



Approval of 2020 Practising Certificate Fee (PCF) application made by The Law Society (TLS) and Solicitors Regulation Authority (SRA) to the Legal Services Board (LSB) under section 51 of the Legal Services Act 2007 (the Act)

1. The LSB has approved an application made by TLS and the SRA to the LSB under section 51 of the Act. Section 51 of the Act relates to the control of PCF charged by approved regulators.
2. A PCF is a fee payable by a person under an approved regulator's regulatory arrangements, in circumstances where the payment of the fee is a condition which must be satisfied for that person to be authorised by the approved regulator to carry on one or more activities which are reserved legal activities. An approved regulator may only apply amounts raised by PCF for one or more of the permitted purposes which are set out in section 51(4) of the Act.
3. A PCF is payable under the regulatory arrangements of an approved regulator only if the LSB has approved the level of the fee required by section 51 of the Act. TLS is an approved regulator and the SRA is the regulatory arm to which TLS has delegated its regulatory functions.
4. In making an application, an approved regulator must comply with the provisions of the Practising Fee Rules 2016 (Rules)¹. The Rules² set out the criteria against which the LSB will assess PCF applications, as well as the evidence required for the LSB to be satisfied the criteria is met. The LSB's [Guidance to Approved Regulators on PCF applications](#) (Guidance) provides approved regulators with the detailed criteria and evidence it requires to consider such an application³.
5. This notice sets out the decision taken, including an assessment of the PCF application.

Overview of PCF application and decision

6. The joint PCF application of TLS and the SRA submitted to the LSB, provides that the fee determinations for the practising certificate to be charged to individuals will remain static at £278 for 2020/21, in line with the fee in 2018/19 and 2019/20. This is

¹ https://www.legalservicesboard.org.uk/Projects/statutory_decision_making/pdf/2016/20160601_Practising_Fee_Rules_2016.PDF

² Ibid, Rules 10 and 11.

³ https://www.legalservicesboard.org.uk/Projects/statutory_decision_making/pdf/2016/20160601_PCF_Rules_Guidance_June_2016.PDF

expected to result in a total of £40.5m being collected in 2020/21. This is a decrease of £0.5m being collected compared to the previous year.

7. It is expected that a total of £60.7m will be collected in 2020/21 from PCFs charged to firms (recognised sole practices⁴, recognised bodies⁵ and licensed bodies⁶). This is a decrease on the £61.5m collected in 2019/20. The basis upon which this fee is collected – The PCF for each firm being based upon a percentage of turnover within banded scales – remains unchanged.
8. The total PCF income for TLS group (including the SRA) is expected to be £101.2m in 2020/21, as compared to £102.5m in 2019/20.
9. The LSB's decision is to approve in full the levels of the 2020/21 fee determinations for practising certificates charged to individuals and to firms set out in the joint application of TLS and the SRA.
10. **Annex A** to this notice contains the 2020/21 fee determinations approved by the LSB.

LSB assessment

Development of the overall budget and application

Evidence that the regulatory arm has led the development of the application

11. There is clear evidence in the submission that the budgets and allocation of resources for the TLS and SRA have been independently formulated, as required by the LSB's Internal Governance Rules (IGR) which came into force last year.
12. Previously, the SRA budget required approval from TLS Council. The draft budget and net funding requirement for each entity are now approved by the SRA's Board. The TLS Board no longer recommends the Group budget to Council.
13. The creation of a new SRA legal entity is being finalised and there are transitional matters under consideration which affect the individual budgets for TLS and SRA. More specifically:
 - There is currently a review of the equitable treatment of commercial contracts between the two entities.
 - The process of decentralising shared service costs has already been finalised.
 - Group reserves will be split between the two entities. This will be vital for making a true assessment of the financial health of the individual entities going forward.

⁴ The practice of a sole solicitor or registered European lawyer recognised by the SRA under Section 9 of the Administration of Justice Act 1985

⁵ Legal services bodies recognised by the SRA under Section 9 of the Administration of Justice Act 1985

⁶ Alternative Business Structures licensed by a licensing authority under Part 5 of the Legal Services Act.12

- Within the application there is a statement of confirmation that the SRA has been given sufficient resources to carry out its functions, in compliance with the Act and the IGR.

14. Whilst the creation of separate independent companies has yet to be completed, it is evident that the formulation, presentation and approval of the budgets and net funding requirements has been made with full regulatory independence.

Clarity and transparency of overall budget setting

15. There is clarity in the application, with income and expenditure statements setting out the rationale for the net funding requirement for each entity. Allocation of costs to permitted purposes is explicit, and comparisons with the prior year are made and key variances explained.

16. Appendices to the application illustrate how the fees are applied in individual circumstances, for example prorating the annual fee, and with tiered fee levels to take account of business income (to reflect ability to pay). These are in line with the principles surrounding the fee structure agreed in 2010 when the approach to splitting the collection of fees between individuals and firms was established, with individuals bearing 40% of the total requirement, and firms 60%. The approach is kept under review and a revision to the structure of practising fees is to be consulted on in 2021.

17. The transparency of financial disclosures is further achieved by the provision of directorate expenditure, both for TLS and SRA, again with prior year comparative figures provided and explanations for changes.

Evidence that immediate and medium-term needs have been taken into account

18. The immediate needs have been provided for in the budget as they have been planned for as part of its three-year strategy which concludes this year.

19. There are considerable reserves to act as a buffer to meet short-term needs. In the longer term, the reserves of the SRA need to be replenished as a result of being separated out from the Group reserves, and a four-year programme of efficiency savings has been earmarked to achieve this.

20. Future applications should provide greater clarity around the medium-term strategy for each entity and demonstrate how the implementation of strategic aims translates into budgeted income, expenditure, and changes in reserves.

Contingency fund arrangements

21. In addition to publishing separate figures on the overall reserves for both TLS and SRA in future, the reserves figures for each entity should be further broken down to show the figures of uncommitted (free) reserves, and state the policy for keeping the levels of these reserves within certain parameters, such as a target number of months of operating expenditure.

22. There is specific mention of Covid-19 in the application as a key area of uncertainty, and a prudent approach to forecasting investment income has been applied

accordingly. There are also references to Brexit which demonstrate that its effects on the business have been considered.

23. Given the importance of both potential business disruptors, a broader impact statement addressing each would have been welcome, particularly in the case of SRA, where replenishment of reserves has yet to take place.

Consultation on PCF

Summary

24. TLS and the SRA published their consultation on the PCF on 8 June 2020. The consultation ran for 33 days until 10 July, an increase on the 28 days consultation period for the PCF in 2019.
25. The consultation received 224 responses, a substantive increase from the 85 received in 2019. TLS and the SRA have noted that the sample size is too small to be fully representative of the profession.
26. TLS and the SRA have confirmed that the consultation was publicised through media releases (Professional Update) and highlighted across social media (Law Society Twitter feed). It was also promoted in various newsletters issued by both bodies and in the Gazette.

Consultation responses

27. The majority of respondents to the consultation did not consider the PCF to represent value for money (67%). Some key themes from comments in response to this question included that PCFs are too high, especially for sole practitioners and for the self-employed and particular reference was made to the effects of the pandemic and the implications this has for firms' viability. Further, comments included that members are confused on what different organisations provide as part of the PCF funding and there were requests for more transparency about what each organisation does. Also, some respondents expressed that they are not fully aware of what TLS and SRA memberships bring, including that TLS and the SRA are not efficiently run.
28. The majority of respondents to the consultation (54%) do not consider the split of fees to be reasonable between TLS, the SRA and the levies from the LSB, the Office for Legal Complaints, the SDT and the Financial Conduct Authority.
29. A number of respondents felt that the PCF needs to be reduced to reflect the impact of Covid-19 on businesses and some others recommended that the PCF period could be extended over a longer period. Some consultees suggested that there could be a split in the PCF between a mandatory part that covers basic regulation and a voluntary part for all other activities.
30. Consultees also commented further on the cost of the PCF, the split between regulators, whether tiered fees could present an option for part time employees and

whether sole practitioners and those who pay their own PCF should be offered reduced fees.

31. TLS and the SRA have explained that a detailed analysis of all consultation responses was circulated to all TLS Council members before the decision was made on the total amount to be collected in fees.

Consideration of consultation responses

32. In last year's decision we explained that in future applications, we expected TLS and the SRA to consider a more detailed explanation of how consultation responses were considered and whether the feedback resulted in changes and if not, the reasons for their decision. We went on to explain that even if there were a low number of respondents we would expect TLS and the SRA to demonstrate that they have given proper consideration to any issues raised through consultation.
33. The application explained that TLS Council members were able to consider consultation responses as part of its decision on the total amount to be collected and that no changes were made as a result of the responses.
34. During our assessment of the application we asked for more insight into how the consultation responses were assessed. We were told that TLS Council noted that there were positive references to the flat fee and the fact the TLS part of the fees showed a reduction. However, due to the low response rate Council elected to maintain the proposed fee.
35. We pressed the applicants on this point as our feedback last year was clear that even if there were a low number of responses we would expect the application to demonstrate that proper consideration had been given to issues raised through consultation.
36. A further response from the applicants confirmed that consideration was given to some of the points raised through consultation. In particular both applicants were cognisant of the impact of the Covid-19 pandemic and TLS had made a blanket reduction to its proportion of the collection. The SRA had also considered, but ultimately concluded it was not possible to collect the PCF by way of instalments.
37. It is concerning that the application did not contain the more detailed explanation of how consultation responses were considered and we do not consider it appropriate to argue that a proposed fee does not need to be amended due to apparent low levels of response when the responses received raise substantive points – especially given that this year saw a significant increase in responses as compared to last year. On this point, the LSB is currently consulting on draft PCF rules and guidance and these new rules provide a greater focus on the importance of meaningful consultation on PCF fees, to include approved regulators demonstrating that they have engaged effectively with as many relevant authorised persons as reasonably practical about the programme of activity that the PCF will fund, the level of the fee and that they have taken the regulated community's views into account. Given the responses

provided to this consultation, it would appear that improvements in this regard would be welcomed by at least some of those who pay the PCF.

38. On the evidence of this application, it appears that there is significant scope for improvement in this area for future applications. In advance of future applications, we expect TLS and the SRA to publish a summary of consultation responses and to publish a decision document.

Consultation with non-commercial bodies

39. The Guidance⁷ sets out that consultation with non-commercial bodies (such as Law Centres Federations, Citizen's Advice) should be undertaken and then evidenced in PCF applications as a general rule. In the alternative the applicants can provide an explanation as to why their views have not been sought. In last year's decision it was set out that in future PCF applications, the LSB expects TLS and the SRA to consider specific outreach to non-commercial bodies to properly inform themselves of the impact of PCF on those who provide non-commercial legal services.
40. The application set out that TLS and SRA reached out to more than 700 non-commercial bodies who employ solicitors and thus are affected by the level that practising fees is determined. This happened through targeted communications and in preparation of publishing the consultation on the proposed level for the PCF.
41. We asked for further information on how the views of the non-commercial bodies were taken into account. In response the applicants were unable to confirm whether any non-commercial bodies had replied to the consultation but did state they would consider expanding the consultation questions next year to capture this information.
42. We welcome the outreach to non-commercial bodies but such outreach is of little value if their views cannot be sufficiently captured. For future years, we expect TLS and the SRA to expand the consultation questions to ensure they capture the views of non-commercial bodies.

Permitted purposes

Allocation to permitted purposes

43. The application explains that all SRA income from PCF is used to undertake permitted purposes covered within the scope of section 51(4)(a) of the Act.
44. The application provides a breakdown of the non-regulatory permitted purposes activities undertaken by TLS split by directorate, with an explanation of the activities of each directorate and how these activities fall within section 51 of the Act. The application also provides the percentage allocation of practising fee income to the permitted purposes activities.

⁷https://www.legalservicesboard.org.uk/Projects/statutory_decision_making/pdf/2016/20160601_PCF_Rules_Guidance_June_2016.PDF

45. TLS and the SRA have helpfully set out within the application the total allocation of PCF to permitted purposes across TLS Group. TLS has set out in its application that £130.6m is spent on permitted purposes and £2.8m is spent on non-permitted purposes. This means that in excess of 94% of TLS expenditure is on permitted purposes.

Other income allocated to permitted purposes

46. The application further explains that all income generated by TLS from permitted purpose activity is used to support permitted purpose expenditure and to alleviate cost pressures on the net funding requirement.

LSB targeted review

47. In our 2019/20 Business Plan⁸ we set out an intention to conduct a review of the PCF approval process, including a targeted review of the regulators' approach to non-regulatory permitted purposes as set out in section 51 of the Act.
48. Having engaged closely with approved regulators and their regulatory bodies, including TLS and the SRA, the LSB published a consultation on the new draft practising rules and guidance on 30 July 2020. We look forward to reeving TLS and the SRA's responses to the consultation.

Transparency of PCF information to fee paying members

Clarity of information provided

49. TLS and the SRA have a detailed communications plan surrounding fees. A significant amount of the plan is delivered prior to the date of the PCF application being submitted to the LSB.
50. Future planned communications include updating the SRA web material once the LSB decision is made and large-scale communications to firms ahead of the renewal period.
51. The relevant SRA web page is also linked to a "fees calculator" which should further assist members in having an estimate of the fees they may have to pay.
52. We welcome the level of communication and transparency of PCF information provided by TLS and the SRA to fee paying members.
53. We also welcome the initiatives that were developed as a response to the Covid-19 crisis. Among the efforts TLS Group made to provide assurance to its members, has been the constant contact with members to tackle their challenges and support them accordingly. Notably, it conducted surveys in more than 1,000 firms across the sector and developed various response teams that would handle members' queries.

⁸ https://www.legalservicesboard.org.uk/news_publications/publications/pdf/2019/Final_business_plan_2019-20.pdf

Regulatory and Equality Impact assessment

54. The application sets out that a full equality impact assessment was undertaken in 2010 and there have been no changes.
55. The LSB considers that while it might be the case that there have been no substantive changes in the approach of TLS and the SRA in setting the level of PCF, there has been significant change in the sector and the regulated community since 2010. This means that the impact of the approach may have shifted. This inevitably means that the impact of the approach is likely to have changed. As a result, the LSB expects any assessment of impact to be kept current.
56. The LSB notes TLS' commitment to ensure that equality, diversity and inclusion considerations will be at the heart of their review. A full equality impact assessment should be completed when making any proposals on an altered approach to PCF and this should then be kept up to date. Proposals on future requirements around equality impact assessments are addressed in the LSB consultation on the practising fee rules published on 30 July 2020.
57. The LSB also notes the amendment to fee determinations which the LSB approved by exemption on 2 August 2019⁹. The amendment ensures that a wider group of the regulated community are entitled to discounted PCF for those on leave equivalent to statutory maternity leave.

Decision

58. The LSB has approved the joint PCF application submitted by TLS and the SRA for 2020/21 under section 51 of the Act.

Summary of expectations for next application

- TLS and the SRA to ensure that future application provide greater clarity around the medium-term strategy for each entity (Paragraph 20).
- TLS and the SRA to publish a summary of responses and a decision document in relation to their yearly consultation on PCF (Paragraph 38).
- The yearly consultation on PCF should include questions that assist TLS and the SRA in capturing the views of non-commercial bodies (Paragraph 42).
- A full equality impact assessment should be undertaken and then kept up to date (Paragraphs 55 and 56).

Matthew Hill, Chief Executive
Acting under delegated authority granted by the Board of the Legal Services Board
11 August 2020

⁹ <https://www.legalservicesboard.org.uk/our-work/statutory-decision-making/alterations-to-regulatory-arrangements/attachment/ed-140-decision>

Annex – Practising Certificate Fee Determinations 2020

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)

Formula: (T - C) x B + D

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)

Formula: (T - C) x B + D

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.