



Approval of 2021/22 Practising Certificate Fee (PCF) application made by the [AR/RB] to the Legal Services Board (LSB) under section 51 of the Legal Services Act 2007 (the Act)

1. The LSB has approved a joint application made by the Law Society (“TLS”) and the Solicitors Regulation Authority (“SRA”) to the LSB under section 51 of the Act. Section 51 of the Act relates to the control of PCF charged by approved regulators.
2. A PCF is a fee payable by a person under an approved regulator's regulatory arrangements, in circumstances where the payment of the fee is a condition which must be satisfied for that person to be authorised by the approved regulator to carry on one or more activities which are reserved legal activities. An approved regulator may only apply amounts raised by PCF for one or more of the permitted purposes which are set out in section 51(4) of the Act and the Practising Fee Rules 2021 ((Rules)¹.
3. A PCF is payable under the regulatory arrangements of an approved regulator only if the LSB has approved the level of the fee required by section 51 of the Act. TLS is an approved regulator, and the SRA is the regulatory body to which TLS has delegated its regulatory functions.
4. In making an application, an approved regulator must comply with the provisions of the Rules. The Rules provide a framework for the practising fee application and approval process. The Rules specify the permitted purposes that the practising fee may be applied to, the criteria and material the LSB will consider before deciding to grant an approved regulator's application in whole or part, the information approved regulators are required to submit and the application process and procedure. An approved regulator must also have regard to the LSB's Guidance on the Practising Fee Rules 2021 (Guidance)² which gives guidance on each of the Rules.
5. This notice sets out the decision taken, including an assessment of the PCF application.

Summary and overview of PCF application and decision

6. The application submitted on 27 July 2021 by TLS on behalf of TLS and the SRA provides that the PCF to be charged to individuals will decrease from £278 (charged in 2020) to £266. The fee to be charged to firms based on turnover is unchanged from 2020, as set out in Annex C of the PCF application. The projected total PCF income to be collected for 2021/22 is £104.3m (an increase from £101.2m in 2020). This

¹ <https://legalservicesboard.org.uk/wp-content/uploads/2021/02/PCF-Final-Rules-2021-Accessible.pdf>

² <https://legalservicesboard.org.uk/wp-content/uploads/2021/01/PCF-Final-Guidance-for-publication-accessible.pdf>

increase in PCF income despite the reduction in the individual PCF, is due to the increased numbers of practising solicitors (an estimate of 158 000³).

7. We are satisfied that the SRA and TLS activities for 2021/22 which will be funded by the PCF fall within the permitted purposes, in compliance with section 51(2) of the Act.
8. Further, the application enables the LSB to be confident that both TLS and the SRA have carefully and properly planned their financial position for the forthcoming year. We note that TLS and the SRA have committed to confirm their new reserves policy at the end of 2021, following the completion of the transfer of the activities of the SRA to SRA Limited on 1 June 2021, as part of the finalisation of this new arrangement
9. Both TLS and the SRA have notably increased the transparency and accountability for their activities and the allocation of their resources by adopting an engagement strategy which has allowed them to meaningfully consult with their regulated community and members, respectively.
10. Their proposal also considers the estimated impact on those with protected characteristics under the Equality Act and the impact of Covid-19 on authorised persons and firms' income for 2021.
11. The LSB's decision is to approve in full the levels of the PCF for 2021/2 to be charged to individuals and firms as set out in the joint application by TLS and the SRA.
12. **Annex A** to this notice contains the 2021/22 fee determinations approved by the LSB.

LSB assessment

Allocation of practising fee to permitted purposes

13. The application states at paragraph 29 that 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. The application confirms that the budget was approved solely by SRA Board and was then included within the overall funding requirement approved by Law Society Council.
14. We are therefore satisfied from the information provided in the application that the regulatory body has independently⁴ led the development of its part of the budget and application.
15. Of the projected total PCF income of £104.3m for 2021/22, £56.8m (54%) will be allocated to the SRA and £28.5m (27%) to TLS⁵. The split of PCF collected from individuals and firms is the same as in previous years (approximately 40% from individuals and 60% from firms according to turnover).

³ 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.

⁴ As required by the LSB's PCF Rules 2021 and LSB Internal Governance Rules which came into force in 2019.

⁵ The remaining amount will be used to pay levies to the LSB, Legal Ombudsman, the Solicitors Disciplinary Tribunal and Office for Professional Body Anti-Money Laundering Supervision.

SRA

16. The SRA has set out its programme of activity for 2021/22 and how this is linked to its three corporate strategy objectives for 2020/3 and business plan for 2021/22 set out at paragraph 12 of the application. These are:
- Objective 1: to maintain high professional standards for solicitors and law firms as the public would expect and ensure it provides an equally high level of operational service.
 - Objective 2: to 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 3: to continually build our understanding of emerging opportunities and challenges for the legal sector and our role in effectively regulating it.
17. The SRA has confirmed that its programme of activity falls under the permitted purpose set out in section 51 (4)(a) of the Act, which is the regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons. Further details of the planned activities for 2021/22 and how they are linked to the regulatory objectives set out in section 28 of the Act, appear in paragraphs 13 to 17 of the application.
18. The SRA has allocated its portion of total PCF income (£56.8m) to the activities which fall under each of its objectives, with the majority of PCF income allocated to objective one (£52.2m) with the remaining funds distributed equally between the activities for objectives two and three (£2.3m each).
19. We asked the SRA to explain how it assessed the benefits of these activities at the point that the programme of activity was determined and how it will assess the actual benefits after the activity has been completed. The SRA's response notes the following:
- for each of the three objectives, it included context around the connected work plans, why it was important and the benefits it will bring at a strategic level. The final corporate strategy was informed by wide consultation and stakeholder engagement.
 - progress against the SRA's Business Plan is considered by the Board on a quarterly basis. This includes a section detailing the impacts of its activities and is included in the published Board papers. It also includes an analysis of impacts against the Regulatory Objectives and Better Regulation Principles, including the potential benefits and a statement of how the proposed work will be evaluated.
 - its evaluation approach will be proportionate to and targeted at the specific characteristics of the individual project. For the most significant activity in terms of potential impacts on the Regulatory Objectives, the SRA has formal, longitudinal evaluation programmes which will often involve commissioning independent, external evaluation experts.
 - all projects will include a lessons-learned exercise and a benefits realisation monitoring plan.

- over 90% of PCF spend is focused on a normal range of regulatory activities that the SRA carry out from year onto year. There are performance measures for these activities, which the SRA reports to their Board quarterly alongside progress against Business Plan commitments. Publications such as the Annual Review also includes information about performance across the SRA's business areas.

20. We are satisfied that the SRA has complied with the two guiding principles in setting the PCF for its regulatory functions, that is, that the PCF must be allocated solely for permitted purposes set out in section 51 of the Act and the Rules, and that it will discharge its regulatory functions in a way that is compatible with the regulatory objectives set out in section 28 of the Act. We are also satisfied that the SRA has set out how it has measured the benefits of these activities at the point at which the activities were determined and how it will assess the actual benefits after the activities have been completed.

TLS

21. Paragraph 58 of the application notes TLS's six strategic themes set out in its business plan for 2021/22. These are:

- 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

22. At paragraphs 18 to 23, TLS has set out its programme of activity for 2021/22 which will be funded by PCF income and provided an explanation of the activities which fall under several of the permitted purposes. TLS has noted that a very significant portion of the PCF income is allocated to activities which fall under section 51(4)(a) of the Act, the regulation, accreditation, education and training of applicable persons. The remainder of the total PCF income (£28.5m) plus other income and permitted reserves (totalling £40.6m - see paragraph 40 below), is allocated to activities which fall under the following permitted purposes:

- 51(4)(c) - Participation in law reform and the legislative process (£3.57m)
- 51(4)(d) - The provision of applicable persons of legal services or reserved legal services, immigration advice or immigration services to the public free of charge (£0.23m)
- 51(4) - The promotion of the protection by law of human rights and fundamental freedoms (£2.87m)
- 51(4)(f) - Promotion of relations between the approved regulator and national or international bodies, governments or the legal professions of other jurisdictions (£4.9m)

23. Paragraph 51 of the application notes that the activities of TLS are allocated across permitted purposes, non-permitted purposes and "support the business"⁶ using detailed analysis codes to cost the associated activities. As "support the business" contributes to both permitted and non-permitted activity within TLS, the planned expenditure for it is allocated out on a proportionate basis across these.

⁶ Support the business relates to activities that are not directly attributable to permitted or non-permitted activities, such as those undertaken by TLS' finance function.

24. Paragraph 52 of the application explains that where an activity relates to both permitted and non-permitted purposes, the activity is allocated 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.
25. Based on the information provided, we are satisfied that the proposed application of the PCF is in compliance with section 51(2) of the Act.

Budget for 2021/22 and financial information

SRA

26. The SRA has provided its draft budget and the income and expenditure for the previous year (inclusive of VAT). Paragraph 25 of the application notes that the 2020/21 draft 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, in 2021 and a forecast for 2022
 - the SRA's assessment of current regulatory challenges and priorities and operational performance
 - the establishment of SRA as a distinct legal entity
27. The draft budget includes the expected outturn for 2020/21 as the actual position for the year will not be known until after the end of the financial year although it is expected that there will be a net surplus of £1.8m. The SRA's PCF income is expected to increase from £54.8m in 2020/21 to £56.8m in 2021/22 and to be in excess of budgetary requirements, therefore the SRA intend to use the additional income as part of the opening reserves of SRA Limited.
28. The SRA's largest proportion of income is derived from the PCF (79%), with 14% from the Compensation Fund⁷ and 4% from other regulatory income⁸ with the remainder representing money due to the SRA, because of regulatory action.

TLS

29. The table below paragraph 60 of the application, shows TLS Group's budgeted position for 2020/21 compared to the expected outturn for the year (as the actual position will not be known until the end of the year). This appears to show an expected £8m deficit for 2020/21. We asked TLS what corrective action it was planning to take to address this. TLS has stated that as it will be setting a new reserves policy at the end of the year, it will make clear the level of reserves it will aim to hold for permitted purposes and how that level will be achieved, which may involve a future increase in the PCF.

⁷ 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.

⁸ 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.

30. Paragraphs 40 to 44 of the application and the accompanying tables shows budgeted figures (inclusive of VAT as appropriate) for the expenditure of TLS on permitted purposes, split by directorate, and the sources of income that fund it for 2021/22.
31. The expected total PCF for 2021/22 (£28.5m⁹) will provide the net funding requirement for permitted purposes, and TLS will receive an additional commercial income¹⁰ of £11.5m, investment income of £847 000 and £162 000 will be drawn from permitted purposes reserves taking the total to £40.6m.
32. As set out in paragraph 55 of the application TLS has budgeted for a commercial income of £11.5m¹¹, a decrease from last year's £14m, because of the risks posed by the wider economy to this income stream. It has also reviewed its commercial offerings, making use of new technologies and cost cutting measures where possible. Even if commercial income were to be further impacted, TLS has stated it has sufficient reserves to ensure its financial resilience (see paragraph 36 below).
33. We are satisfied that the application provides transparency to the regulated community about the allocation of TLS's and SRA's resources (including PCF income) and enables the LSB to be confident that both TLS and the SRA have carefully and properly planned their financial position for the forthcoming year.

Reserves and financial resilience

SRA

34. The application notes at paragraph 63 that the activities of the SRA transferred to SRA Limited on 1 June 2021, and its reserves will be confirmed as part of the finalisation of this new arrangement. The uncommitted reserves are expected to be around £12.6m which equates to approximately three months operating expenditure. These reserves will be managed solely by the SRA, separate from the reserves of the wider TLS Group.
35. Paragraph 64 of the application explains that 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 and these will be almost entirely based on PCF surpluses built up over time.

TLS

36. Paragraphs 65 to 67 of the application note that following agreement for the transfer of reserves from the TLS to the SRA, the finalisation of the balance sheet and the reserves transfer will be concluded during late summer 2021. As such the final value of transfers cannot be established until that process, including an independent audit, has been completed. TLS has provided an estimate of its different reserves (after transfer to the SRA) which amount to £47.1m of which £19.1m is uncommitted reserves. Consequently, TLS has explained and given an undertaking to the LSB that its Board will consider a formal policy regarding the holding and use of reserves, but

⁹ In 2020/21, TLS decided to reduce their PCF requirement by £3m to £28.5m and has again sought to maintain its portion of the PCF for 2021/22 at this level.

¹⁰ Commercial income is generated from both non-permitted and some of its permitted purposes work. Examples of permitted activities which generate commercial income are the accreditation schemes which TLS runs, and training delivered via Law Society Learning

¹¹ TLS intends to improve the revenue generated by its commercial activities in 2022 and has set a target of £13.8m.

that work cannot be completed in the timeframe for this PCF application given uncertainties referred to within its application.

37. As set out in Rule 20, approved regulators should have a clear policy on how they set the target for the level of their reserves and manage those reserves. Rule 21 and the accompanying guidance makes clear our expectation that each approved regulator is prudent in setting its target level of practising fee reserves; they should be set at a sufficient level to insure against reasonably foreseeable risks, but not so high as to create unnecessary cost to the regulated community.
38. We will expect the SRA and TLS to provide the LSB with an update on their reserves policy by the end of the year and publish the same.

Consultation and engagement

SRA

39. Paragraphs 68 to 78 of the application set out the SRA's engagement with its regulated community on its budget, proposed programme of activity, and its element of the proposed PCF (and level of PCF) prior to making an application. It liaised with TLS on its consultation which ran for just over seven weeks. The SRA 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. This included
- speaking with a diverse range of solicitors in representative groups
 - engaging with charities and consumer representative bodies
 - holding a roundtable with diversity groups in the profession
 - speaking to members of the public about SRA priorities - and their experiences of legal services - through four focus groups. This 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
 - seeking views of non-commercial bodies through meetings, workshops and targeted emails to solicitors working in non-commercial bodies.
40. The SRA has noted that responses to the consultation were generally supportive and did not indicate that significant change is needed to its business plan, or the budget as consulted on. It has identified certain areas which it plans to amend the emphasis and/or add detail because of new ideas and the feedback received.

TLS

41. Paragraphs 79 to 93 of the application set out TLS's engagement and consultation strategy. This is the first year TLS has conducted its consultation separately from the SRA. It used the opportunity to take a different approach to consultation to ensure it held meaningful conversations with their members and reach groups who may not traditionally engage as much with TLS. TLS notes that this year saw the most significant and successful consultation on the PCF to date with 1,007 members taking part in total, more than four times the amount engaged last year and over ten times the amount engaged the previous year. The total comprised 927 members

responding to the consultation survey and 80 members taking part in TLS's independently led focus groups across 17 sessions. These received positive feedback.

42. As well as taking a multi-channel approach to promote the consultation, it has also broadened and deepened its engagement, by reaching out to non-commercial bodies such as the Access to Justice Foundation and Law Centres Network.
43. Paragraphs 94 to 104 of the application, set out the summary of responses received to the PCF and business plan which includes TLS six strategic themes and the amount of spend allocated to each area and notes most respondents support the PCF level remaining unchanged and endorse TLS's plans.
44. Through both focus groups and the consultation, TLS identified that there is a need for greater awareness of the amount of PCF collected at a firm level, who receives funding from the PCF and how those organisations spend the money. TLS will take steps to help improve transparency and trust as a result through an education piece and will conduct independent research to improve its understanding of the needs of different groups so that it can better target its activities. TLS will share the findings of the independent research findings, conclusions and recommendations with the public and include its response to it in late summer to improve trust and transparency. TLS has stated that it aims to demonstrate in a year's time how it has listened and adapted its 2021/22 plans along with the evidence of how it delivered on those plans.
45. The LSB commends both TLS and the SRA for increasing transparency and accountability for their activities by the steps they have taken to engage their regulated community and promote a meaningful discussion regarding the costs, benefits and value of regulation. We also welcome TLS's plans to better understand the needs of different groups in its members and its commitment to continue to improve transparency and trust. Taken together these efforts should support ongoing improvement in standards of regulation across the sector and promote the regulatory objectives. Further we note that the application also provides transparency on the consultation responses received and how these have been considered.

Impact assessments

Equality Impact Assessment

46. A summary of an initial Equality Impact Assessment (EIA) which considers the likely impact of the level of the PCF on the regulated community with protected characteristics has been provided by the SRA in the application.
47. To develop its EIA, the SRA carried out an analysis of firms and the PCF they pay from 2014 onwards. This was informed by stakeholder views to the consultation on the SRA's business plan and budget, where the SRA asked for comments on the assessment and for respondents to send information to help build its understanding on the impacts on different groups of solicitors. An analysis of the feedback to TLS's consultation was also undertaken with consideration of the protected characteristics. The EIA does not identify any adverse impacts that suggest the proposed level of PCF discriminates unfairly on members of its regulated community.
48. The SRA has noted that its data relies on solicitors voluntarily supplying diversity information and this means that the data is more limited for certain characteristics than others. The SRA has committed to, and is working on, improving this for future years.

49. We consider that the application provides meaningful consideration of equality issues, which are particularly relevant to the regulatory objective of encouraging an independent, strong, diverse and effective profession. We also note the SRA's commitment to improving its diversity data collection for certain characteristics in future.

Regulatory impact assessment

50. We asked TLS and the SRA how they had considered the impact of the level of the PCF on the conduct of legal services by their regulated community, particularly given the impact of Covid-19. TLS responded that it specifically held the level of funding at £28.5m in recognition of the challenges faced by the profession through Covid-19 and recognised that maintaining that level of income may require further utilisation of its reserves to ensure it can deliver services to its members.
51. The SRA has stated that it was mindful of the need to limit any increase in its funding requirement given the impact of Covid-19, while at the same time not impeding its ability to regulate effectively, and in response to the current climate, i.e., the impact of Covid-19 that could result in the need for increased regulatory activity.
52. TLS and SRA have also noted that the continuing increase in the number of practising solicitors has allowed them to maintain an appropriate funding level while at the same time delivering a £12 reduction in the individual PCF. The individual Compensation Fund contribution is expected to reduce by £10 per person, therefore the combined effect of both fees is a reduction of £22 or 7% per individual. The turnover based PCF remains almost unchanged from last year – there is an increase in fees of no more than £35 for firms whose turnover remains unchanged. If firms have had a reduction in turnover, then they will also be subject to a smaller fee, in addition to the reduction in individual fees that firms often pay on behalf of their employees.
53. We consider that TLS and the SRA have given due consideration to the impact of the level of the PCF on the conduct of legal services by their regulated community in setting the PCF for 2021/22.

Decision

54. The LSB has approved the joint PCF application submitted by TLS and the SRA for 2021/22 under section 51 of the Act.

Summary of expectations for next application

- TLS and SRA to provide details of their reserves policy.
- SRA to improve diversity data collection for certain characteristics.

Matthew Hill, Chief Executive Acting under delegated authority granted by the Board of the Legal Services Board
11 August 2021

ANNEX A

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,
 - (c) 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;
 - (d) 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)

Formula: $(T - C) \times B + D$

Example 1: For Turnover of £0:

$$(\text{£}0 - \text{£}0) \times 0.69\% + \text{£}100 = \text{£}100$$

Example 2: For Turnover of £200,000:

$$(\text{£}200,000 - \text{£}150,000) \times 0.40\% + \text{£}771 = \text{£}971$$

Example 3: For Turnover of £813,421:

$$(\text{£}813,421 - \text{£}500,000) \times 0.38\% + \text{£}2,171 = \text{£}3,362$$

Example 4: For Turnover of £279,123,528:

$$(\text{£}279,123,528 - \text{£}150,000,000) \times 0.06\% + \text{£}282,771 = \text{£}360,245$$

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)

Formula: (T - C) x B + D

Example 1: For Turnover of £0:

$$(\text{£0} - \text{£0}) \times 0.69\% + \text{£100} = \text{£100}$$

Example 2: For Turnover of £200,000:

$$(\text{£200,000} - \text{£150,000}) \times 0.40\% + \text{£771} = \text{£971}$$

Example 3: For Turnover of £813,421:

$$(\text{£813,421} - \text{£500,000}) \times 0.38\% + \text{£2,171} = \text{£3,362}$$

Example 4: For Turnover of £279,123,528:

$$(\text{£279,123,528} - \text{£150,000,000}) \times 0.06\% + \text{£282,771} = \text{£360,245}$$

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.