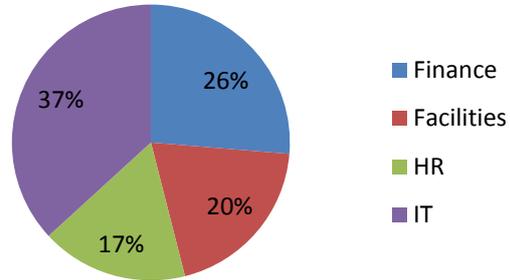
This table shows the expenditure relating to shared services and central costs, split by directorate. These costs are allocated to the SRA and the Law Society and are included in the total expenditure in tables 3, 4 and 5. Shared service costs are allocated to directorates based on a number of drivers including headcount, floor space and usage. Once allocated to a directorate, the amount relating to non-permitted activities is calculated based on the proportion of other expenditure in that directorate related to non-permitted activities.

Budget Item	2012/13 Budget Year	2011/12 Current Year (budget)	Variance	2012 Quarter 1 forecast	Commentary
<b>Total income allocated to shared services</b>					
Total PC fee income	£33.3m	£23.2m	+ £9.3m + 42%	£20.5m	Overall reduction of £6.9m due to reduced project spend
Funding from reserves	£0.0m	£16.2m	- £16.2m -100%	£21.8m	
Contribution from non-S51 income	£1.6m	£1.9m	- £0.5m - 19%	£1.6m	
Other income	£1.0m	£1.0m	£0 0%	£0.7m	
<b>Total</b>	<b>£35.9m</b>	<b>£42.3m</b>	<b>- £7.4m - 17%</b>	<b>£44.6m</b>	
<b>Total expenditure on shared services by directorate</b>					
Finance Dept (inc Internal Audit)	(£1.8m)	(£2.0m)	- £0.2m - 10%	(£2.2m)	
Facilities Dept	(£1.5m)	(£1.5m)	£0 0%	(£1.4m)	
Human Resources and Development Dept (inc Pension staff costs) (HRD)	(£1.2m)	(£1.3m)	- £0.1m - 8%	(£1.4m)	
IT Dept	(£2.5m)	(£2.8m)	- £0.3m - 11%	(£2.7m)	
<b>Shared Services Total</b>	<b>(£7.0m)</b>	<b>(£7.6m)</b>	<b>- £0.6m - 8%</b>	<b>(£7.7m)</b>	
Finance Overheads	(£1.2m)	(£1.0m)	+ £0.2m + 20%	(£1.1m)	
Facilities Overheads	(£7.2m)	(£6.8m)	+ £0.4m + 6%	(£6.2m)	
Human Resources and Development Overheads (HRD)	(£4.5m)	(£7.0m)	-£2.5m - 36%	(£6.1m)	Reduced redundancy costs in relation to restructuring
IT Overheads	(£8.3m)	(£8.9m)	- £0.6m - 7%	(£8.1m)	
Group Projects Investment Fund (GPIF)	(£7.7m)	(£11.0m)	- £3.3m - 30%	(£15.4m)	Extraordinary levels of project spend are not expected to be repeated in 2013
<b>Central Costs Total</b>	<b>(£28.9m)</b>	<b>(£34.7m)</b>	<b>- £5.8m - 17%</b>	<b>(£36.9m)</b>	
<b>Total excluding Depreciation</b>	<b>(£35.9m)</b>	<b>(£42.3m)</b>	<b>- £6.4m - 15%</b>	<b>(£44.6m)</b>	

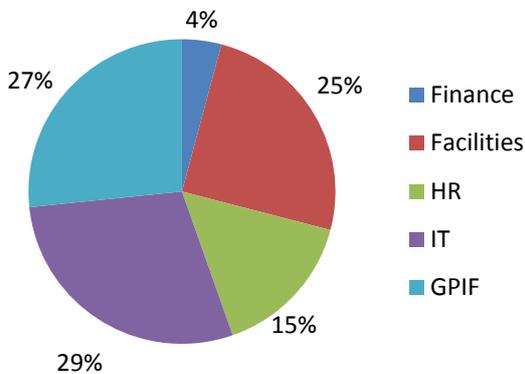
**Total PC fee expenditure on shared services by directorate - 2012/13**



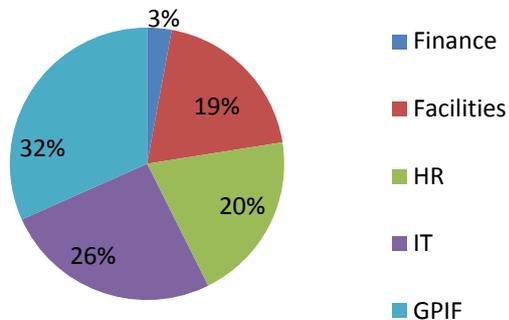
**Total PC fee expenditure on shares services by directorate - 2011/12**



**Total PC fee expenditure on central costs by directorate- 2012/13**



**Total PC fee expenditure on central costs by directorate- 2011/12**



- **Shared services** - includes the costs of the following departments; finance, internal audit, HRD, facilities and IT.
- **Central costs** – includes the costs of the following:
  - **Finance** – costs for the group including corporation tax and pension provisions.
  - **Facilities** – costs relating to expenditure on facilities in London and the Midlands.
  - **HRD** – costs for the group of recruiting, redundancy payments, training and pension management.
  - **IT** – the group costs of running all IT systems includes Logica contract
  - **GPIF** – Group Project Investment Fund – this includes the group costs of all projects .
  - **Facilities Core Programme** – Facilities small refurbishment projects.

## Section 5: Clarity and transparency

30. In June 2012 the contents of Sections 1-4 of this Application, adapted only to anticipate the final decisions of the Law Society Council and SRA Board, were published on both the Law Society and SRA web sites. This was to give the profession the opportunity to make representation before the Law Society Council approved the overall budget on 5 July.

31. However, prior to that publication, a communications strategy was drawn up and a number of other communications have been made to keep the profession and other stakeholders informed:

- Following the decision of the SRA Board on 29 February 2012 to maintain the fee structure for practising fees for this and the forthcoming year, the SRA published a news release to the legal media on 7 March. This was also published on the SRA website and was tweeted. It received coverage in Legal Futures, the Gazette and the Lawyers Defence Group newsletter.
- At that same meeting, the SRA Board determined that a full review would take place to come into effect in 2014/15 and as such the same structure would apply for this and next practising years.
- In June the on-line calculator was made available with an indicative individual fee of £344, a revised turnover table and indicative Compensation Fund contributions of £92 (individual) and £1340 (firm).
- The publication of the on-line calculator was communicated via the legal media with a link through to the calculator. The news release was also tweeted and reference to the calculator was made within the SRA's e-newsletter that goes to everyone with a mySRA account.
- In July a verification process was undertaken for the turnover figures submitted online by firms as part of the 2011/12 renewals process.
- Separate news release on the changes to the Compensation Fund were issued in June. It was communicated through the usual channels (legal media; tweets, SRA website). The SRA Public Affairs Manager was asked to build key messages into any public speaking opportunities and presentation.
- A placement article was produced and sent to groups such as the Sole Practitioners' Group, the Association of Women Solicitors, the Association of Black Lawyers for publication in their in-house newsletters and website.
- Reference to the fees exercise was made within the SRA Board Chair's column in the Law Gazette and within the SRA column in the Modern Law Magazine, a new bimonthly publication.
- Following the SRA Board approval of the fee determinations and the Law Society Council's approval of the indicative budget, a press release was issued jointly from the Law Society and the SRA, and has been at the date of the submission of this application been covered by Legal Futures.

32. Every year a comprehensive communications plan is put in place to support the fees exercise as a whole, and includes communications to bodies such as the Local Government Association

33. There is no policy change therefore the information provided last year through this application, (including the plain English summary) , and the on-line calculator, has given all those who have to pay the practising fees the following information:

- the level of the fees, and through the turnover table and on-line calculator the means to work out the firm fee.
- information on how the level of the fee has been set.
- an indication of how the income will be spent including a breakdown of the amount spent on regulatory functions, non-regulatory functions and shared services.

## **Section 6: Regulatory and diversity impact assessment**

34. The significant changes to the fee structure made in 2010 were subject to considerable consultation with stakeholder groups and a published Equality Impact Assessment which

indicated that, while there would be winners and losers in relation to firms in different size groups, overall the new structure would be beneficial to all in in-house practice and that more small firms would see an overall reduction rather than an increase in the total fees payable.

35. Based on this analysis and the SRA Board decision not to change the fee allocation policy, we believe the impact remains the same.

### **Section 7: Consultation with non-commercial bodies and the Consumer Panel**

36. We have outlined in Section 1: Introduction our longer term approach to our policy on fees and charges, which resulted in no changes to the overall policy in this forthcoming year 2012/13. We have therefore not conducted any specific consultation.
37. However, we have engaged with our stakeholders from February 2012 through an early and public discussion on our policy. Additionally as outlined in Section 5: Clarity and transparency above, we have promoted our approach to setting this year's fees.
38. It is worth noting that in future some non-commercial bodies may, as special bodies, be required to become licensed bodies. Some are therefore represented on the ABS reference group and did respond to the consultation on the fee structure for ABS. The key concern raised in those responses was whether it was appropriate to use turnover, as currently defined, as the basis for charging a firm fee to special bodies. The regulatory scheme for special bodies is still in the course of development and it was useful to have this input at an early stage as it can be taken into account during the further developmental work. These responses do not relate to the fee structure for this year. The LSB has just published its consultation on special bodies, and at the time of writing the SRA is currently considering the way forward on this issue.

### **Section 8: Practising fees determination 2012/13**

39. As stated at the outset of this application, under the arrangements agreed between the Law Society and SRA, it is for the Law Society Council, having consulted the SRA Board, to determine the total amount to be raised from practising fees. It is for the SRA to determine how that amount should be apportioned between the different categories of fee payer.
40. On 4 July 2012 the SRA Board made the following fee determinations, subject to the confirmation of the Law Society Council of the total funding requirement (confirmed on 5 July 2012), and subject to the approval of the LSB:
- 40.1. Annex A: Practising Certificate fee determination [2012]
- 40.1.1. This:
- sets the practising certificate fee and equivalent fees for registered European lawyers and registered foreign lawyers.
  - provides for a 50% reduction for those who are or who have been on maternity leave.
  - prescribes the firm fee for continuing recognised sole practitioners (based on turnover).
  - prescribes the fee for brand new sole practitioners applying for recognition at the same time as renewal of a practising certificate.
  - preserves a lower fee for RFLs who are based abroad and deals with other special cases.

- sets the fee at £250 for the SRA to determine relevant turnover following a Notice of Succession where the relevant firms cannot agree.
- includes an amendment to clarify the policy intent that the initial fee of £200 payable in certain circumstances is only available where the relevant predecessor body has already paid a regulatory fee for the practising year.

#### 40.2. Annex B: Determination of Sole Practitioner Fees [2012]

40.2.1. Because of the way the Solicitors Act is drafted in providing for the recognition of sole practitioners, a separate resolution is required to set the application fee for the recognition of a sole practitioner who applies during the course of a practising certificate year.

#### 40.3. Annex C: Recognised Body fee determination [2012]

##### 40.3.1. This

- prescribes the firm fee for recognised bodies (based on turnover) with different provisions applying to brand new firms, continuing firms and firms who have been affected by an acquisition, merger or split in the last 12 months.
- deals with special cases such as overseas offices
- sets the fee at £250 for the SRA to determine relevant turnover following a Notice of Succession where the relevant firms cannot agree.
- includes an amendment to clarify the policy intent that the initial fee of £200 payable in certain circumstances is only available where the relevant predecessor body has already paid a regulatory fee for the practising year

#### 40.4. Annex D: Licensed Body fee determination [2012]

##### 40.4.1. This

- sets the application fee payable by licensable bodies, in accordance with the decision of the Board in June, i.e. a minimum set fee, plus an additional amount for each person requiring approval, with the possibility of fees being increased if the work in relation to the application is more than covered by the basic fee and for any costs of external agencies to be passed on to the applicant
- sets the initial periodical fee payable by a licensed body on authorisation, based on estimated turnover for the first 12 months and calculated in accordance with the banded turnover table
- includes an adapted definition of turnover to give the SRA a discretion to amend the figure where it appears that the turnover figure does not fully reflect the value of the legal services provided
- adapts the definition of turnover to relate it to turnover from regulated legal activities

# **ANNEXES**

## **Annex A – Practising Certificate Fee Determination [2012]**

This determination is made by the Solicitors Regulation Authority Board under section 11 of the Solicitors Act 1974, paragraph 2(1)(b) of Schedule 14 to the Courts and Legal Services Act 1990 and regulation 1.1 of the SRA Practising Regulations 2011, 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 to the Law Society for each practising certificate issued will be £344 unless paragraphs 2, 3, or 4 below apply, or unless any of paragraphs 5 to 12 apply so as to impose an increased or additional fee.

### **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 2012 or any solicitor admitted prior to 1 November 2012 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 2012 to 31 December 2012 inclusive - £344
  - (b) Practising certificate issued 1 January 2013 to 31 March 2013 inclusive - £270
  - (c) Practising certificate issued 1 April 2013 to 30 June 2013 inclusive - £196
  - (d) Practising certificate issued 1 July 2013 to 31 October 2013 inclusive - £122Paragraphs 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 2012, 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 provisions**

4. A solicitor who applies for a practising certificate during the practising certificate year 1 November 2012 to 31 October 2013 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 2012 to 31 December 2012 inclusive - £196
  - (b) Practising certificate issued 1 January 2013 to 31 March 2013 inclusive - £159
  - (c) Practising certificate issued 1 April 2013 to 30 June 2013 inclusive - £122
  - (d) Practising certificate issued 1 July 2013 to 31 October 2013 inclusive - £85This 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.

## Recognised sole practitioners

### Initial applications

5. Subject to paragraph 6 where a solicitor makes an initial application for a practising certificate or applies for a replacement of a practising certificate, and the certificate applied for is to include initial authorisation as a recognised sole practitioner, the fee payable under paragraphs 1, 2, 3 or 4 shall be increased by:
  - (a) £1,000 if the certificate is to commence in the period 1 November 2012 to 31 December 2012;
  - (b) £800 if the certificate is to commence in the period 1 January 2013 to 31 March 2013;
  - (c) £600 if the certificate is to commence in the period 1 April 2013 to 30 June 2013;
  - (d) £400 if the certificate is to commence in the period 1 July 2013 to 31 October 2013.
  
6.
  - (a) This paragraph applies where a solicitor on or after 1 November 2012:
    - i. makes an initial application for a practising certificate or applies for replacement of a practising certificate, which includes an application for initial authorisation as a recognised sole practitioner; and
    - ii. the solicitor is succeeding to the whole or part of a practice of a recognised body or recognised sole practitioner.
  - (b) Where in 6(a) the predecessor recognised body or recognised sole practitioner has paid a fee for the practising year 1 November 2012 to 31 October 2013, the fee payable under paragraphs 1, 2, 3, or 4 above shall be increased by an application fee of £200.
  - (c) Where in 6(a) the predecessor recognised body or recognised sole practitioner has not paid a fee for the whole or part of the practising year 1 November 2012 to 31 October 2013, the fee payable under paragraphs 1,2,3 or 4 shall be increased by an amount determined as if the solicitor were applying for renewal in accordance with paragraphs 7 to 10 below as appropriate, plus an additional application fee of £200.

### Renewal of authorisation as a recognised sole practitioner

*From 1 November 2010 recognised sole practitioners who apply to renew authorisation as such are required to pay a practising certificate fee under paragraphs 1, 2, 3 or 4 above and an additional sum which is calculated by reference to the firm's turnover. The way that the turnover is determined will depend on whether the firm is a continuing recognised sole practitioner, a new recognised sole practitioner renewing for the first time or a successor recognised sole practitioner. Paragraphs 7 to 9 below deal with the way that the fee is determined in relation to each of those categories.*

7.
  - (a) This paragraph applies where a Continuing Recognised Sole Practitioner makes an application for a practising certificate and the certificate applied for is to include renewal of authorisation as a recognised sole practitioner.
  - (b) The fee payable under paragraphs 1, 2, 3 or 4 shall be increased by the amount arrived at after taking the Turnover Figure and carrying out the calculations in respect of the relevant band in accordance with appendix 1.
  
8.
  - (a) This paragraph applies where a New Recognised Sole Practitioner who first became authorised as a recognised sole practitioner after 31 October 2011 makes an application for a practising certificate and the certificate applied for is to include renewal of authorisation as a recognised sole practitioner.

- (b) The fee payable under paragraphs 1, 2, 3 or 4 shall be increased by the amount arrived at after 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.
- 9.
- (a) This paragraph applies where a Successor Recognised Sole Practitioner makes an application for a practising certificate and the certificate applied for is to include renewal of authorisation as a recognised sole practitioner.
  - (b) The fee payable under paragraphs 1, 2, 3 or 4 shall be increased by the amount arrived at after taking the Successor Turnover Figure and carrying out the calculations in respect of the relevant band in accordance with appendix 1.

### **Overseas Branch Offices**

10. Where a recognised sole practitioner has one or more overseas branch offices, the fee payable under any of the applicable paragraphs above shall be increased by £200 in respect of each overseas office.

### **Application for the SRA to determine Successor Turnover Figure**

11. 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.

### **Late delivery of an accountant's report**

12. Where a solicitor applies for a practising certificate at a time when section 11(4) of the Solicitors Act 1974 has effect because the solicitor has failed to deliver an accountant's report by such time or in such circumstances as prescribed by rules made under section 34(1) of that Act, an additional fee of £200 must be paid when making an application for a practising certificate.

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

13. The fee to be paid to the Law Society for initial registration or renewal of registration as a registered European lawyer shall be governed in all respects by the provisions of paragraphs 1 to 12 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 2012, registered or re-registered as a registered foreign lawyer and who applies for his or her first registration as a registered European lawyer.

## Application to registered foreign lawyers

14. The fee to be paid to the Law Society for initial registration or renewal of registration as a registered foreign lawyer shall, subject to paragraph 15 below, be governed in all respects by the provisions of paragraphs 1, 2, 4 and 12 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 2012, registered or re-registered as a registered European lawyer and who applies for his or her first registration as a registered foreign lawyer.
15. The fee for a registered foreign lawyer practising mainly from an office or offices outside England and Wales shall be £100.

## Interpretation

16. In this determination:

**Continuing Recognised Sole Practitioner** means a recognised sole practitioner who became authorised as a recognised sole practitioner before 31 October 2011 and who is not a Successor Recognised Sole Practitioner;

**Firm** means a recognised sole practitioner or a recognised body;

**New Recognised Sole Practitioner** means a recognised sole practitioner who first became authorised as a recognised sole practitioner after 31 October 2011 and who is not a Successor Recognised Sole Practitioner;

**Notice of Succession** means notice required under Regulation 4A of the SRA Practising Regulations 2011 or Rule 8.3(f) of the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011;

**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;

**Period of leave equivalent to statutory maternity leave** means a period of absence or leave which if a solicitor had been an employee would have been taken as statutory maternity leave;

**Recognised body** means a body recognised by the SRA under section 9 of the Administration of Justice Act 1985;

**Recognised Sole Practitioner** means a solicitor or REL authorised by the SRA under section 1B of the Solicitors Act 1974 to practise as a sole practitioner;

**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;

**Successor Recognised Sole Practitioner** means for the purposes of calculating the renewal fees, a recognised sole practitioner who after 31 October 2011 succeeds to the whole or any part of any recognised body or recognised sole practitioner, for value or otherwise, in any of the following cases:

**case (I):**

a recognised sole practitioner who acquires the whole or a part of one or more recognised bodies or recognised sole practitioners;

**case (II):**

a recognised sole practitioner resulting from the merger between the whole or part of two or more recognised bodies or recognised sole practitioners;

**case (III):**

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

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

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

17. The singular includes the plural and vice versa.

## **Commencement**

18. This determination shall come into force on 1 November 2012.

## Annex A -Practising Certificate 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	0.86%	£0	£100
B	£20,000 - £149,999	0.51%	£20,000	£272
C	£150,000 - £499,999	0.49%	£150,000	£935
D	£500,000 - £999,999	0.47%	£500,000	£2,650
E	£1,000,000 - £2,999,999	0.45%	£1,000,000	£5,000
F	£3,000,000 - £9,999,999	0.31%	£3,000,000	£14,000
G	£10,000,000 - £29,999,999	0.26%	£10,000,000	£35,700
H	£30,000,000 - £69,999,999	0.23%	£30,000,000	£87,700
I	£70,000,000 – £149,999,999	0.21%	£70,000,000	£179,700
J	£150,000,000 +	0.08%	£150,000,000	£347,700

\* % is equivalent to 'divided by 100' (e.g. 0.65% = 0.0065)

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

1. Identify which band the turnover (T) falls in from column A.
2. Subtract the figure in the corresponding column C from (T).
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>
---------------------------------

Example 1: For Turnover of £0:  
 $(£0 - £0) \times 0.86\% + £100 = £100$

Example 2: For Turnover of £200,000:  
 $(£200,000 - £150,000) \times 0.49\% + £935 = £1,180$

Example 3: For Turnover of £813,421:  
 $(£813,421 - £500,000) \times 0.47\% + £2,650 = £4,123$

Example 4: For Turnover of £279,123,528:  
 $(£279,123,528 - £150,000,000) \times 0.08\% + £347,700 = £450,999$

## **Annex A -Practising Certificate 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 2012 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 2011, 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 2011 (e.g. 31 March 2011). The latest acceptable annual accounting period end date is 31 October 2011.
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 2010 to 31 October 2011, 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 2010 figure if an updated 2011 figure based on closed accounts has not been received by 31 August 2012.
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 2011) 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 2011 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 2011)
  - Alternatively, if this is not possible then take the last closed accounts period prior to the 1 November 2011 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 at renewal it should respond as if there were no change in status.

## **Annex A - Practising Certificate 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 B – Determination of Sole Practitioner Fees [2012]

This determination is made by the Solicitors Regulation Authority Board under section 13ZB of the Solicitors Act 1974 and regulation 1.1 of the SRA Practising Regulations 2011, with the approval of the Legal Services Board under section 51 of the Legal Services Act 2007.

- (1) Subject to paragraph (2), the fees under section 13ZB of the Solicitors Act 1974 for a certificated solicitor or a registered European lawyer who makes a **separate** application for initial authorisation as a recognised sole practitioner to commence during the period 1 November 2012 to 31 October 2013 shall be set at:
  - (a) £1000 if the authorisation is to commence in the period 1 November 2012 to 31 December 2012;
  - (b) £800 if the authorisation is to commence in the period 1 January 2013 to 31 March 2013;
  - (c) £600 if the authorisation is to commence in the period 1 April 2013 to 30 June 2013;
  - (d) £400 if the authorisation is to commence in the period 1 July 2013 to 31 October 2013.
- (2)
  - (a) This paragraph applies where a solicitor on or after 1 November 2012:
    - i. makes a **separate** application for initial authorisation as a recognised sole practitioner: and
    - ii. the solicitor is succeeding to the whole or part of a practice of a recognised body or recognised sole practitioner.
  - (b) Where in 2(a) the predecessor recognised body or recognised sole practitioner has paid a fee for the practising year 1 November 2012 to 31 October 2013, the fee payable is £200.
  - (c) Where in 2(a) the predecessor recognised body or recognised sole practitioner has not paid a fee for the practising year 1 November 2012 to 31 October 2013, the fee payable shall be determined as if the solicitor were applying for renewal in accordance with paragraphs 8 to 10 of the Practising Certificate Fee Determination 2012 as appropriate, plus an additional application fee of £200.
- (3) All terms in this determination are to be interpreted in accordance with the Practising Certificate Fee Determination 2012.
- (4) This determination shall come into force on 1 November 2012.

## **Annex C - Recognised Body Fee Determination [2012]**

This determination is made by the Solicitors Regulation Authority Board under Rules 2.1 and 8.3 of the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011, 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 applying for initial recognition as a New Recognised Body is:
  - (a) £1000 on applying for initial recognition to commence in the period 1 November 2012 to 31 December 2012;
  - (b) £800 on applying for initial recognition to commence in the period 1 January 2013 to 31 March 2013;
  - (c) £600 on applying for initial recognition to commence in the period 1 April 2013 to 30 June 2013;
  - (d) £400 on applying for initial recognition to commence in the period 1 July 2013 to 31 October 2013.
2.
  - (a) This paragraph applies when a body is applying for initial recognition on or after 1 November 2012 in the following circumstances:
    - (i) the body is succeeding to a practice of a recognised sole practitioner.
    - (ii) the application is being made by an existing recognised body which is changing its legal status; or
    - (iii) the application is being made by a Successor Recognised Body.
  - (b) Where in paragraph 2(a) the predecessor sole practitioner or recognised body has paid a fee for the practising year 1 November 2012 to 31 October 2013, the fee shall be £200.
  - (c) Where in paragraph 2(a) the predecessor sole practitioner or recognised body has not paid a fee for the practising year 1 November 2012 to 31 October 2013, the fee shall be determined in accordance with paragraphs 3, 4 or 5, as appropriate, plus an additional application fee of £200.

### **Annual Periodical fees**

*Recognised Bodies 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 recognised body, a new recognised body or a successor recognised body. Paragraphs 3 to 6 below deal with the way that the fee is determined in relation to each of those categories.*

3. The annual periodical fee payable by a recognised body where it is a Continuing Recognised Body shall be determined by taking the Turnover Figure and carrying out the calculations in respect of the relevant band in accordance with appendix 1.
4. The annual periodical fee payable by a New Recognised Body which first obtained authorisation after 31 October 2011 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.
5. The annual periodical fee payable by a Successor Recognised Body 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**

6. A recognised body 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**

7. 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**

8. In this determination:

**Continuing Recognised Body** means a recognised body which is not a Successor Recognised Body and in which either:

- (a) the number and identity of the managers has not changed since 31 October 2011; or
- (b) the only changes since 31 October 2011 in the number or identity of the managers are as a result of one or more managers leaving or joining the recognised body;

**Firm** means a recognised sole practitioner or a recognised body;

**Manager** means:

- (a) a partner in a partnership;
- (b) a member of an LLP; or
- (c) a director of a company;

**Member** in relation to a recognised body, means:

- (a) a person who has agreed to be a member of a company and whose name is entered in the company's register of members; or
- (b) a member of an LLP;

**New Recognised Body** means a recognised body which obtained recognition after 31 October 2011 and is not a Successor Recognised Body;

**Notice of Succession** means a notice required under Rule 8.3(f) of the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011.

**Recognised body** means a body recognised by the SRA under section 9 of the Administration of Justice Act 1985;

**Recognised Sole Practitioner** means a solicitor or REL authorised by the SRA under section 1B of the Solicitors Act 1974 to practise as a sole practitioner;

**Successor Recognised Body** means for the purposes of calculating the renewal fees, a recognised body which after 31 October 2011 succeeds to the whole or any part of any recognised body or recognised sole practitioner, for value or otherwise, in any of the following cases:

**case (I):**

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

**case (II):**

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

**case (III):**

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

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

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

9. The singular includes the plural and vice versa.

### **Commencement**

10. This determination shall come into force on 1 November 2012.

## Annex C - Recognised 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	0.86%	£0	£100
B	£20,000 - £149,999	0.51%	£20,000	£272
C	£150,000 - £499,999	0.49%	£150,000	£935
D	£500,000 - £999,999	0.47%	£500,000	£2,650
E	£1,000,000 - £2,999,999	0.45%	£1,000,000	£5,000
F	£3,000,000 - £9,999,999	0.31%	£3,000,000	£14,000
G	£10,000,000 - £29,999,999	0.26%	£10,000,000	£35,700
H	£30,000,000 - £69,999,999	0.23%	£30,000,000	£87,700
I	£70,000,000 - £149,999,999	0.21%	£70,000,000	£179,700
J	£150,000,000 +	0.08%	£150,000,000	£347,700

\* % is equivalent to 'divided by 100' (e.g. 0.65% = 0.0065)

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

1. Identify which band the turnover (T) falls in from column A.
2. Subtract the figure in the corresponding column C from (T).
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>
---------------------------------

Example 1: For Turnover of £0:  
 $(£0 - £0) \times 0.86\% + £100 = £100$

Example 2: For Turnover of £200,000:  
 $(£200,000 - £150,000) \times 0.49\% + £935 = £1,180$

Example 3: For Turnover of £813,421:  
 $(£813,421 - £500,000) \times 0.47\% + £2,650 = £4,123$

Example 4: For Turnover of £279,123,528:  
 $(£279,123,528 - £150,000,000) \times 0.08\% + £347,700 = £450,999$

## **Annex C - Recognised Body 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 2012 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 2011, 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 2011 (e.g. 31 March 2011). The latest acceptable annual accounting period end date is 31 October 2011.
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 2010 to 31 October 2011, 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 2010 figure if an updated 2011 figure based on closed accounts has not been received by 31 August 2012.
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 2011) 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 2011 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 2011)
  - Alternatively, if this is not possible then take the last closed accounts period prior to the 1 November 2011 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 at renewal it should respond as if there were no change in status.

## **Annex C - Recognised Body 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 [2012]

This determination is made by the Solicitors Regulation Authority Board under Rules 2.1 and 8.3 of the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011 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, and includes a contribution towards the setting up of the appellate body;
  - (b) £150 in relation to each candidate subject to approval by the SRA under Part 4 of the Authorisation Rules, excluding those deemed to be approved under Rule 13.2 of the Authorisation 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 2012 to 31 October 2013 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 2013
4. (a) Where a licensed body has succeeded to the whole of the practice of a recognised sole practitioner or recognised body the fee calculated in accordance with paragraph 3 shall be reduced by one twelfth of the firm fee already paid by the predecessor recognised sole practitioner or recognised body in respect of each month between the date of authorisation of the licensed body and 31 October 2013.
- (b) Where a licensed body has succeeded to part of the practice of a recognised sole practitioner or recognised 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 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:

**Appellate body** means the body appointed as such in accordance with s 80(1) of the LSA for the purpose of hearing appeals from decisions of the SRA;

**Applicant body** means a licensable body which makes an application to the SRA for authorisation in accordance with the Authorisation Rules;

**Authorisation Rules** means the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011;

**Candidate** means a person who is assessed by the SRA for approval as an owner manager or compliance officer under Part 4 of the Authorisation Rules;

**Firm** means a licensed body;

**Notice of succession** means notice required under regulation 5.3 of the SRA Practising Regulations 2011 or Rule 8.3(f) of the Authorisation Rules;

**Licensed body** means a partnership, company or LLP for the time being licensed by the Solicitors Regulation Authority under Part 5 of the Legal Services Act 2007;

**Material interest** has the meaning given to it in the Authorisation Rules;

**Permitted separate business** has the meaning given to it in the SRA Code of Conduct;

**Regulated activity** means (i) any reserved activity; (ii) any other legal activity and (iii) any other activity in respect of which a licensed body is regulated pursuant to Part 5 of the LSA;

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

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

### **Commencement**

8. This determination shall come into force on 1 November 2012.

## ***Annex D - Licensed Body Fee Determination Appendix 1***

1. The initial payment of £2000 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 £9000.
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 £3000 and £5000 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	0.86%	£0	£100
B	£20,000 - £149,999	0.51%	£20,000	£272
C	£150,000 - £499,999	0.49%	£150,000	£935
D	£500,000 - £999,999	0.47%	£500,000	£2,650
E	£1,000,000 - £2,999,999	0.45%	£1,000,000	£5,000
F	£3,000,000 - £9,999,999	0.31%	£3,000,000	£14,000
G	£10,000,000 - £29,999,999	0.26%	£10,000,000	£35,700
H	£30,000,000 - £69,999,999	0.23%	£30,000,000	£87,700
I	£70,000,000 - £149,999,999	0.21%	£70,000,000	£179,700
J	£150,000,000 +	0.08%	£150,000,000	£347,700

\* % is equivalent to 'divided by 100' (e.g. 0.65% = 0.0065)

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

1. Identify which band the turnover (T) falls in from column A.
2. Subtract the figure in the corresponding column C from (T).
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>
---------------------------------

Example 1: For Turnover of £0:  
 $(£0 - £0) \times 0.86\% + £100 = £100$

Example 2: For Turnover of £200,000:  
 $(£200,000 - £150,000) \times 0.49\% + £935 = £1,180$

Example 3: For Turnover of £813,421:  
 $(£813,421 - £500,000) \times 0.47\% + £2,650 = £4,123$

Example 4: For Turnover of £279,123,528:  
 $(£279,123,528 - £150,000,000) \times 0.08\% + £347,700 = £450,999$

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

### **Appendix 3**

#### **Turnover Figure**

The following paragraphs describe how the estimated 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 estimated 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, recognised body, licensed 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 authorised during 2012 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.