

**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 2021/22**



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## Section I - Summary and overview

1. This application asks the Legal Services Board (LSB) to approve the Law Society (TLS) and Solicitors Regulation Authority's (SRA) application for practising fees for 2021/22.
2. The proposal for this practising fee year is for a reduction in the individual practising certificate fee cost from £278 to £266. The total amount to be collected has increased from £101.2m in 2020/21 to £104.3m in 2021/22. This fee is based on a reasonable estimate of 158,000 individuals paying a practising certificate fee. Not all fee payers will pay the full fee as some will be eligible for discounts and others will pay a pro-rated fee as they join the profession during the practising year.
3. Of the total amount to be collected £56.8m (55%) will be allocated to the regulatory body and £28.5m (27%) will be retained by the approved regulator, while the remaining £19.0m (18%) will be used to fund the work of the Legal Ombudsman, Legal Services Board, Solicitors Disciplinary Tribunal and the Office for Professional Body Anti-Money Laundering Supervision.
4. We follow the guiding principles for our fee policy and we have had a fee structure in place since 2010 which splits fees between individuals and regulated entities.
5. The following fees require approval:
  - individual regulatory fee
  - firm regulatory fee for recognised sole practices, recognised bodies and licensed bodies (based on turnover bandings).
6. The proposed fee structure is consistent with previous years, with 40% of the overall requirement to be collected from individuals on a flat fee basis and 60% collected from firms based on their turnover, declared as part of the 2020/21 renewal exercise.
7. The increasing size of the practising solicitor population makes it possible to reduce the individual fee while the overall amount to be collected is increasing.
8. The table below summarises the fee and the amount to be collected from the profession compared with 2020/21.

<b>Practising fees</b>	<b>2021/22</b>	<b>2020/21</b>
Individual practising certificate fee	£266	£278
Total to be collected from individuals	£41.7m	£40.5m
Total to be collected from firms	£62.6m	£60.7m

9. The activities of the SRA have recently transferred to Solicitors Regulation Authority Limited, a distinct legal entity within the Law Society Group.

10. Were the application to be rejected the independent regulatory body would initially look to address any issues in the application with a view to having it approved within the required timelines. In the absence of this we would utilise reserves and curtail activities in the short term until a revised application could be submitted and approved.
11. This application addresses the issues raised by the LSB in approving the 2020/21 application. It includes further information on the expanded and far-reaching consultations that have been undertaken to capture the views of a wider range of stakeholders, and it includes the results of an initial Equality Impact Assessment undertaken alongside the consultation activity.

## Section II - Allocation of practising fee to permitted purposes

### **Solicitors Regulation Authority**

#### **Permitted purpose 51(a) - The regulation, accreditation, education and training of applicable persons**

12. The activities of the SRA link to our Corporate Strategy Objectives. For 2020-23 our Corporate Strategy includes three objectives. More information on the Corporate Strategy is available on our website<sup>1</sup> along with more detailed explanation of the activities within each objective for 2021/22<sup>2</sup>.

**Objective one** – We will set and maintain high professional standards for solicitors and law firms as the public would expect and ensure we provide an equally high level of operational service.

**Objective two** – We will actively support the adoption of legal technology and other innovation that helps to meet the needs of the public, business community, regulated entities and the economy.

**Objective three** – We will continually build our understanding of emerging opportunities and challenges for the legal sector and our role in effectively regulating it.

During 2021/22 we expect to allocate the following proportions of the practising fee to these objectives.

<b>Strategic objective it is relevant to</b>	<b>% of total practising fee allocated to activity</b>	<b>Permitted purpose</b>
Objective 1	92% / £52.2m	The regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons.
Objective 2	4% / £2.3m	
Objective 3	4% / £2.3m	

13. As set out above, the bulk of the SRA's practising fee income (92%) funds its Objective One activity including our core operational activity connected to the Regulatory Arrangements set out in Section 21 of the Legal Services Act 2007, as we work to protect members of the public and support the rule of law and the administration of justice. We do this by overseeing all education and training requirements necessary to practise as a solicitor, licensing individuals and firms to practise, setting the standards of the profession and regulating and enforcing compliance against these standards.

14. In addition to the majority of our operational work, our forward Business Plan contains new projects and initiatives under Objective One. Board consideration of these workstreams and their decision making are informed by papers and supporting documentation which include assessments against the regulatory objectives. Our work

<sup>1</sup> [SRA | SRA corporate strategy 2020 to 2023 | Solicitors Regulation Authority](#)

<sup>2</sup> [SRA | Business Plan and budget 2021 - 2022 | Solicitors Regulation Authority](#)

under this objective also includes continuation of major programmes from previous years. This includes work to successfully implement and quality assure the Solicitors Qualifying Examination, continuing work to make sure that we have robust on-going competence requirements and implementing improvements from the SRA's recent assuring advocacy standards consultation. We introduced our Standards and Regulations in 2019 and we plan to finish our one-year evaluation of these changes and take forward any necessary actions.

15. We are also continuing our expanded AML work programme in accordance with the requirements of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS). We will continue work to understand developments around international recognition and lawyer transferability in light of the Trade and Cooperation Agreement. Our important equality, diversity and inclusion (EDI) work sits under Objective One - consistent with the regulatory objective to encourage an independent, strong, diverse and effective legal profession, as does our quality assurance work as one of the many tools that we deploy to help make sure that our decision making meets the principles of better regulation. Our work to develop our post Covid-19 working environment and on-going improvement of our digital offering also sits under Objective One.
16. Our Objective Two work covers the broad area of innovation and technology in the legal sector, which is also a key area of focus for the LSB. We think that innovation and technology is starting to play, and will continue to play, a major role in shaping how legal services are managed and provided by solicitors and firms. And how these services are accessed and experienced by different types of consumers and prices and service-levels compared. Our work in this area is thus increasingly important to inform the regulatory objectives of improving access to justice and promoting competition in the provision of legal services and protecting and promoting the consumer interest. Supporting the sector to understand, adapt and take advantage of the innovation and technology is also likely to be important to making that the legal profession remains strong and effective. Also, as the justice system becomes increasingly digital our work in this area is relevant to supporting the rule of law and effective administration of justice, as set out in the regulatory objectives.
17. Our Objective Three work is central to our ambition to be an evidence-based regulator, able to respond with agility to emerging opportunities and challenges for the legal sector in England and Wales. Decisions about specific initiatives will include an assessment against the regulatory objectives, including whether research is needed to better understand impacts of sector developments or potential work against the regulator. This year we are undertaking major research projects around attainment gaps in professional assessments and the over representation of people from Black, Asian and ethnic minority communities within our enforcement processes.

## **The Law Society**

18. The Law Society provides a wide range of services to members. The Practising Certificate (PC) fee supports those activities under a number of the permitted purposes as follows:

### **Permitted purpose 51a - The regulation, accreditation, education and training of applicable persons**

19. A very significant amount of our work is allocated against this permitted purpose. Examples include our work on diversity and inclusion, supporting members individually and at firm level and our activities relating to the regulatory environment, providing support, information and training across a range of issues such as ethics and professional standards and processes. Our work for specific communities of member is also allocated to this permitted purpose as we provide targeted services across the profession depending on their areas of legal specialism and to support them in their function and personal roles and backgrounds. We also fund a proportion of our international work under this purpose.

20. Alongside our significant range of publications from books to the Law Society Gazette, we also fund the Practice Advice Service and a large number of accreditations and deliver an extensive range of events and direct member facing educational and learning services.

### **Permitted Purpose 51c - Participation in law reform and the legislative process and Permitted purpose 51e - The promotion of the protection by law of human rights and fundamental freedoms**

21. The extensive work we lead across numerous legal policy areas is allocated to these two permitted purposes. Covering a wide range of issues including civil and criminal justice, conveyancing, employment and family law through to housing, immigration, human rights and mental health policy, we fund our research and influencing work to positively inform the legislative and law reform process. We also include a proportion of our international work under this purpose.

### **Permitted purpose 51d - The provision of applicable persons of legal services or reserved legal services, immigration advice or immigration services to the public free of charge**

22. We support external organisations under this permitted purpose, including LawWorks and lead important public legal education work.

### **Permitted purpose 51f - Promotion of relations between the approved regulator and national or international bodies, governments or the legal professions of other jurisdictions**

23. We carry out a wide range of international engagement reaching out to global level organisations and jurisdictions. Our public affairs programme is focused on making connections between different policy and regulatory bodies in England and in Wales and we work hard to ensure the voice and perspective of the profession and the importance of the rule of law is promoted here and abroad.

## Section III - Financial information

**Solicitors Regulation Authority**

24. The table below summarises the draft budget for the SRA for 2021/22 compared to the budget for 2020/21. All figures within the SRA budget include VAT where incurred as the SRA is unable to recover VAT on costs.

	<b>2021/22 Draft Budget (£000s)</b>	<b>2020/21 Budget (£000s)</b>	<b>Variance (£000s)</b>
<b>Income</b>			
Practising fees	56,800	54,800	2,000
Investment income	152	152	-
Regulatory fees	3,037	3,037	-
Recoveries	1,500	1,500	-
Compensation Fund	10,150	10,046	104
<b>Total income</b>	<b>71,639</b>	<b>69,535</b>	<b>2,104</b>
<b>Expenditure</b>			
Staff expenditure	36,592	35,715	877
IT costs	9,030	8,115	915
Intervention costs	6,665	6,665	-
External disciplinary and enforcement legal costs	3,619	3,619	-
Property costs and Group overheads	5,024	4,673	351
Projects	5,125	5,725	(600)
Other <sup>3</sup>	5,584	5,023	561
<b>Total expenditure</b>	<b>71,639</b>	<b>69,535</b>	<b>2,104</b>

25. Preparing the 2020/21 SRA budget takes the following into consideration:

- the SRA's Corporate Strategy 2020 to 2023
- the SRA's 2020/21 operational and financial position, including levels of activity, both in 2021 and a forecast for 2022

<sup>3</sup> Other costs include consultancy, Board and committee costs, external advisers, including adjudicators and examiners, research, engagement activity and staff travel.

- the SRA's assessment of current regulatory challenges and priorities and operational performance
  - the establishment of SRA as a distinct legal entity
26. The SRA published its three-year Corporate Strategy in March 2020. The draft budget has been prepared to deliver against the objectives outlined in the strategy. The business plan, which is supported by the budget, sets out the specific deliverables for year two of the three-year plan and was published for consultation in May 2021.
27. In addition to our core work to set and maintain the high professional standards that we and the public expect, the key areas of work in 2021/22 include those discussed in paragraphs 13-17.
28. During 2020/21 TLS and SRA finalised the process of establishing SRA as a distinct legal entity within the Law Society Group. A small number of group related costs are managed by TLS and recharged to SRA.
29. The SRA Board considered the SRA 2021/22 draft budget and approved it for consultation along with the business plan at its meeting on 27 April 2020. The Board then considered the responses to the consultation on 1 July 2021 and informed the Law Society Council of the funding requirement for the SRA. The Council approved the overall Law Society group funding requirement on 14 July 2021. The requirement for the SRA is approved solely by SRA Board and is then included within the overall requirement approved by Law Society Council.
30. The SRA 2021/22 budget for projects is set at £5.1m, reduced from previous years following the completion of a significant programme of work to modernise our IT. Project spend in future years will be focussed on continuous improvement of our systems and processes, maintaining an evergreen IT infrastructure and delivering improved efficiencies.
31. Spend on projects will be awarded and tracked on an individual project basis through the financial year with the senior management team responsible for the allocation of funds supported by individual business cases.
32. The largest proportion of income in the SRA comes from Practising fees (79%), with 14% from the Compensation Fund and 4% from other regulatory income with the remainder representing money due to us as a result of regulatory action. While the income from the Compensation Fund will inevitably fluctuate, it simply represents a recharge of costs to the fund and consequently will only reduce if costs reduce and vice versa. Reliance on the income from the Fund therefore poses no risk to the SRA while at the same time providing no profit.
33. Regulatory income predominantly relates to applications from regulated, or prospective regulated individuals and firms. This is a relatively stable income stream and there is a reasonably low level of risk attached to it. Additionally, a reduction in applications of these types would in part lead to a reduction in costs as the fees received represent the administration costs associated with the application, some of which are variable costs.

34. The following table summarises the budgeted position for 2020/21 compared to the expected outturn for the year. The actual position for the year will not be known until after the end of the financial year.

	<b>2020/21 Forecast Outturn (£000s)</b>	<b>2020/21 Budget (£000s)</b>	<b>Variance (£000s)</b>	<b>Variance (%)</b>
<b>Income</b>				
Practising fees	56,600	54,800	1,800	3%
Investment income	152	152	-	-
Regulatory fees	3,014	3,037	(23)	(1%)
Recoveries	1,500	1,500	-	-
Compensation Fund	9,329	10,046	(717)	(7%)
<b>Total income</b>	<b>71,639</b>	<b>69,535</b>	<b>1,060</b>	<b>2%</b>
<b>Expenditure</b>				
Staff expenditure	35,380	35,715	(335)	(1%)
IT costs	8,795	8,115	680	8%
Intervention costs	5,833	6,665	(832)	(12%)
External disciplinary and enforcement legal costs	3,623	3,619	4	0%
Property costs and Group overheads	4,834	4,673	161	3%
Projects	5,725	5,725	-	-
Other <sup>4</sup>	4,605	5,023	(418)	(8%)
<b>Total expenditure</b>	<b>68,795</b>	<b>69,535</b>	<b>(740)</b>	<b>(1%)</b>
<b>Total net surplus / (deficit)</b>	<b>1,800</b>	<b>0</b>	<b>1,800</b>	<b>N/a</b>

35. Overall, we expect the final position for the year to be favourable compared to the original budget, predominantly due to increased numbers of solicitors.

36. While total practising certificate fee income is in excess of budget, total expenditure is expected to be no higher than budget therefore there is no significant variation in total practising certificate fee spending, the additional income will form part of the opening reserves of SRA Limited.

<sup>4</sup> Other costs include consultancy, Board and committee costs, external advisers, including adjudicators and examiners, research, engagement activity and staff travel.

37. Due to the uncertainties surrounding the Covid-19 pandemic in 2020 the SRA Board allowed for a reduction in the number of practising certificate holders when setting the fees for 2020/21. In actuality we have not seen any reduction in the number of practising certificate holders, rather there has been an overall increase in numbers over the last 12 months<sup>5</sup>.
38. Income from the Compensation Fund is reduced due to lower levels of activity in relation to interventions, the cost of which is fully recovered from the Fund.
39. Practising certificate fees have been paid in respect of c.157,000 individuals and we expect over 158,000 in 2021/22.

### **The Law Society**

40. This table shows budgeted figures for the expenditure of TLS on permitted purposes, split by directorate, and the sources of income that fund it. Following the decision in 2020/21 to reduce the practising fee requirement by £3m the Society has again sought to maintain our element of the practising fee at £28.5m – a decision agreed by the TLS Board in April 2021. The figure shown for total practising fee income constitutes the net funding requirement (NFR) of TLS for permitted purposes. All figures within the TLS budget include VAT as appropriate.

#### **Total practising fee income and permitted expenditure**

<b>Budget Item</b>	<b>2021/22 Draft Budget (£000s)</b>	<b>2020/21 Budget (£000s)</b>	<b>Variance (£000s)</b>
Total practising fee income	28,490	28,490	0
Commercial Income (Permitted)	11,448	12,380	932
Investment income	847	847	0
Drawn from permitted reserves	(162)	904	1,066
<b>Total</b>	<b>40,623</b>	<b>42,617</b>	<b>1,994</b>
Directorate of the CEO	(3,563)	(3,751)	(189)
Strategic Insight & Influence	(7,243)	(8,694)	(1,451)
Member Experience	(9,825)	(13,097)	(3,272)
Corporate Strategy & Performance	(19,993)	(16,975)	3,018
<b>Total</b>	<b>(40,623)</b>	<b>(42,617)</b>	<b>(1,804)</b>

<sup>5</sup> [SRA | Regulated population statistics | Solicitors Regulation Authority](#)

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

#### Total non-permitted income and expenditure

Budget Item	2021/22 Draft Budget (£000s)	2020/21 Budget (£000s)	Variance (£000s)
Commercial Income (Non-Permitted)	1,728	1,745	17
Investment income	99	99	0
Drawn from non-permitted reserves	2,235	967	(1,268)
<b>Total</b>	<b>4,063</b>	<b>2,811</b>	<b>(1,251)</b>
Directorate of the CEO	(452)	(313)	139
Strategic Insight & Influence	(200)	(184)	17
Member Experience	(1,682)	(1,275)	407
Corporate Strategy & Performance	(1,729)	(1,039)	689
<b>Total</b>	<b>(4,063)</b>	<b>(2,811)</b>	<b>1,251</b>

#### Expenditure allocation against permitted purposes

42. In calculating this year's NFR The Law Society has continued with the methodology whereby expenditure is split into permitted and non-permitted categories using activity-based analysis codes. The NFR calculation exercise was signed off by the TLS Board, following review by its Finance & Investment Committee, in April 2021.
43. TLS budget includes costs which will be spent on projects which for 2021/22 is set at £4.1m (2020/21 £4.1m) and represents the amounts to be collected via the practising fee. Investment in projects contributes to both permitted and non-permitted activity within TLS and as such the planned expenditure is allocated on a proportionate basis across permitted and non-permitted activity. The table on page 14 shows how the proposed fee for TLS, SRA & the levies is allocated to permitted purposes activities.

44. The permitted purposes are<sup>6</sup> –

- a. the regulation, accreditation, education and training of applicable persons and those wishing to become such persons, including –
  - i. the maintaining and raising of their professional standards; and
  - ii. the giving of practical support, and advice about practice management, in relation to practices carried on by such persons;
- b. the payment of a levy imposed on the approved regulator under section 173 of the Act and/or the payment of a financial penalty imposed on the approved regulator under section 37 of the Act;
- c. the participation by the approved regulator in law reform and the legislative process;
- d. the provision by applicable persons, and those wishing to become such persons, of legal services including reserved legal services, immigration advice or immigration services to the public free of charge;
- e. the promotion and protection by law of human rights and fundamental freedoms;
- f. the promotion of relations between the approved regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions;
- g. increasing public understanding of the citizen's legal rights and duties; and
- h. preventing any person, who is not a relevant authorised person and/or does not hold a current relevant practising certificate, purporting to be such a person or to hold such a certificate.

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<sup>6</sup> [PCF Finale Rules 2021 \(legalservicesboard.org.uk\)](https://legalservicesboard.org.uk)

## Sensitivity: General

Functional area	Permitted Purposes Gross Cost (£m)	Permitted purpose						Permitted Purposes Total (%)	Not in scope of permitted purposes
		(a)	(b)	(c)	(d)	(e)	(f)		
<b>Levies</b>									
Legal Services Board	3.41		100%					100%	
Legal Ombudsman	11.80		100%					100%	
Solicitors Disciplinary Tribunal	3.15	100%						100%	
Office for Professional Body Anti-Money Laundering Supervision	0.65		100%					100%	
<b>SRA</b>									
All activities	71.64	100%						100%	
<b>TLS</b>									
Directorate of the CEO	4.01	57%		12%		10%	10%	89%	11%
Strategic Insight & Influence	7.44	39%		18%		17%	23%	97%	3%
Member Experience	11.51	70%		2%	2%	1%	8%	83%	17%
Corporate Strategy & Performance	21.72	71%		7%		5%	9%	92%	8%
<b>Total gross expenditure</b>	<b>135.33</b>								

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

45. In 2016/17, TLS Council approved a major programme of investment in IT; the approved programme for TLS being £26.1m. Subsequent to this, during 2017/18 TLS Council approved additional project funding from Group reserves for the refurbishment of its headquarters in Chancery Lane. Against the original allocation of funding TLS anticipates that expenditure to the end of 2020/21 will total £36m although the impact of the pandemic has resulted in delays to some projects.
46. TLS Council also approved a further investment, from reserves, of some £4m to complete the transformation program across the Society during 2021/22. These projects form part of the TLS 5-year plan to modernise the organisation which went to Council in September 2018 with the final elements still expected to be delivered by 2021/22.
47. In February 2020 a significant fire caused damage to the Chancery Lane headquarters (114 Chancery Lane) and will also require significant investment over and above 'reinstatement' if the Society is to realise the potential to generate an investment return from the building in the longer term. The budget proposals for 2021/22 take no account of this potential investment.
48. TLS Board is provided with regular updates on the programme of works, actual spend, and total forecast spend.
49. Spend on projects other than IT Transformation (funded by the £1.0m other projects budget) will be awarded and tracked on a project by project basis through the financial year with the leadership team responsible for the allocation of funds supported by individual business cases.
50. Following the dissolution of the shared services functions of the group over the recent years the financial plans for 2021/22 contain a small element of 'recharged' costs to the SRA where TLS provides services to them otherwise there are no longer any group related services.

### **TLS delivery**

51. The activities of TLS are allocated across permitted purposes, non-permitted and support the business using detailed analysis codes to cost the associated activities. Support the business relates to activities that are not directly attributable to permitted or non-permitted activities, such as those undertaken by our finance function. As support the Business contributes to both permitted and non-permitted activity within TLS the planned expenditure is allocated out on a proportionate basis across these.
52. Where an activity relates to both permitted and non-permitted purposes the activity is allocated to either permitted or non-permitted purposes based on the main activity being undertaken. For example where an event which falls within a permitted purpose, can be attended by both solicitors and non-solicitors, if the event's main activity is for the benefit of solicitors then the analysis code used for that event will be allocated to permitted purposes.
53. TLS delivers its permitted purpose activity through the directorate structure as set out in this application. The table on page 14 splits out the directorates into further detail along with the percentage allocation of the permitted costs against the permitted purposes as set out in section 51 of the Legal Services Act 2007.

54. TLS generates commercial income from both non-permitted and some of its permitted purposes work. Examples of permitted activities which generate commercial income are the accreditation schemes which the Society runs, and training delivered via Law Society Learning. TLS utilises the commercial income generated from permitted purposes activity to help fund this area of the business rather than seek additional funding from the membership.
55. There are risks associated to commercial income as it is affected by the wider economy. In last year's application TLS budgeted £14m of commercial income, in the current forecast this has reduced to £11.1m. Due to the pandemic there has been a significant reduction in events, advertising, learning and development and partnerships income as pressures on other organisations reduced their spending capacity. TLS has responded to this by reviewing its commercial offerings, making use of new technologies where possible and undertaken cost cutting measures. However, any significant economic events could again affect the commercial income that could be achieved. Even if its commercial income was to be impacted again, TLS has sufficient reserves to ensure its financial resilience.
56. The external commercial environment remains challenging and the current financial year has been impacted quite significantly as a result of the Covid-19 global pandemic. The TLS Commercial Strategy was presented to Board and set out a framework to deliver and improve revenue generated by TLS commercial activities. This has resulted in an expected 2022 NFR target of £13.8m across both permitted and non-permitted categories.
57. The Society drives forward its work across six strategic themes that represent the difference we want to make for our members, the profession and in the public interest.
58. These themes have been chosen following our assessment of the legal services market, the political, economic and social environment facing the profession and feedback from members. The strategic themes are to:
  - Promote a modern, diverse and inclusive profession
  - Uphold the rule of law
  - Influence regulation and money laundering rules and support the profession to comply
  - Promote access to justice
  - Support the economic value and viability of members' businesses
  - Support the international practice of law
59. The way we deliver on these themes is to represent and connect members to each other; provide resources and support across their areas of practice, businesses and organisations; support their professional development; help them navigate the future and champion the profession and the difference it makes. By focusing the following activities around our six strategic themes, we believe our work will have more impact, be more efficient and effective.
60. The following table summarises the budgeted position for 2020/21 compared to the expected outturn for the year. The actual position for the year will not be known until after the end of the financial year;

	2020/21 Forecast Outturn (£000s)	2020/21 Budget (£000s)	Variance (£000s)	Variance (%)
<b>Income</b>				
Practising fees	30,475	28,486	(1,989)	(7%)
Member Experience & Services	2,084	2,633	549	21%
Corporate & Partnerships	3,763	3,862	99	3%
Corporate Sales	5,002	5,650	648	11%
Other income	355	374	19	5%
<b>Total income</b>	<b>41,679</b>	<b>41,005</b>	<b>(674)</b>	<b>(2%)</b>
<b>Expenditure</b>				
Staff expenditure	23,405	23,047	(358)	(2%)
Administration costs	440	790	351	44%
Board, Committee & Council	976	1,165	189	16%
Computing Charges	4,731	4,294	(436)	(10%)
Office equipment & expenses	2,170	1,949	(220)	(11%)
Consultants & professional fees	3,128	2,281	(847)	(37%)
Property costs and Group overheads	3,578	3,054	(524)	(17%)
Projects	9,436	8,461	(975)	(12%)
Other	1,918	2,736	818	30%
<b>Total expenditure</b>	<b>49,782</b>	<b>47,778</b>	<b>(2,004)</b>	<b>(4%)</b>
<b>Total net surplus / (deficit)</b>	<b>(8,103)</b>	<b>(6,773)</b>	<b>1,330</b>	<b>(20%)</b>

## Section IV - Reserves

61. The SRA and TLS are expected to operate within approved budgets, reprioritising if necessary should unexpected needs arise in the year.
62. The Law Society Group audited financial statements for the year ended 31 October 2020 show net assets of £54.5m. It is proposed that a draw of £2.24m from non-permitted reserves will be necessary to fund our activities in 2021/22. The SRA does not anticipate a requirement from reserves to support core activities in 2021/22.

### Solicitors Regulation Authority Reserves

63. The activities of the SRA transferred to SRA Limited on 1 June 2021, as previously mentioned the reserves of Solicitors Regulation Authority Limited will be confirmed as part of the finalisation of this new arrangement. At the time of writing the uncommitted reserves are expected to be around £12.6m. This would allow the organisation to operate for approximately three months. These reserves will be managed solely by the SRA, separate from the reserves of the wider Law Society Group.
64. The target level of reserves for SRA has not yet been formally agreed, but early discussions indicate this is likely to be in the region of £18m. In the case of SRA these will be almost entirely practising fee reserves built up over time. Over time there may be an element of reserves retained in relation to the operation of the Solicitors Qualifying Examination (SQE) as any profit arising from supplies of education or training is used solely for the continuation or improvement of such supplies. The expectation is that we will bring forward longer term plans to address this as part of the 2022/23 practising fee application.

### TLS Reserves

65. As noted above the creation of Solicitors Regulation Authority Limited has seen a formal process to agree a transfer of reserves from The Law Society group into the direct control of SRA. The finalisation of the balance sheet and the reserves transfer will be concluded during late summer 2021 and as such the final value of transfers cannot be established until that process has been completed – including an independent audit. At the time of preparing the application TLS estimates that its overall holdings (after the transfer to SRA) will be:

	£m
Fixed Assets (committed)	13.5
Non-permitted reserves	14.5
Non-committed reserves	19.1
<b>Total TLS reserves</b>	<b>47.1</b>

66. During the latter part of the current financial year TLS Board will consider a formal policy regarding the holding and use of reserves however that work cannot be completed in the timeframe for this practising fee application given a number of unknown factors referred to within this application.

67. This practising fee application has been prepared based on the level of funding required to operate throughout the 2021/22 practising year and makes no provision to increase overall reserves.

## Section V - Consultation and engagement on Practising Certificate Fee

### **Solicitors Regulation Authority**

68. To give the profession and the public the best possible information on our forward work, our proposed budget, our element of the Practising Certificate Fee and the Compensation Fund Contributions, while minimising the burden imposed by multiple consultations, we consulted as a whole on these areas. Our consultation was launched on 6 May and ran until 25 June, just over seven weeks. This is a longer period of consultation than previous years.
69. We liaised with the Law Society on the consultations. We highlighted to consultees that they were running a consultation on their element of the Practising Certificate Fee to consultees.

### **Our approach to engagement**

70. We took a multi-channel approach to engagement using traditional media, digital channels, such as webinars, social media and e-newsletters and direct engagement with a wide range of stakeholders through workshops and focus groups.
71. Our aim was to raise awareness of the consultation, encourage formal written responses, while also gathering feedback through direct engagement and on specific points through social media.

### **Promotion and level of engagement with our consultation**

72. We promoted the consultation through:
- featuring it as the lead story in our monthly e-newsletter - SRA Update - which goes out to around 200,000 solicitors, and the dedicated Compliance News, which goes to Compliance Officers at all law firms
  - gaining coverage for the consultation in a range of legal media, including the Law Gazette, Legal Futures, Solicitors Journal and The Times. Our press release has been viewed almost 500 times
  - promoting on Twitter and LinkedIn - including through polls - which have resulted in around 7,700 engagements, while our Youtube content, including an interactive webinar, has resulted in around 400 views
  - promoting at a range of external virtual events
73. This means in total we engaged with around 8,300 people through our engagement programme.

### **Direct conversations**

74. We spoke directly to a diverse range of solicitors in representative groups including:
- Sole Practitioners Group
  - Devon and Somerset Law Society
  - City of London Law Society
  - Women in the Law
  - Association of Asian Women Lawyers
  - Hindu Lawyers Association

- InterLaw Diversity Forum
  - Lesbian and Gay Lawyers Association
  - Lawyers with Disabilities Division
  - Association of Disabled Lawyers
75. We have also engaged with charities and consumer representative bodies, such as Age UK, Diverse Cymru, Refugee Action, Support through Court and the East European Resources Centre.
76. We held a roundtable with diversity groups in the profession, led by our Chair. This involved 15 organisations with attendees including the Black Solicitors Network, Society of Asian Lawyers, Association of Disabled Lawyers, LGBTQ+ lawyers and Association of Women Solicitors.
77. And we have spoken to members of the public about our priorities - and their experiences of legal services - through four focus groups. This has included sessions with people from different backgrounds, including people who are neurodiverse, have a learning disability or are carers, as well as people from different parts of England and Wales.

### **Non-commercial bodies**

78. We also sought the views of non-commercial bodies. Specifically, we:
- sent a targeted email to solicitors working in non-commercial bodies about the consultation and highlighting the proposed practising certificate fee
  - met with non-commercial bodies including law centres such as North Kensington, Wiltshire and Cardiff Speakeasy
  - ran workshops on our proposals for Lawyers in Local Government, and in-house solicitors, which included both solicitors working in commercial and non-commercial bodies

### **Formal written responses**

- In addition to all the feedback we received on our consultation through events, focus groups and online engagement, we received 11 formal responses, including from legal representative bodies, solicitors and legal firms and a member of the public.

### **Summary of consultation responses - budget and practising certificate fee**

- Most feedback we received through our consultation and engagement was on the detail of our business plan, with the feedback generally positive. We will publish a full summary of the feedback and the responses on our website.
- We did receive feedback on our intended allocation for our budget across each of the three strategic objective areas, as well as the level of our allocation of the practising certificate fee.
- Generally there were few specific concerns raised, and our efforts to keep fees down and to reduce them where possible was supported. In the formal written responses, one solicitor agreed that the proposed fee is proportionate and reasonable in their formal response, while another felt it remains too high, and a local law society welcomed the decision not to increase the fee.
- One representative group for smaller firms said they were comfortable with the proposals but encouraged us to do as much as we can to find efficiencies to bring it down further.
- The Law Society suggested an increase level of resource should be allocated to our 'technology and innovation' objective, while a solicitor responding felt that we should

not be prioritising work on technology and innovation. The Law Society also confirmed that it would report back to us regarding the views of its members on the overall cost of the practising certificate fee.

- A law centre in Wales told us that a reduction or exemption for fees for those who work in the voluntary or charitable sector might have a positive impact in terms of supporting access to justice and encouraging solicitors to work in areas such as social welfare.
- A member of the public - in a formal response - felt that our budget and the fees should be raised in order to help make sure solicitors are effectively regulated and consumers properly protected.
- During our consumer focus groups there was general support for our strategic priorities, particular a strong focus on consumer protection and ensuring high professional standards. Some participants expressed interest in knowing how we are funded. Although we do work to communicate this, we will consider whether there are other opportunities to communicate this information to the public during 2021-22.

### **Summary of how we have taken responses into account**

- The generally supportive responses to the consultation do not indicate that fundamental change is needed to the Business Plan or the budget as consulted on.
- There are certain areas where we plan to amend the emphasis and/or add detail because of new ideas and the feedback received. For instance, this could include exploring:
  - establishing an Innovation and Technology Forum rather than pursue the Innovation and Technology Specialist Panel
  - drawing on the Standards and Regulations (STARs) year one evaluation results to consider more targeted support materials for different segments of legal services providers
  - considering options for broader collaboration on our new horizon scanning activity.
- No changes are proposed to the budget that was set out in the consultation. This included income of £56.8m from practising fees, an increase of £2m from the 2020/21 budget, but broadly in line with the amount we expect to collect this year due to increased numbers of practising certificate holders.
- In response to feedback, we will continue to seek to work as efficiently and effectively as possible. We are also currently carrying out a review of our regulatory fees, including the structure of how we charge for the practising fee. We anticipate reporting back to our Board on this later this year.

## The Law Society

### Our approach to engagement

79. This is the first year that the Law Society has conducted its consultation separately from the SRA. We have used the opportunity to take a different approach to consultation in order to ensure we have meaningful conversations with our members and reach groups who may not traditionally engage as much as with the Law Society.
80. We have taken a mixed methods approach to our data collection: qualitative focus groups conducted independently of the Law Society with targeted segments and a survey available to all our members delivered by the Law Society's Futures and Insight team with qualitative and quantitative elements.
81. The Law Society undertook a data analysis of the demographic makeup of its committee members and identified groups that are less well represented in our current governance structures. In combination with feedback from staff about which groups tend to input into Law Society work, we identified groups whose voices we needed to amplify through our consultation. These included the largest 200 firms, in-house practitioners, practitioners in Wales, junior lawyers, B2B firms and non-commercial organisations.
82. We invested in hiring external researchers to conduct 17 x 90-minute online focus groups with these practitioners, and to analyse the results and present their findings independently of the Law Society. These sessions took place over three weeks from 13 May to 1 June 2021.
83. Our survey was then launched at midday on 24 May and was open for three weeks until 9am 14 June.
84. The PC fee spend and proposed programme of activities that we consulted on was itself borne out of extensive consultation with Law Society staff, members and Council members where our proposed themes and six pillars of work for 2021/22 were developed. During the consultation period we also hosted a virtual event with 39 local law societies across England and Wales. We learned more about where they needed the Law Society to invest its spend from the PC fee over the next year.

### Level of engagement

85. This year saw our biggest and most successful consultation on the PC fee to date with 1,007 members taking part in total. This is over four times the amount engaged last year and over ten times the amount engaged the previous year. The total comprised 927 members responding to our consultation survey and 80 members taking part in our independently-led focus groups across 17 sessions.
86. We used the following channels to promote the survey:
  - **Press** – We circulated a press release to relevant media and secured a Gazette article.
  - **Social media** – We promoted video content and graphics across Twitter and LinkedIn, including specialist LinkedIn groups. We shared different messages and content each week, rather than repeating the same copy.

- **Email newsletters** – We included videos and graphics and tailored messaging in all newsletters shared across the period to general membership and segments of our membership.
- **Networks** – We encouraged Law Society office holders, staff, committee and Council members to engage their networks, providing them with the resources to do so.
- **Connect** – We posted about the survey on our Law Society Connect forum.
- **Events** – Our marketing team included reference to the consultation in all housekeeping scripts for Law Society events across the period.
- **Partners** – We reached out to external partners asking them to share the details with their specialist networks.

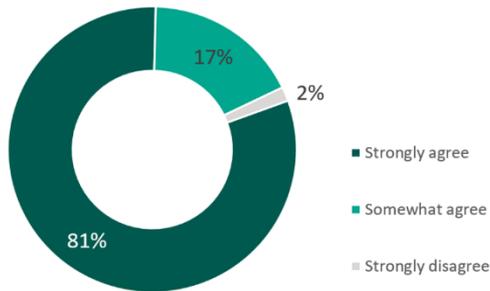
87. It was evident within the first 24 hours of launching our consultation survey that our new approach was working significantly better compared to last year's.

Year	Number of responses	Point at which the year's total was exceeded by 2021 survey responses
2018	60	Four hours after the survey was launched in May 2021
2019	85	24 hours after the survey was launched in May 2021
2020	224	48 hours after the survey was launched in May 2021
2021	927	Achieved in three weeks from 24 May – 14 July

88. To help improve our understanding of how needs differ and to ensure we are reaching a representative sample, we collected 14 types of characteristic information about the individual and their organisation from both focus group participants and survey respondents for the first time ever: Age group, Organisation type, Role, Sector, Turnover, Years since admission, Disability, Ethnicity, Region, Work hours, Socio economic background, Gender compared to sex assigned at birth, Sex, Sexual orientation.
89. We have seen high disclosure rates (between 87% and 94%) giving us rich data to work with and many ways to segment our analysis by along with the reassurance that we reached who we intended to reach.
90. We are confident that those who responded to our consultation survey are broadly representative of the population. Where there was over-representation, we do not think this is problematic as it is amongst groups we know are less likely to disclose and therefore are likely to be a bigger population that we realise. This includes disabled (12% sample vs 1% population), LGBT+ (10% sample vs 3% population) and Black, Asian or Minority Ethnic (25% sample vs 18% population) lawyers. Whilst women are over-represented at 63%, we know that two thirds of new trainees are women. In-house lawyers are also over-represented but represent a growing segment of the profession (27% sample vs 23% population). We recognise the slight under-representation of young lawyers, and that is why we established focus groups specifically for junior lawyers and under 35s because we know they have traditionally been less engaged with the Law Society and we want to change that.

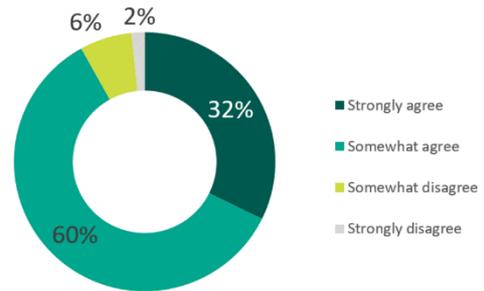
91. As well as understanding how many people and who we engaged, we also sought to understand the quality of the engagement by asking focus group participants to complete some evaluative questions at the end of the session in addition to their characteristic information. Results showed members welcomed the opportunity to take part and felt the sessions were well executed.

To what extent do you agree that:  
The session gave me the opportunity to provide informed feedback



Base = 63

To what extent do you agree that:  
I am confident the feedback I provided will be used to shape the Law Society's plans for 2021/2022



Base = 62

*"It's good to see that the Law Society is taking the time and effort and resource to engage with the industry in this way and that's not, I'm not trying to suggest by that that I think the Law Society has to date somehow been deficient, it's just I think it kind of working with a firm like yours it shows that they are concerned to get it right which I think is in itself encouraging to see as a member of the legal profession."*

*"This was the first occasion when I was asked to participate in a Law Society focus group discussion. It was a privilege to be invited and participate. I am glad that the Law Society values its members and seeks their input. I would also like to say that my co-participants were thoughtful and raised many interesting points. In all, a thoroughly worthwhile exercise."*

*"I think that the Law Society is to be commended for consulting the profession about its activities and facilitating an honest and open discussion."*

*"It was a very informative session and it would be great if similar summary information could be provided to the wider profession as a summary of activity."*

*"We never get this kind of detail...it was very informative and helpful to have that kind of information all in one place."*

*"It was a good session where we were given the opportunity to really contribute and give our ideas."*

### Non-commercial bodies

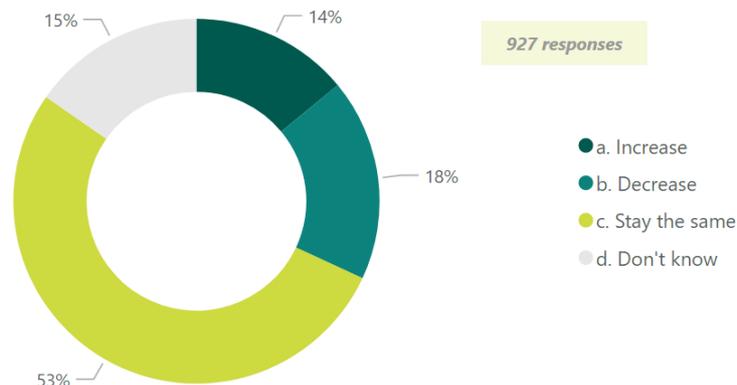
92. We reached out to specialist networks as part of our communications strategy. Our colleagues at the Access to Justice Foundation encouraged their network to get involved on our behalf. The Law Centres Network sent invitations to Law Centres managers on our behalf. LawWorks Clinics Network were approached on our behalf. Network For Justice publicised the invitation on their website and encouraged attendants of the Legal and Advice Sector Roundtable meetings to input through the focus groups too.

93. Our demographic information shows that 17% of respondents worked for a non-commercial body against an estimate of 19% of the PC holder population – a slight under-representation. We also gained rich qualitative feedback from our focus group participants which included members from both the public and NGO sectors which we have never had in previous years.

### Summary of consultation responses

94. The majority (68%) of respondents said their firm or organisation pay the PC fee on their behalf. 26% of respondents pay for their own certificate and the rest (6%) either did not know who paid or is was not applicable to them. 60% of our PC fee collection comes from firms and organisations rather than individuals.
95. As the chart below shows most members (53%) felt we should keep the amount of money The Law Society receives from the PC fee **the same at £28.5 million**.

"I think the amount the Law Society receives should..."



96. Of those members who thought the PC Fee should **stay the same**, the following percentages gave these reasonings:
- The current economy/the impact of COVID-19 is still too unstable to allow change (29%)
  - The current amount seems right (17%)
  - No clear benefits from an increase can be seen (12%)
  - The current amount is/ should be enough for Law Society activities (11%)
  - This amount will allow the Law Society to continue its work (10%)
97. The main reasons given for the amount **decreasing** were:
- Members get a limited service from the Law Society for the fees paid (19%)
  - The Law Society fails to stand up for members/the profession (12%)
  - Economic uncertainty/the impact of COVID-19 reduced members' ability to pay (12%)
  - Law Society should streamline and increase efficiencies (12%)
  - Payment of the PC fee should be means tested or tiered (12%)

98. The main reasons given by those answering 'don't know' were:
- They did not know enough about the Law Society's financial situation to judge (43%)
  - They did not know what the Law Society spends its money on/or what the Society does (35%)
99. The main reasons given for the amount **increasing** were:
- To further support the members and profession as a whole (25%)
  - The Law Society should receive a higher cut of the PC fee (17%)
100. The qualitative research revealed the same range of views as to whether the amount should stay the same, increase or decrease, and the reasons given covered the same themes. Many respondents were surprised that the Law Society received a relatively small proportion of the PC fee and that it was distributed across several organisations.
101. We also asked members about our business plan which includes our six 'pillars' of activity and the amount of spend allocated to each area. In terms of the balance of funding from the PC fee, respondents felt that two areas should stay the same:
- Providing resources and support (60% stay the same, net +14% increase)
  - Representing and promoting interests (54% stay the same, net +8% increase)
102. Two areas received a strong mandate for increased funding:
- Championing the profession (43% stay the same, net +29% increase)
  - Professional development (51% stay the same, net +17% increase)
103. Two areas were more polarised, and overall, there was a recommendation for a net decrease rather than an increase:
- Connect and engage communities (42% stay the same, net 9% decrease)
  - Navigating the future (51% stay the same, net +6% decrease)
104. Overall we are confident that most of our members support the PC Fee level remaining unchanged and that they endorse our plans. Therefore, we request that LSB's decision on the allocation of the PC fee reflect this.

### **Summary of how we have taken responses into account**

105. Through both focus groups and the survey, we identified that there is a gap in awareness of the PC fee: how much is collected at a firm level, who receives funding from the PC fee and how those organisations spend the money. There may be an education piece we want to consider in partnership across the year to help improve transparency and trust in all our organisations.
106. As we set our budget, we are taking these findings into account. We will repeat our spending allocation exercise against our six pillars in a year's time and will be able to demonstrate that we have increased funding to Championing the profession. Where Connect and engage communities and Navigating the future is concerned we will target our activities more to the segments it matters most to and decrease the funding to activities targeted at the groups who told us they wanted to see a decrease.

107. We will focus on segmentation – using the insight gained through the consultation process and other member engagement work to target our work more to different types of members so that we are not delivering activities to groups who do not prioritise it or who get more appropriate support elsewhere. Our statistical significance testing of the consultation data gives us a steer on who these groups are whilst the focus groups give us the detail on what matters to each of those groups. We will continue to undertake research to better understand these needs, particularly with our in-house community.
108. We will share the independent researchers' findings, conclusions and recommendations with the public and include our response to it in late summer to improve trust and transparency. We welcome members holding us to account on our commitments for the next year. We aim to demonstrate in a year's time how we listened and adapted our 21/22 plans along with the evidence of how we delivered on those plans. We are committed to continuous improvement.

## Section VI - Impact assessments

We developed and consulted on an initial Equality Impact Assessment using the LSB template. To do this we drew on an historic analysis of our data for firms and the fees they pay and how these relate to the protected characteristics. We have not identified adverse impacts, linked to the level of the practising certificate fee. Further information on this assessment is included as

109. Annex A: Equality Impact Assessment Template.
110. As part of our consultation on the SRA business plan and budget we asked for responses to help build our understanding on the impacts on different groups of solicitors. As part of this feedback we received nothing to suggest that our analysis was incorrect or to suggest that the fees would have disproportionate impacts on those with protected characteristics. This is discussed in more depth in the EIA evaluation.
111. Following the Law Society consultation an analysis of the feedback was undertaken with consideration of the protected characteristics.
112. Where we asked for people's opinions on whether the allocation of funding from the practising certificate fee to the Law Society should stay the same, increase or decrease we found:

**Protected characteristics**

**Ethnicity:** High significance

- Main driver – higher than expected proportion of **white** respondents favoured no change or decrease

**Gender:** High significance

- Main driver – higher than expected proportion of **men** favoured no change or decrease

113. In responses to the two free text questions that our survey asked, we did not see any evidence of any group concerned about the effect the proposals on the practising fee would have on a protected characteristic group.
114. There were no statistically significant relationships between any of the other protected characteristics we asked about and a preference for levels of funding.
115. Therefore, there is no evidence from the Law Society's consultation that the EIA already conducted should now reach a different conclusion.

## Section VII - Transparency of Practising Certificate Fee information to relevant authorised persons

116. The table below summarises the total practising fee requirement for the Law Society Group compared to the requirement for 2020/21. The total requirement has increased by £3.1m as a result of an increase in the requirements for the SRA and Legal Ombudsman.

	<b>2021/22 £m</b>	<b>2020/21 £m</b>	<b>Variance £m</b>
Solicitors Regulation Authority	£56.8	£54.8	£2.0
The Law Society	£28.5	£28.5	-
Legal Ombudsman	£11.8	£10.6	£1.2
Legal Services Board	£3.4	£3.3	£0.1
Solicitors Disciplinary Tribunal	£3.1	£3.2	(£0.1)
Office for Professional Body Anti-Money Laundering Supervision	£0.7	£0.8	(£0.1)
<b>Total</b>	<b>£104.3</b>	<b>£101.2</b>	<b>£3.1</b>

117. The total practising fee requirement is £104.3m. As discussed in paragraph 6 above the practising fee requirement is split between individuals and firms, 40% and 60% respectively. The individual fee is a flat fee and the firm fee is based on turnover.

118. The SRA website<sup>7</sup> has a dedicated page that provides a description of what the fee income pays for and allows fee payers to see how their contributions are spent. The website also details key SRA activities to show how fees fund its activities.

119. This section of the website is updated to include details of the exact fees shared between the various bodies once decisions have been taken on budgetary requirements. Fee payers are continually invited to feed back to the SRA with any comments on this information.

120. In addition, transparency is enhanced through the detail provided in the annual fee consultation referred to from paragraph 68 above.

121. This webpage is publicised by being linked to the 'fees calculator', which gives firms a rough estimation of the fees they might have to pay before budget requirements are agreed. The calculator is promoted through the direct to profession bulletins cited at paragraph 72.

<sup>7</sup> [SRA | Fee policy 2020/2021 | Solicitors Regulation Authority](#)

## Section VIII - Checklist – Enclosures

**Income and expenditure forecasts**, including practising fee income, for three years from and including the year for which the practising fee is to be levied.  Enclosed

Not included as there is no material change in the practising certificate fee

**Financial information for the previous year**, including a comparison of actual and budgeted income and expenditure.  Enclosed

Included on page 10 (SRA) and page 17 (TLS)

**Copy of the information that will be provided to fee paying members** (if description is not provided in section VII).  Enclosed

Description included in section VII

122. Under the arrangements agreed between TLS and the SRA, it is for TLS Council, having consulted with the SRA Board, to determine the total amount to be raised from practising fees, while the SRA determine how that amount should be apportioned between the different categories of fee payer
123. On 20 July 2021 the SRA Board made the fee determinations attached as annexes B-D, subject to the approval of the LSB.

## Section IX – Compliance Statement

We certify that the information provided in this application is accurate and complete to the best of our knowledge and we have taken reasonable steps to ensure that the application complies with the Rules.

Signed:



Liz Rosser

Executive Director of Resources

SRA



Tom Fothergill

Chief Operating Officer

TLS

## Annex A: Equality Impact Assessment Template

Protected Characteristic Group	Is there a potential for positive or negative impact?	Please explain and give examples of any evidence/consultation/ data used	Action to address negative impact (e.g. adjustment to the policy)
Disability	No	<p>Our analysis indicates that there are very few firms where significant numbers of Practising Certificate holders declare that they have a disability.</p> <p>We have analysed our data from 2014 to 2019 and we have not identified any adverse impacts on this group.</p>	<p>Not applicable.</p> <p>More broadly, there may be under recording of disability in the sector and we will work to encourage people to declare a disability if appropriate.</p>
Gender reassignment	Unknown	Data for this group is very limited so we cannot draw any meaningful conclusions	Not applicable
Marriage or civil partnership	Unknown	Data for this group is very limited so we cannot draw any meaningful conclusions	Not applicable
Pregnancy and maternity	No	We provide a 50% discount to anyone applying for a maternity discount. We also offer the discount to those applying for adoption, shared parental and paternity leave. This discount is provided to all Practising Certificate holders that apply for it. An average of 3,500-4,500 solicitors take advantage of this discount each year.	We have no plans to withdraw the discounts available.
Race	No	Our data shows that both Black and Asian lawyers are underrepresented in larger firms and over-represented in small firms. For example, the largest firms (50 plus partners) have the lowest proportion of Black, Asian and Minority Ethnic partners at 8%. This contrasts with one partner firms, where 36% of partners are from a Black, Asian and Minority Ethnic background. Large firms pay very much more than small firms so there is no indication of disproportionate impact on this group.	Not applicable. However, we will continue to raise awareness of the race profile across firm size as part of wider work towards a diverse profession.

Sensitivity: General

Religion or belief	No	There is limited information about the religion of people employed in law firms, albeit there are some indications that Muslim solicitors are overrepresented in small firms. As set out above, the fee distribution by firm size indicates that there is no disproportionate impact on this group	Not applicable, however we continue to work to increase declaration rates
Sexual orientation	No	Data for this group is very limited so we cannot draw any meaningful conclusions	Not applicable
Sex (gender)	No	The profession is evenly split across men and women, albeit with proportionately fewer senior women in larger firms. The potential for indirect discrimination against women because of maternity has been mitigated by our discount scheme. Between 2014 and 2019, 96% of those that applied for the maternity or equivalent discount were women.	Not applicable
Age	No	Solicitors' age is broadly evenly spread across all firms, but there is some evidence that the very smallest firms may have an older solicitor age profile.	Not applicable

## Evaluation

Question	Explanation / justification	
Is it possible that the proposed level of Practising Certificate fee could discriminate or unfairly disadvantage members of the regulated community?	<p>We have not identified any adverse impacts that suggest the proposed level of Practising Certificate fee discriminates unfairly on members of our regulated community. To develop our EIA, we carried out an analysis of firms and the fees they pay from 2014 onwards. Our data relies on solicitors voluntarily supplying diversity information and this means that our data is more limited for certain characteristics than others. We are working on improving this for future years.</p> <p>As part of our consultation on the SRA business plan and budget we asked for comments on the assessment and for respondents to send information to help build our understanding on the impacts on different groups of solicitors. A couple of respondents commented to say that they did not think our proposed fee level was disproportionate.</p>	
Final Decision	Tick the relevant box	Include any explanation / justification required
No barriers identified	X	
Bias towards one or more groups		
Adapted Practising Certificate fee to eliminate bias		
Barriers or impact identified but having considered all options carefully, there appear to be no other proportionate ways to achieve the policy aims in the programme of activity but by charging this level of Practising Certificate fee.		

## Annex B: Practising Certificate Fee Determination 2021

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 £266 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 2021 or any solicitor admitted prior to 1 November 2021 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 2021 to 31 December 2021 inclusive - £266
  - (b) Practising certificate issued 1 January 2022 to 31 March 2022 inclusive - £211
  - (c) Practising certificate issued 1 April 2022 to 30 June 2022 inclusive - £157
  - (d) Practising certificate issued 1 July 2022 to 31 October 2022 inclusive - £102

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 2021, 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 2021 to 31 October 2022 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 2021 to 31 December 2021 inclusive - £157
  - (b) Practising certificate issued 1 January 2022 to 31 March 2022 inclusive - £129
  - (c) Practising certificate issued 1 April 2022 to 30 June 2022 inclusive - £102
  - (d) Practising certificate issued 1 July 2022 to 31 October 2022 inclusive - £75

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 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 2021, 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**

6. The fee to be paid for initial registration or renewal of registration as a registered foreign lawyer shall, subject to paragraph 7 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 2021, registered or re-registered as a registered European lawyer and who applies for his or her first registration as a registered foreign lawyer.

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

### Interpretation

8. In this determination:

**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.

9. The singular includes the plural and vice versa.

### Commencement

10. This determination shall come into force on 1 November 2021.

## Annex C: Recognised Body and Recognised Sole Practice Fee Determination 2021

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 2021 to 31 December 2021;
  - (b) £800 on applying for initial recognition to commence in the period 1 January 2022 to 31 March 2022;
  - (c) £600 on applying for initial recognition to commence in the period 1 April 2022 to 30 June 2022;
  - (d) £400 on applying for initial recognition to commence in the period 1 July 2022 to 31 October 2022.
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 2021 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 2021 to 31 October 2022, 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 2021 to 31 October 2022, 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 2021, 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 2020 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 2020;
- (b) the only changes since 31 October 2020 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 2020.

**New Firm** means a recognised body or recognised sole practice which obtained recognition after 31 October 2020 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 2020 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 2021.

## 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	£238
C	£150,000 - £499,999	0.40%	£150,000	£771
D	£500,000 - £999,999	0.38%	£500,000	£2,171
E	£1,000,000 - £2,999,999	0.36%	£1,000,000	£4,071
F	£3,000,000 - £9,999,999	0.25%	£3,000,000	£11,271
G	£10,000,000 - £29,999,999	0.21%	£10,000,000	£28,771
H	£30,000,000 - £69,999,999	0.19%	£30,000,000	£70,771
I	£70,000,000 - £149,999,999	0.17%	£70,000,000	£146,771
J	£150,000,000 +	0.06%	£150,000,000	£282,771

\* % is equivalent to 'divided by 100' (e.g. 0.41% = 0.0041)

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

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

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

Example 2: For Turnover of £200,000:  
 $(£200,000 - £150,000) \times 0.40\% + £771 = £971$

Example 3: For Turnover of £813,421:  
 $(£813,421 - £500,000) \times 0.38\% + £2,171 = £3,362$

Example 4: For Turnover of £279,123,528:  
 $(£279,123,528 - £150,000,000) \times 0.06\% + £282,771 = £360,245$

## 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 2021 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 2020, 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 2020 (e.g. 31 March 2020). The latest acceptable annual accounting period end date is 31 October 2020.
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 2019 to 31 October 2020, 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 2019 figure if an updated 2020 figure based on closed accounts has not been received by 31 August 2021.
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 2020) 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 2020 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 2020)
  - Alternatively, if this is not possible then take the last closed accounts period prior to the 1 November 2020 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 2021

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 2021 to 31 October 2022 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 2022.
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 2022.
  - (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 2019, 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 2021.

## Annex D - 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	£238
C	£150,000 - £499,999	0.40%	£150,000	£771
D	£500,000 - £999,999	0.38%	£500,000	£2,171
E	£1,000,000 - £2,999,999	0.36%	£1,000,000	£4,071
F	£3,000,000 - £9,999,999	0.25%	£3,000,000	£11,271
G	£10,000,000 - £29,999,999	0.21%	£10,000,000	£28,771
H	£30,000,000 - £69,999,999	0.19%	£30,000,000	£70,771
I	£70,000,000 – £149,999,999	0.17%	£70,000,000	£146,771
J	£150,000,000 +	0.06%	£150,000,000	£282,771

\* % is equivalent to 'divided by 100' (e.g. 0.41% = 0.0041)

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

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

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

Example 2: For Turnover of £200,000:  
 $(£200,000 - £150,000) \times 0.40\% + £771 = £971$

Example 3: For Turnover of £813,421:  
 $(£813,421 - £500,000) \times 0.38\% + £2,171 = £3,362$

Example 4: For Turnover of £279,123,528:  
 $(£279,123,528 - £150,000,000) \times 0.06\% + £282,771 = £360,245$

## 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 2019, the turnover figure should no longer be estimated. In such cases, the turnover figures that will be used when billing firms in October 2021 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 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.
7. The turnover figure should, wherever possible, be for the last complete (12 months) accounting period prior to the 1 November 2020 (e.g. 31 March 2020). The latest acceptable annual accounting period end date is 31 October 2020.
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.