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 2022/23

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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 2022/23.

2. The proposal for this practising fee year is an increase in the individual practising certificate fee from £266 to £286. The total amount to be collected has increased from £104.3m in 2021/22 to £114.7m in 2022/23. This fee is based on a reasonable estimate of the equivalent of 161,000 individuals paying a full 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 £60.5m (53%) will be allocated to the regulatory body and £32.8m (29%) will be retained by the approved regulator, while the remaining £21.4m (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. Levy funding is a complicated part of the application process as all of the bodies who levy the solicitor profession work to a different financial year end to both TLS and SRA which means the sums collected span two financial years for each levy body. This complication is adding challenges to the process in years where there is volatility in the levy fees as forecasting two years is more complex.

5. TLS and SRA would welcome a formal discussion regarding levies in future applications. During recent years the ability of the group to establish accurate forecasts has become challenging and often finalised very late in the period before formal submission of this application. A review of the approach between parties may assist in a clearer process which prevents late amendments to the proposed application whilst ensuring appropriate levels of funding are collected on behalf of the relevant levy organisations.

6. 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.

7. The following fees require approval:

    - individual regulatory fee
    - firm regulatory fee for recognised sole practices, recognised bodies and licensed bodies (based on turnover bandings).

8. 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 2021/22 renewal exercise.

9. The table below summarises the fee and the amount to be collected from the profession compared with 2021/22.

Practising fees	2022/23	2021/22
Individual practising certificate fee	£286	£266
Total to be collected from individuals	£45.9m	£41.7m
Total to be collected from firms	£68.8m	£62.6m

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 2021/22 application. It includes further information on the reserves policies of TLS and SRA and information on how these will influence the practising fee in future years. It also sets out our revised approach to the equality impact assessment, relying on our firm diversity data and setting out the work we are doing to improve the declaration rates from individual solicitors on mySRA.

12. In terms of the impact of the fee on the profession, TLS in 2019/20 reduced its overall collection by 10% recognising the difficulty faced by the profession through Covid 19. This reduced fee was maintained in 2021/22 as the pandemic continued to impact the UK economy. TLS made use of its reserves to ensure it could deliver services to its members. This position is not sustainable in 2022/23 and so TLS has consulted on an increase of 15%. From an SRA perspective we were mindful of the need to balance any increase in our funding requirement against the need to continue to regulate effectively. We recognise that any increase in costs is unwelcome, however the impact of inflation within the wider economy and increased regulatory activity necessitate an increase this year. We consulted on an increase of 6.5% in the amount required for the SRA during May and June 2022.

13. The continuing increase in the solicitor population has allowed us to mitigate the impact on individuals of the increase, the overall amount to be collected is increasing by 10% whereas the individual fee is increasing by 7.5%. We were also aware that the individual Compensation Fund contribution is expected to reduce by £10 per person, therefore the combined effect of both fees is an increase of £10 or 3.3% per individual.

14. The increase in the practising certificate fee is driven by increasing costs within TLS and SRA as well as increased levies payable to the Legal Services Board, Legal Ombudsman, Solicitors Disciplinary Tribunal and the Office for Professional Body Anti-Money Laundering Supervision. The levies to external bodies represent 18% of the overall costs.

15. It should be noted that the overall practising certificate fee has reduced or remained unchanged for several years and the proposed level is still below the 2016/17 level. Had the fee risen in line with inflation (CPI) it would now be around £350, indicating the efficiency savings that have been made in recent years.

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

17. 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[1] along with more detailed explanation of the activities within each objective for 2022/23 [2].

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.

18. During 2022/23 we expect to allocate the following proportions of the practising fee to these objectives.

Strategic objective it is relevant to	% of total practising fee allocated to activity	Permitted purpose
Objective 1	92% / £55.7m	The regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons.
Objective 2	4% / £2.4m	
Objective 3	4% / £2.4m	

19. 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.

20. 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.

[1] SRA | SRA corporate strategy 2020 to 2023 | Solicitors Regulation Authority
[2] SRA | Business Plan and budget 2022 - 2023 | Solicitors Regulation Authority (draft)

21. Our work under this objective includes continuation of major programmes from previous years. We will focus on delivering SQE assessments that are reliable fair and cost effective – building on our successful delivery of the first assessments at both stages of the SQE this year. We will also progress our evaluation of the impact of SQE's introduction on standards and pathways to qualification, monitor equality considerations and finalise our approach to publishing candidate data. This will be complemented by working closely with the LSB on arrangements for making sure that solicitors remain competent throughout their professional careers. We will also continue work to ensure standards relating to advocacy and police station advice.

22. We introduced our Standards and Regulations in 2019 and published our formal one-year evaluation in business plan year 2021/22. This showed a positive direction while highlighting some areas for review, which we will complete in 2022/23. We will also start commissioning the three-year evaluation. We will also deliver our three-year evaluation of our transparency rules in 2022/23, which along with the findings from initiatives such as our Quality Indicator and Unbundled services pilots and the LSB'S Empowering Consumers Policy Statement will inform our future policy positions.

23. We are continuing the expansion and strengthening of our AML work programme in accordance with the requirements of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), Government reviews, legislation and changing national and international sanctions. We will continue work to understand developments around international recognition and lawyer transferability in light of the Trade and Cooperation Agreement.

24. 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. We will take further steps to improve our data, initiatives to support retention and progression for underrepresented groups and to encourage fair treatment across the legal market. We will also maximise our impact in Wales.

25. We continue to roll out our Continuous Improvement programme, further reducing the time taken to investigate complaints and improving our authorisation processes; as well as continuing to develop our quality assurance programme.

26. 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. Innovation and technology is playing a larger 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. The use of digital services has accelerated significantly through the legacy of the Covid-19 pandemic. Our on-going focus in this area is ever more 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.

27. Our Objective Three work is central to us being 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. In 2022 we will complete 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, which were started in 2021/22. We will also complete major research looking at consumer segmentation, the unregulated sector and its intersection with the regulated sector and the professional indemnity insurance. This is as well as research to inform how we develop our innovation and technology offering for maximum benefit – complementing rather than duplicating broader initiatives. We will also carry on with our programme of independently evaluating past policy changes.

The Law Society

28. 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

29. Supporting our members with education, training and guidance is a core part of our strategic and operation delivery. This support relates to our members in their practise areas, in their career stage and characteristic background. Examples include our extensive accreditation programme for individuals and firms and our enhanced Law Society Learning programme focusing on legal skills and business and interpersonal capabilities. We focus significant resources supporting members in different communities with events, publications and content and provide training and guidance on areas that are relevant for every member such as ethics, regulation, and professional standards. We use new digital channels to help members learn from each other and engage on common challenges and we provide information on established and newly emerging issues to ensure our members comply with regulations and legislation. This supports our members activity in England and Wales and internationally. We continue to publish a number of books to support members with their areas of practise and provide the Practice Advice Service that gives individual members one to one support and guidance on specific issues, often of a regulatory nature.

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

30. We work on key law reform issues where members expertise is harnessed to provide insight and input in order to improve and enhance legislative changes. We work across many areas given the breadth of our members expertise with priority areas including the criminal and civil justice system, family and children law, mental health and disability law, human rights, tax, company law reform and conveyancing. We also respond to new

developments in law reform where we can contribute expertise at speed. We also engage on law reform related to international developments.

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

31. We actively support and facilitate our members' involvement in pro bono initiatives. Our members provide a huge amount of important free legal advice to individuals. To support this, we provide guides for pro bono delivered domestically and internationally and tools that members use to support their work. We operate a pro bono charter that demonstrates members commitment to access to justice. We recognise the expertise in the voluntary sector and provide funding for the leading charity in this area, Law Works.

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

32. We operate an extensive international programme that reaches across the globe to engage with many jurisdictions and relevant stakeholders including government, international Bars and regulators. With the change in the UK's position with the EU, we are expanding our capacity for bilateral relations within European Bars. Another significant focus of our work is engagement with relevant regulatory bodies in England & Wales. The voice and input of the profession is important to inform regulation and that it maintains professional standards, protects consumers and has a proportionate impact on members.

Section III - Financial information

Solicitors Regulation Authority

33. The table below summarises the draft budget for the SRA for 2022/23 compared to the budget for 2021/22. All figures within the SRA budget include VAT where incurred as the SRA is unable to recover VAT on costs.

	2022/23 Draft Budget (£000s)	2021/22 Budget (£000s)	Variance (£000s)
Income			
Practising fees	60,500	56,800	3,700
SQE Income	9,470	7,940	1,530
Regulatory fees	2,750	2,600	150
Compensation Fund	10,088	10,132	(44)
Recoveries (eg cost orders)	1,657	1,657	0
Interest income	200	200	0
Total income	**84,665**	**79,329**	**5,336**
Expenditure			
Staff expenditure	40,665	36,658	4,007
SQE costs*	9,297	7,796	1,501
Intervention costs*	6,651	6,651	0
External disciplinary and enforcement legal costs	3,907	3,619	288
Property costs	3,231	4,096	-865
Projects	4,625	5,125	-500
ICT Costs	8,031	7,940	91
Other costs	7,558	7,444	114
Total expenditure	**83,965**	**79,329**	**4,636**

*Excluding the staff costs related to these activities

34. Preparing the 2022/23 SRA budget takes the following into consideration:

- the SRA's Corporate Strategy 2020 to 2023
- the SRA's 2021/22 operational and financial position, including levels of activity, both in 2022 and a forecast for 2023
- the SRA's assessment of current regulatory challenges and priorities and operational performance
- the establishment of SRA as a distinct legal entity

35. 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 three of the three-year plan and was published for consultation in May 2022.

36. 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 2022/23 include those discussed in paragraphs 17-27.

37. The SRA Board considered the SRA 2022/23 draft budget and approved it for consultation along with the business plan at its meeting on 26 April 2022. The Board then considered the responses to the consultation on 28 June 2022 and informed the Law Society Council of the funding requirement for the SRA. The Council approved the overall Law Society group funding requirement on 5 July 2022. The requirement for the SRA is approved solely by SRA Board and is then included within the overall requirement approved by Law Society Council.

38. The SRA 2022/23 budget for projects is set at £4.6m, reduced again from previous years following the completion of a significant programme of work to modernise our IT. Project spend is now focussed on continuous improvement of our systems and processes, maintaining an evergreen IT infrastructure and delivering improved efficiencies.

39. Spend on projects is 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.

40. The largest proportion of income in the SRA comes from Practising fees (71%), with 12% from the Compensation Fund and 15% from other regulatory income including the Solicitors Qualifying Examination. The remainder of our income 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.

41. The majority of our Regulatory income is derived from the Solicitors Qualifying Examination. This income will vary as candidate numbers rise or fall. Any change in this figure is matched by an equivalent rise or fall in costs of providing the examination. Other 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.

42. Over the three years of this strategy we have tried to keep the practising fee levels for SRA related costs as flat as possible, despite some significant new pressures. We have done this by pursuing efficiency targets, managing budgets tightly and managing new demands (which are often out of our control) within existing budget lines. This year, the cost of living pressures and demands of new activities, for example in relation to anti-money laundering and sanctions, mean that we are proposing an increase in the SRA practising fee requirement of around £6.

43. We have identified cost pressures driven by the current financial climate as we have developed our plans for 2022/23, and there are also areas of activity that require additional investment to drive them forward. However, we have worked hard to mitigate these increased costs through efficiency savings, and through our formal continuous improvement programme.

44. Cost pressures include staff expenditure, expected to increase by £4m in the next financial year. Inflation is currently at levels not seen for around forty years, and this is already beginning to increase pressure on salaries in the employment market. As well as allowing us to continue attracting and retaining people and securing our workforce in this increasingly competitive market, this also allows us to invest in new areas of activity.

45. In Spring 2023 we will begin to outline our plans for the next stage of our Corporate Strategy, beginning in 2023/24. We are in the early stages of our thinking in respect of that and our final strategy will undoubtedly be shaped by the feedback on our consultation. Our expected financial forecast is therefore uncertain beyond the next financial year.

46. It is likely also that in that consultation, we will outline plans to invest further in encouraging innovation and technology. To date, we have benefited from being able to lead and support research within government funding, such as the Regulators' Pioneer Fund, Agile Nations, and LawTechUK. However, it is likely that the Government's continued funding of such programmes may be diminished due to the current economic pressures it is facing, so we will need to prepare options for funding our own innovation and technology programmes.

47. The likelihood is that the SRA practising fee requirement will increase in absolute terms over the course of our next strategy, for additional activities that are determined as the new strategy is developed, to cover inevitable inflationary pressures, and to build our reserves to the required level. It is likely that the individual practising certificate fee will also increase over this period.

48. As highlighted in our recent business plan consultation, The assumptions underpinning this are:

    - Reserves will be at least at the minimum level in the policy by the end of the next corporate strategy
    - We expect costs to increase in relation to activity covered by objectives two and three of the existing corporate strategy during the next corporate strategy
    - We expect to do more proactive regulation, particularly in relation to anti-money laundering
    - We expect inflation to return to closer to 2% over the next few years but not imminently and cannot continue to absorb inflationary increases so these will be built in.

49. We will seek to mitigate these pressures as much as possible through continued efficiencies and to manage increases, where possible, to ensure a smooth trajectory for the SRA portion of the practising certificate fee over the three years of the new strategy.

50. We expect income from Solicitors Qualifying Exam to increase as candidate numbers increase but this will be offset by increased costs of delivery as the fees simply cover the costs. The same is true of Regulatory fees, where we would expect any changes in income over the long run to be matched by changes in expenditure, and Compensation Fund income which is a recharge of actual costs incurred within SRA on administering the Fund and intervening into solicitors' practices.

51. Any change in expenditure not related to those activities would be funded by an increase in practising fees. With inflation at levels not seen in almost 40 years, it is difficult to provide accurate estimates of costs for 2022/23 let alone for the following years. Combined with the fact that we have not yet shaped or consulted on our plans beyond 2023/24 make it problematical to provide an indicative figure for our requirement beyond next year, other than to indicate that the practising certificate fee will undoubtedly have to increase.

52. We typically receive confirmation of levies from external bodies relatively in late spring or early summer in advance of our application which makes longer term forecasting of the practising fee level challenging.

53. As we developed the proposed budget for 2022/23 we considered the cost pressures that we face and the savings that we have realised through our 'modernising IT' programme as well as an ongoing programme focussed on Continuous Improvement.

54. The following table summarises the budgeted position for 2022/23 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.

	2021/22 Forecast Outturn (£000s)	2021/22 Budget (£000s)	Variance (£000s)	Variance (%)
Income				
Practising fees	57,885	56,800	1,085	2%
SQE Income	9,632	7,940	1,692	21%
Regulatory fees	2,728	2,600	128	5%
Compensation Fund	9,088	10,132	(1,044)	(10%)
Recoveries (eg cost orders)	1,843	1,657	186	11%
Interest income	137	200	-63	(32%)
Total income	**81,313**	**79,329**	**1,984**	**3%**
Expenditure				
Staff expenditure	36,795	36,658	137	0%
SQE costs	9,481	7,796	1,685	22%
Intervention costs	5,681	6,651	(970)	(15%)
External disciplinary and enforcement legal costs	3,619	3,619	0	0%
Property costs	3,597	4,096	(499)	(12%)
Projects	5,125	5,125	0	0%
ICT Costs	8,180	7,940	240	3%
Other[3]	8,550	7,444	1,106	15%
Total expenditure	**81,028**	**79,329**	**1,699**	**2%**
Total net surplus / (deficit)	**284**	**0**	**284**	**N/a**

55. Overall, we expect the final position for the year to be favourable compared to the original budget. Additional income from practising fees has allowed us to undertake additional activity in the year. This has included work in relation to the future of SIF and in response to the war in Ukraine. The figures above exclude any movements in the value of our investments which will impact on our surplus or deficit for the year.

56. Any surplus for the year will increase the reserves of the Solicitors Regulation Authority.

57. 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.

[3] Other costs include consultancy, Board and committee costs, external advisers, including adjudicators and examiners, research, engagement activity and staff travel.

58. Practising certificate fees have been paid in respect of c.162,500 individuals and we expect at least this number in 2022/23. Not every solicitor will pay a full fee as discounts are available for those on maternity leave or equivalent and those that join the profession part way through the practising year.

<u>The Law Society</u>

59. 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 two financial years where TLS has set, and then held, a reduced practising fee requirement at £28.5m – this year shows an increase of 15%. 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

Budget Item	2022/23 Draft Budget (£000s)	2021/22 NFR (£000s)	Variance (£000s)
Total practising fee income	32,775	28,490	4,285
Commercial Income (Permitted)	11,065	11,448	(383)
Investment income	143	847	(704)
(Increase) / Draw on permitted reserves	(1,581)	(161)	(1,420)
Total	**42,402**	**40,624**	**1,778**
Directorate of the CEO	(3,756)	(3,563)	(193)
Member Experience	(20,010)	(17,068)	(2,942)
Corporate Strategy & Performance	(17,066)	(17,041)	(25)
Projects	(1,843)	(3,799)	1,956
Other (Non Operating Activity)	273	847	(574)
Total	**(42,402)**	**(40,624)**	**(1,778)**

60. 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)	2021/22 NFR (£000s)	Variance (£000s)
Commercial Income (Non-Permitted)	2,481	1,728	753
Investment income	103	99	4
(Increase) / Draw on non-permitted reserves	1,511	2,236	(725)
Total	**4,095**	**4,063**	32
Directorate of the CEO	(390)	(452)	62
Member Experience	(2,114)	(1,882)	(232)
Corporate Strategy & Performance	(1,465)	(1,381)	(84)
Projects	(148)	(397)	249
Other (Non operating activity)	22	49	(27)
Total	**(4,095)**	**(4,063)**	**(32)**

Expenditure allocation against permitted purposes

61. 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.

62. TLS budget includes costs which will be spent on projects which for 2022/23 is set at £1.9m (2021/22 £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 17 shows how the proposed fee for TLS, SRA and the levies is allocated to permitted purposes activities. The permitted purposes are[4] –

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;

[4] PCF Finale Rules 2021 (legalservicesboard.org.uk)

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.

		Permitted purpose							
Functional area	**Gross Cost £m**	**(a)**	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**Permitted Purposes Total**	**Not in scope of permitted purposes**
Levies									
Legal Services Board	3.811		100%					100%	
Legal Ombudsman	13.352		100%					100%	
Solicitors Disciplinary Tribunal	3.234	100%						100%	
Office for Professional Body Anti-Money Laundering Supervision	1.029		100%					100%	
SRA									
All activities	83.965	100%						100%	
TLS									
Directorate of the CEO	4.14	1.80 43%		0.84 20%	0.00 0%	0.89 22%	0.25 6%	3.78 91%	0.36 9%
Member Experience	22.12	12.17 55%		2.24 10%	0.01 0%	2.47 11%	3.09 14%	19.98 90%	2.14 10%
Corporate Strategy & Performance	18.53	9.48 51%		3.00 16%	0.00 0%	3.34 18%	1.24 7%	17.06 92%	1.47 8%
Projects	1.99	0.98 49%		0.34 17%	0.00 0%	0.38 19%	0.14 7%	1.84 92%	0.15 8%
Total gross expenditure	**152.17**	**111.63**	**18.19**	**6.42**	**0.01**	**7.08**	**4.72**	**148.05**	**4.12**

63. 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 2021/22 will total £40m although the impact of the pandemic has resulted in delays to some projects.

64. TLS Council also approved a further investment, from reserves, of some £4m to complete the transformation program across the Society during 2021/22 and whilst progress continues it is now clear the final programme costs will fall into the 2022/23 financial year. 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 expected to be delivered during 2022/23.

65. In February 2020 a significant fire caused damage to the Chancery Lane headquarters (114 Chancery Lane). Given the market uncertainty regarding leased property the Society has elected to 'reinstate' the building rather than seek to invest funds to further develop the site. During 2022/23 the Society will clarify the value its required investment (after finalising the insurance settlement) and look to progress the reinstatement of the building. The budget proposals for 2022/23 do not take account of this potential investment as the values are not known at this time.

66. TLS Board is provided with regular updates on the programme of works, actual spend, and total forecast spend.

67. Following the dissolution of the shared services functions of the group over the recent years the financial plans for 2022/23 now reflect a complete split of activities between the two entities as there are no longer any group related services beyond the collection of the practising fees.

TLS delivery

68. 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.

69. 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.

70. TLS delivers its permitted purpose activity through the directorate structure as set out in this application. The table on page 17 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.

72. 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 to solicitors. 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.

73. 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 (£11.1m 2021) across both permitted and non-permitted categories.

74. As well as coping with the end of the pandemic the wider economy is now anticipated to enter a period of recession and double digit inflation, financial markets are suffering (impacting the investments of the Society) and the ongoing war in Ukraine is also contributing to the uncertainty regarding both income and expenditure forecasts.

75. 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.

76. 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
- Protect and promote the rule of law
- Influence regulation and support the profession to comply
- Promote access to justice
- Support members in their businesses
- Support the international practice of law

77. 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.

78. The following table summarises the budgeted position for 2022/23 compared to the expected outturn for the current year. The actual position for the year will not be known until after the end of the financial year.

	Forecast 21/22 £000's	Budget 22/23 £000's	Variance £000's
PC Fee & Regulatory Income	28,665	32,775	4,110
			-
Member Experience & Services	3,874	4,688	814
Corporate & Partnerships	3,472	3,509	37
Corporate Sales	4,844	5,191	347
Other Income	284	184	(100)
			-
Total Income	41,139	46,347	5,208
Cost Of Sales	2,480	2,268	(212)
Gross Margin	**38,659**	**44,079**	5,420
Staff Costs	23,936	27,196	(3,260)
Staff Travel & Entertainment	341	551	(210)
Board, Committee & Council	1,358	1,983	(625)
Communications	53	64	(11)
Office Costs	172	251	(79)
Property Costs	2,959	3,002	(43)
IT Costs	4,056	3,697	359
Professional Fees	879	933	(54)
Consultancy	911	1,124	(213)
Project Resources	24	0	24
Marketing	410	478	(68)
Admin Costs	233	265	(32)
Grant Expenses	377	457	(80)
Insurance	516	558	(42)
Legal	366	508	(142)
Finance Charges & Fees	99	106	(7)
Projects	5,623	1,991	3,632
Total Expenditure	**42,313**	**43,164**	(854)
Net Operating Surplus (Deficit)	**(3,651)**	**914**	4,566
Non Operating Activity	-1,216	-844	372
Net Result Surplus (Deficit)	**(4,868)**	**70**	4,938

Section IV – Reserves

79. The SRA and TLS are expected to operate within approved budgets, reprioritising if necessary should unexpected needs arise in the year.

Solicitors Regulation Authority Reserves

80. The activities of the SRA transferred to Solicitors Regulation Authority Limited on 1 June 2021. The reserves of Solicitors Regulation Authority Limited at the end of October 2021 were £15.4m, of which £14.7m was uncommitted reserves, ie excluding fixed assets. These reserves are managed solely by the SRA, separate from the reserves of the wider Law Society Group. This figure is expected to reduce in 2021/22 due to the investment in our Birmingham office space.

81. The target level of reserves for SRA was formalised in the reserves policy which was approved by the SRA Board in December 2021 and reiterated in May 2022. The policy establishes a target level of free reserves (excluding fixed assets) of between £15.7m and £22.5m which represents between three and five months expenditure. 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.

82. The level of reserves was below this target at the end of October 2021, and it is our intention to move towards the minimum level, beginning this process in the 2022/23 financial year. The proposal for 2022/23 includes an increase in reserves of £700k in the 2022/23 financial year. The level of reserves is influenced by movements in the value of our investments. Any increase in these investments will bring us closer to the minimum level sooner.

83. As previously stated (paragraph 48), our longer term plan is to ensure that we increase reserves during the next three year planning cycle to ensure we hold appropriate reserve levels as identified within our policy.

84. If we were to face a call on reserves in the coming year, through unexpected activity or increasing inflationary pressures for example, we would scale back discretionary activity if necessary to ensure the impact was mitigated. Additionally, additional calls on expenditure are unlikely to be immediate, allowing time to reprioritise and replan our use of resources.

TLS Reserves

85. Following the creation of Solicitors Regulation Authority Limited during the 2020/21 financial year reserves can now be shown by entity. The table below shows the anticipated value of TLS reserve holdings at the end of October 2022:

Year end accounts	**£m**
Fixed Assets (committed)	12.7
Non-permitted reserves	13.8
Non-committed reserves	15.5
Total TLS reserves	**42.00**

86. As part of the budgeting process for 2022/23 the TLS Board will review its agreed reserves policy taking into consideration its forecasts and perception of risks within the wider economy given a number of key issues/ risks referred to within this application.

87. This practising fee application has been prepared based on the level of funding required to operate throughout the 2022/23 practising year and whilst it currently creates a small surplus (overall less than £70k) the final position will not become clear until progress through 2022/23 develops.

88. It is proposed that a draw of £1.51m from non-permitted reserves will be necessary to fund our activities in 2022/23.

Section V - Consultation and engagement on Practising Certificate Fee

Solicitors Regulation Authority

89. 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 17 June.

90. 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

91. 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.

92. 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

93. We promoted the consultation through:

- featuring it as the lead story in our monthly e-newsletter in May and June - SRA Update - which goes out to around 200,000 solicitors
- gaining coverage for the consultation in a range of legal media, including the Law Gazette, Legal Futures and Today's Conveyancer. Our press release has been viewed around 500 times
- promoting on Twitter and LinkedIn which have resulted in around 9,000 engagements – including around 3,500 votes in polls, a specific bite-size accessible animation which was watched 5,366 times, while our interactive webinar, has been watched 269 times.
- promoting at a range of external virtual events.

94. This means in total we engaged with almost 15,000 people through our engagement programme.

Direct conversations

95. We spoke directly to a diverse range of solicitors from representative groups including:

- Sole Practitioners Group
- Kent Law Society
- City of London Law Society
- Association of Asian Women Lawyers
- Association of Women Solicitors London

- Birmingham Black Lawyers
- Society of Asian Lawyers
- British Ghanaian Lawyers Union
- British Nigerian Law Forum
- Black Solicitors Network
- Society of British Bangladeshi Solicitors
- UK Chinese Lawyers Association
- Association of Muslin Lawyers.

96. We have also engaged through a specific charities and consumer representative bodies workshop. This included Diverse Cymru, Wiltshire Law Centre, South West London Law Centres, Hyde Housing Association, Suffolk Law Centre, Support Through Court and the Association of Consumer Support Organisations.

97. And we have spoken to members of the public about our priorities - and their experiences of legal services – through two focus groups, making sure the groups included a diversity in terms of background, gender, age and education. One session was with participants from across England and the other from across Wales.

98. We have worked with the charity LifeShare in Manchester to do a focus groups with homeless people, who had also experience mental health problems, in Manchester.

99. We also ran a roundtable with stakeholders specifically interested or invested in innovation and technology in the legal sector. Representatives from 26 different organisations attended, including regulated and unregulated legal service providers, as well as tech specialists and entrepreneurs.

Non-commercial bodies

100. 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
- ran a workshop for in-houses solicitors that was attended by 20 representatives including both solicitors working in commercial (eg Confused.com, Specsavers, Neptune energy, Aviva) and non-commercial bodies (eg the British Museum, Family Action, NHS Wales Shared Services Partnership).

Formal written responses

101. In addition to all the feedback we received on our consultation through events, focus groups and online engagement, we received 12 formal responses, including from legal representative bodies, solicitors. a trainee solicitor, a consumer representative body and a member of the public.

Summary of consultation responses - budget and practising certificate fee

102. Members of the public in our focus groups in both England and Wales agreed that our proposed distribution of our budget across the three strategic objective areas sounded right, supporting our proposal to direct the majority of our budget towards our objective one commitments. Solicitors and other individuals responding to the consultation were also largely supportive of the ways in which we propose to allocate our budget across the three strategic objectives.

103. Most individuals responding to the consultation also expressed support for both the SRA's proportion of the proposed practising certificate fee, and for the proposed Compensation Fund contribution. Our consultation had also included an equality impact assessment of our proposed fees, and TLS confirmed that it welcomed this and would engage further with us about it.

104. We received feedback on our proposed Compensation Fund contribution from some stakeholders. While TLS confirmed its support for the proposed contribution amount, the LSCP highlighted concern that the proposed reduction in the contribution was not supported by sufficient detail about the rationale and drivers for the reduction and re-emphasised its calls for data transparency on claims paid-out, and on the dispensation of the Fund. The CLSA meanwhile suggested that we *"…consider where the greatest call for compensation comes from, adjust the figures for the firms involved, and streamline any training to the areas which show the greatest professional deficits."*

Summary of how we have taken responses into account

105. In the consultation paper we described our proposals to secure income of £60.5m from practising fees, representing an increase of £3.7m from our 2021-22 budget. Following the conclusion of our consultation process we are not proposing to make any changes to this.

106. The supportive responses and feedback we received during our consultation process do not suggest we need to make fundamental changes to the business activities we commit to in our Business Plan for 2022–23. Although we have made some small amendments to our business plan in response in feedback, none of these changes have impacted on requirements for the practising certificate fee.

The Law Society

Our approach to engagement

107. Our PC Fee Consultation last year was seen as exemplary by the LSB. We got 1,007 responses and for the first time collected characteristic information about members and their organisations so the Law Society could understand how representative the consultation was and how we needed to target our work to different segments.

108. This year we used the same strategy as last year and reached even more members. We used a mixed methods approach to our data collection: qualitative focus groups conducted independently of the Law Society with targeted segments and an online survey available to all our members designed and led by the Law Society's Futures and Insight team.

109. The proposal for the PC fee increase, and our planned programme of activities that we consulted on, was itself borne out of extensive consultation with our Council, Board and committee members. They endorsed our six strategic themes and our value proposition pillars for 2022/23.

110. Our PC Fee consultation was launched on 7 April 2022 and was open for over seven weeks until 27 May 2022.

Level of engagement

111. We reached over 700,000 people through the consultation process (including more than 100,000 members) and 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.

112. This year we received a total of 1,461 validated responses (up 454 from last year). 1,178 were survey respondents (up 251 from last year) and 283 (up 202 from last year) were from focus group participants across 43 (up 26 from last year) sessions. Highlights included:

- Roundtable on 20th April 2022 held with senior partners from large law firms (e.g., Allen & Overy, Baker McKenzie, Clifford Chance, CMS-CMNO, Mishcon de Reya, Irwin Mitchell, Reed Smith etc) that collectively represent over 6,000 PC holders.

- Natwest Professional Services Sector private dinner discussion on 17th May 2022 with senior partners from SME law firms (e.g., ThomsonHeath & Associates, Moore Barlow etc) that collectively represent over 500 PC Holders.

- Participation at a virtual event with local law societies across England and Wales on 18 May 2022.

113. To help improve our understanding of how needs differ and to ensure we are reaching a representative sample, we collected characteristic information about the individual and their organisation from both focus group participants and survey respondents. We achieved even better disclosure rates of 93% - 99% (last year it was 85% - 90%) for personal and work characteristics. See tables below:

Location	Wales		Outside England and Wales		City of London		Rest of London		Rest of England and Wales	
	Samp	Pop	Samp	Pop	Samp	Pop	Samp	Pop	Samp	Pop
	2%	3%	4%	7%	14%	20%	21%	20%	61%	48%
Role/ seniority	Partner or equivalent		0 – 9 years since admission		Under 35					
	Samp	Pop	Samp	Pop	Samp	Pop				
	23%	30%	34%	40%	20%	27%				
Type of organisation/ role	Private practice		Consultant		Non-commercial sector		In-house		Sole practitioner or owner	
	Samp	Pop	Samp	Pop	Samp	Pop	Samp	Pop	Samp	Pop
	58%	65%	13%	7%	30%	19%	33%	24%	10%	8%
Turnover	Under £100,000		£100,000 - £1m		£1m - £10m turnover		£10m - £100m turnover		£100m+ turnover	
	Samp	Pop	Samp	Pop	Samp	Pop	Samp	Pop	Samp	Pop
	10%	4%	21%	16%	25%	28%	22%	28%	21%	24%

Protected characteristics	Women		Disability		LGBT+		Black, Asian or Minority Ethnic			
	Samp	Pop	Samp	Pop	Samp	Pop	Samp	Pop		
	53%	52%	22%	1%	17%	3%	26%	18%		
Protected characteristic: Ethnicity	White		Asian or Asian British		Black or Black British		Other ethnic groups		Mixed or multiple ethnic groups	
	Samp	Pop	Samp	Pop	Samp	Pop	Samp	Pop	Samp	Pop
	74%	82%	8%	10%	8%	3%	4%	3%	6%	

114. As the tables above show we achieved excellent representation levels and can be confident in understanding how opinions and needs vary according to different member segments. 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 than we realise. This includes disabled (22% sample vs 1% population), LGBT+ (17% sample vs 3% population) and Black, Asian or Minority Ethnic (26% sample vs 18% population) lawyers. Women were slightly over-represented at 53%, 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 (33% sample vs 24% 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.

Non-commercial bodies

115. 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.

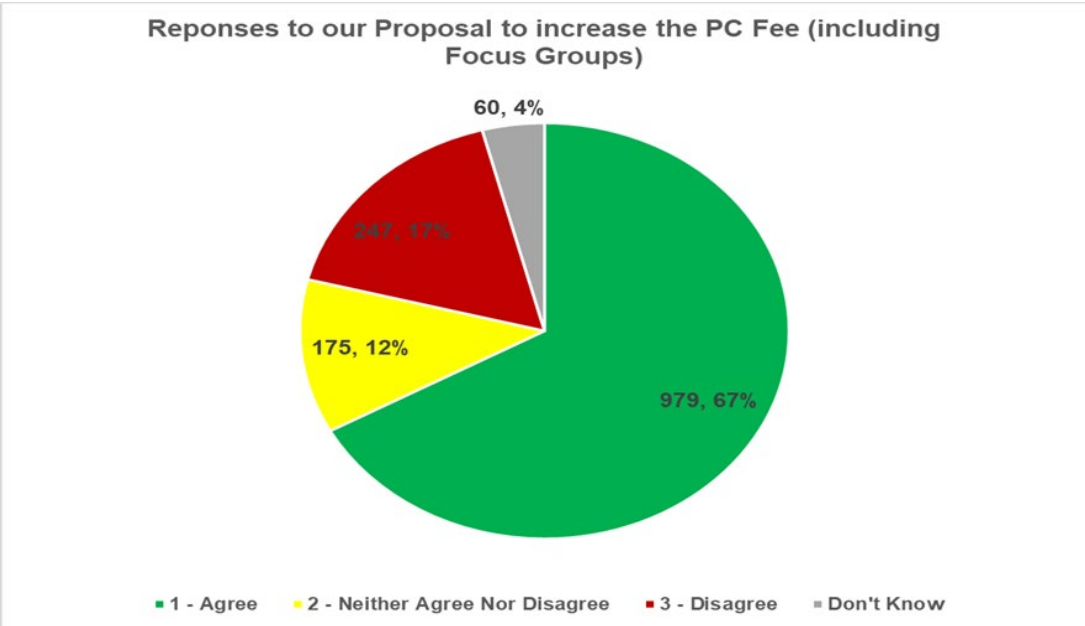
116. Our demographic information shows that 30% of respondents worked for a non-commercial body against an estimate of 19% of the PC holder population. We also gained rich qualitative feedback from our focus group participants which included

members from both the public and NGO sectors which we have never had in previous years.

Summary of consultation responses

117. The majority (61%) of respondents said their firm or organisation pay the PC fee on their behalf. 33% of respondents pay for their own certificate and the rest (6%) either did not know who paid or it was not applicable to them. 60% of our PC fee collection comes from firms and organisations rather than individuals.

118. As the chart below shows, a clear majority of respondents, 67% agreed with our proposal to increase the PC fee by 15% next year.



119. The 67% of members who supported the PC Fee increase, gave the following main reasons:

- The rationale presented a clear case for a need to increase fees
- The Law Society needs financial backing to remain a strong voice for the profession
- The cost of living is increasing so prices will need to rise accordingly
- This will allow more investment in benefits for members
- The new vision and plan warrant support from members

120. 17% of members did not support the proposal for an increase. The main reasons given for not supporting the increase were:

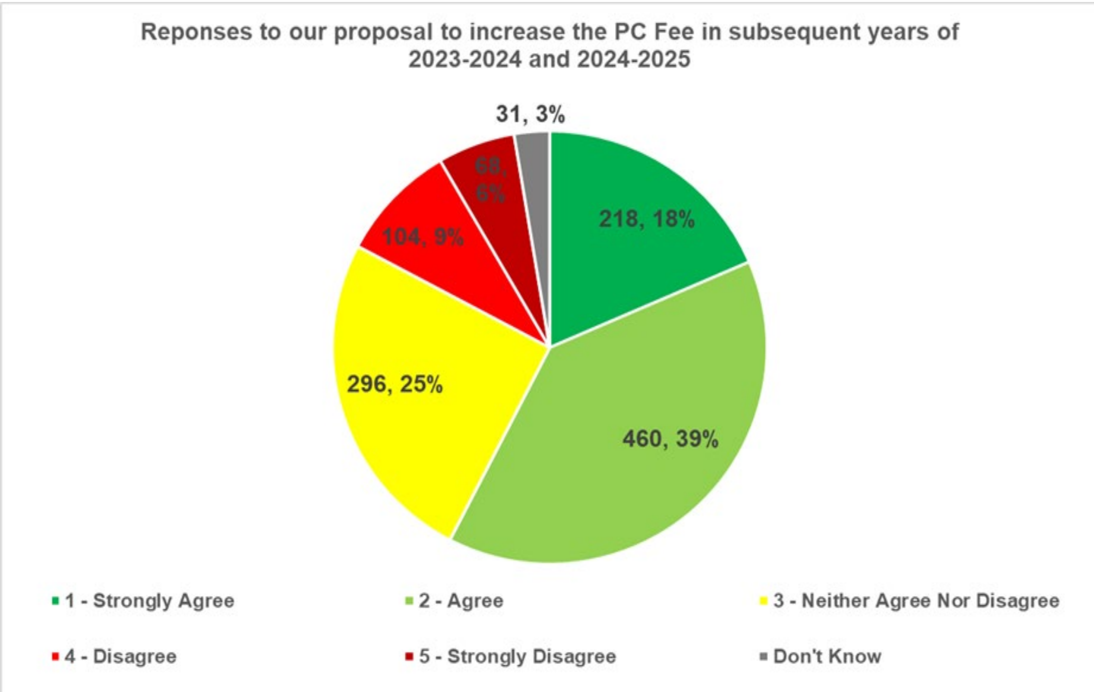
- Members get a limited service from the Law Society for the fees paid
- The Law Society fails to stand up for members/the profession
- Economic uncertainty/the impact of COVID-19 reduced members' ability to pay
- Law Society should streamline and increase efficiencies
- Payment of the PC fee should be means tested or tiered

121. The main reasons given by those answering that they '**did not agree or disagree**' (25%) or '**don't know**' (4%) about the proposal to increase the PC Fee were:

- They did not know enough about the Law Society's financial situation to judge
- They did not know what the Law Society spends its money on/or what the Society does

122. Overall, we are confident that a clear majority of our members support the PC Fee level increase of 15% and that they also endorse our plans. Therefore, we request that LSB's decision on the allocation of the PC fee reflects this endorsement.

123. We would also like to log the option (with LSB approval and if future economic conditions permit) to undertake lighter touch PC Fee consultations in the coming two years. We got a clear majority of 57% of members (1,177 replied to the question) agreeing to PC Fee increases in the subsequent years of 2023-24 (7% fee increase) and 2024-25 (5% fee increase). See the chart below:



124. The rationale for this option is we would like to focus our resources over the next three years on delivering best value to member as outlined in our new corporate strategy starting in November 2022 through to October 2025. We believe another large-scale PC Fee consultation may lead to response fatigue and not give any much further insight beyond what we have already collected the last two years.

Summary of how we have taken responses into account

125. 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.

126. 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:

- **For members in small firms, sole practitioners, and freelancers** we must focus our efforts to provide resources and support to help them manage both the changing nature of regulation and the challenges of running successful businesses in difficult and changing market conditions. PII and SIF were issues that came up repeatedly as were concerns about mental health and the supervision of junior lawyers. Supporting members with business solutions and technology remains an important part of our offer for this segment.

- **For our larger firms**, there is less demand for resources and support, rather they value the profile, access and opportunities to engage each other and with policymakers here and overseas. As a leading UK sector that is a net exporter of services, there is a clear opportunity for us to be a visible champion for the value our legal services bring to the UK and to continue our work to ensure England & Wales remains an attractive place for them to 'do business'. We also know these firms highly value our international work.

- **Doing more to champion a valued profession** was an area that united all member segments. To be successful, we must be clear about what parts of the profession and its value we champion, to whom and when. For larger firms our engagement in trade discussions and business development in target markets is of huge value as is our influence across UK government and the regulatory landscape. For smaller firms, sole practitioners and freelancers, demonstrating the everyday value the profession brings to families and businesses and its position as one of the 'anchor' services in every town and high street will be important. We have a real opportunity to link into the government's 'levelling up' agenda given the reach of our members across all communities.

- Ensuring the **profession is modern, diverse, and inclusive** is also seen as a priority area by all segments. Our work will encompass supporting smaller firms with practical resources, providing communities for individual members and providing opportunities for leaders in our largest firms and in-house teams to connect with each other. A key deliverable will be to provide a framework, that works for members of all sizes, to support them embedding diversity and inclusion in their firms and processes. For junior lawyers we understand the importance of career support along with a need for them to access the skills to succeed in the modern workplace. Given external drivers including a policy focus on social mobility, the political goal of 'levelling up' and our current President's priorities, campaigning on social mobility in the profession will ensure we tackle a range of issues under one umbrella including the impact of SQE.

- **In-house** is a growing and increasingly important segment and we know members in this group can feel more distant from the Society. Not only do we need to better understand their needs, but we also need to do more to connect them with each other and with the wider profession.

- **From all members we can see energetic support for a stronger voice and much greater visibility around justice and fairness.** Promoting justice, the profession and the rule of law represents just some of our work on Public Legal Education. Whilst some of the existing terminology, for example around ‘rule of law’, can get in the way of our messages, we know the essence of this work resonates strongly; the support members provided to our work pushing back on attacking ‘activist lawyers’ is a clear example of this, the positive results of which have been recognised both with members in our focus group and survey consultation as well as our non-member stakeholders through our reputation measurement work.

127. 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 22/23 plans along with the evidence of how we delivered on those plans. We are committed to continuous improvement.

Section VI - Impact assessments

128. This equality impact assessment is based on the evidence considered in the earlier impact assessment published by the SRA with its consultation. As a result of the limitations in the diversity data we hold for individual solicitors in mySRA, we have used the diversity data the SRA collects from law firms to inform our impact assessment this year. The last firm diversity data collection took place in 2021 and more detail about the declaration rates and key findings are published on the SRA's website. The SRA and TLS are working to improve the declaration rate on mySRA. Actions include a communications campaign and considering how we can increase declaration at the point of authorisation.

Our approach to calculating practising fees

129. The annual practising certificate fee is made up of a firm contribution based on turnover and a fixed fee for each practising solicitor in the firm. Details of our fee model are available on our website. Our understanding is that, in most cases, a law firm will pay the fee on behalf of its practising solicitors as well as the element of the fee that is based on turnover.

130. There are solicitors working in law firms and in other positions who pay their own practising certificate fee. For this reason, when determining the level of the fee each year, we make sure that the majority of fee income (60 percent) is generated from the firm fee, with the remaining 40 percent coming from the individual fee. This approach allows us to keep the individual fee to a minimum and mitigates any potential impact on individuals.

Impact on law firms

131. We know from the firm diversity data analysis, that there are differences in the diversity profile of the largest law firms (with 50+ partners), compared to the smallest (with one partner). In summary:

- people aged between 35 and 54 are overrepresented at partnership level in the largest firms and those who are 55 and over are overrepresented in the smallest firms
- women are underrepresented at partner level in firms of all sizes, but to a greater extent in the largest law firms
- the proportion of partners from a Black, Asian and minority ethnic group is more than four times greater in one-partner firms than in the largest firms
- the largest law firms have a smaller proportion of disabled lawyers
- the largest firms have the greatest proportion of lawyers from a professional socio-economic background, and those who went to independent/fee-paying schools.

132. Based on this, the largest law firms will pay more, and in these firms, there is overrepresentation at partner level of White solicitors, male solicitors, those aged between 35 and 54, and those from a higher socio-economic background. There are variations in the profile of law firms for some of the other protected characteristics, but the numbers are smaller which makes it more difficult to draw reliable conclusions.

133. We recognise there are real financial challenges faced by some law firms - in particular, the smaller firms and firms which provide less profitable legal services. We have therefore looked specifically at the diversity breakdown of these firms to understand if there is any potential adverse impact on solicitors working in those firms.

134. The data shows:

- there is overrepresentation of Black and Asian solicitors, Muslim solicitors, solicitors from an intermediate background, solicitors aged 55 and above and of men in firms which have 1 to 5 partners
- there is overrepresentation of men, both Black and Asian solicitors, Muslim solicitors, solicitors from lower socio-economic background and solicitors aged 45 and over for firms which mainly undertake criminal work.

135. Based on the assumption that solicitors in smaller firms and those working in certain work types (for example, criminal law) earn less than those in larger firms and those working in more profitable areas of law, the groups overrepresented in these sectors are likely to be impacted by an increase in the practising fee.

136. The data does not show an overrepresentation for disabled solicitors or solicitors who identify as LGB (Lesbian, Gay or Bisexual).

Impact on individuals

137. It is likely that solicitors who are responsible for paying their own PC fee and those earning the least are likely to be impacted the most by an increase in the PC fee.

138. We do not hold information about solicitors' earnings and cannot identify with certainty, what proportion of solicitors pay for their own PC. It is difficult therefore to identify with any certainty the profile of solicitors who might be impacted by having to pay the proposed increase. However, if we assume that solicitors in smaller firms and those working in less profitable areas are likely to be earning less, any impact is likely to fall on the groups referred to above.

Evaluating the impact

139. Our approach to calculating the practising fee minimises the impact of any proposed fee increase on individuals. We have maintained or reduced the individual element of the fee each year since 2016/17 and the increase this year (taking account of proposed reduction in the Compensation Fund contribution) is £10 or 3% on last year's fee.

140. Any potential impact on solicitors who are absent from work as a result of maternity, paternity, shared parental and adoption leave, and for those applying for a practising certificate part way through the year is mitigated by our policy on reduced fees.

141. There are potential positive impacts arising from the work we are planning to advance equality, diversity and inclusion in the profession as summarised in our draft Business Plan for 2022/23 and our draft budget indicates how this work will be funded.

Conclusions

142. We have identified a small potential impact of the proposed fee increase on solicitors who are overrepresented in small firms and firms who in less profitable legal services such as criminal law. This includes men, solicitors from a Black, Asian and minority ethnic background, Muslim solicitors, those from a lower and intermediate socio-economic background and older solicitors. We have not identified any adverse impact based on sexual orientation, gender identity, or pregnancy and maternity.

143. There was nothing arising from the SRA or TLS consultation which altered our assessment.

144. Considering the positive impact of the equality diversity and inclusion work both the SRA and the TLS are planning to take forward in 2022/23 and the steps we have taken to mitigate the impact of the proposed fee increase on individuals, we are satisfied that our proposal for the small increase in the PC fee is proportionate and justified.

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

145. The table below summarises the total practising fee requirement for the Law Society Group compared to the requirement for 2021/22. The total requirement has increased by £10.4m with increases in the requirements for the SRA, TLS and all of the external bodies.

	2022/23 £m	2021/22 £m	Variance £m
Solicitors Regulation Authority	£60.5	£56.8	£3.7
The Law Society	£32.8	£28.5	£4.3
Legal Ombudsman	£13.4	£11.8	£1.6
Legal Services Board	£3.8	£3.4	£0.4
Solicitors Disciplinary Tribunal	£3.2	£3.1	£0.1
Office for Professional Body Anti-Money Laundering Supervision	£1.0	£0.7	£0.3
Total	**£114.7**	**£104.3**	**£10.4**

146. The total practising fee requirement is £114.7m. As discussed in paragraphs 6-8 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.

147. The SRA website[5] 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.

148. 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.

149. In addition, transparency is enhanced through the detail provided in the annual fee consultations referred to from paragraph 89 above.

150. 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 93.

[5] SRA Fee policy

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 13 (SRA) and page 20 (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

151. Under the arrangements agreed between TLS and the SRA, the SRA Board confirm the amount to be raised from practising fees for SRA. TLS Council confirm the total amount to be raised from practising fees including the requirements of TLS and the external bodies to whom levies are paid. The SRA determine how that amount should be apportioned between the different categories of fee payer.

152. On 19 July 2022 the SRA Board made the fee determinations attached as annexes A-C, 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: Practising Certificate Fee Determination 2022

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 £286 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 2022 or any solicitor admitted prior to 1 November 2022 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 2022 to 31 December 2022 inclusive - £286
   (b) Practising certificate issued 1 January 2023 to 31 March 2023 inclusive - £226
   (c) Practising certificate issued 1 April 2023 to 30 June 2023 inclusive - £167
   (d) Practising certificate issued 1 July 2023 to 31 October 2023 inclusive - £107

   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 2022, 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 2022 to 31 October 2023 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 2022 to 31 December 2022 inclusive - £167
   (b) Practising certificate issued 1 January 2023 to 31 March 2023 inclusive - £137
   (c) Practising certificate issued 1 April 2023 to 30 June 2023 inclusive - £107
   (d) Practising certificate issued 1 July 2023 to 31 October 2023 inclusive - £77

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

Application to registered European lawyers

5. The fee to be paid for initial registration or renewal of registration as a registered European lawyer shall 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 2022, 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 2022, 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 2022.

Annex B: Recognised Body and Recognised Sole Practice Fee Determination 2022

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 2022 to 31 December 2022;

   (b) £800 on applying for initial recognition to commence in the period 1 January 2023 to 31 March 2023;

   (c) £600 on applying for initial recognition to commence in the period 1 April 2023 to 30 June 2023;

   (d) £400 on applying for initial recognition to commence in the period 1 July 2023 to 31 October 2023.

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 2022 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 2022 to 31 October 2023, 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 2022 to 31 October 2023, 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 2022, 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 2021 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 2021;
(b) the only changes since 31 October 2021 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 2021.

New Firm means a recognised body or recognised sole practice which obtained recognition after 31 October 2021 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 2021 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 2022.

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	0.72%	£0	£100
B	£20,000 - £149,999	0.43%	£20,000	£244
C	£150,000 - £499,999	0.41%	£150,000	£803
D	£500,000 - £999,999	0.40%	£500,000	£2,238
E	£1,000,000 - £2,999,999	0.38%	£1,000,000	£4,238
F	£3,000,000 - £9,999,999	0.26%	£3,000,000	£11,838
G	£10,000,000 - £29,999,999	0.22%	£10,000,000	£30,038
H	£30,000,000 - £69,999,999	0.20%	£30,000,000	£74,038
I	£70,000,000 – £149,999,999	0.18%	£70,000,000	£154,038
J	£150,000,000 +	0.06%	£150,000,000	£298,038

** % 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:
(£0 - £0) x 0.72% + £100 = £100

Example 2: For Turnover of £200,000:
(£200,000 - £150,000) x 0.41% + £803 = £1,008

Example 3: For Turnover of £813,421:
(£813,421 - £500,000) x 0.40% + £2,238 = £3,492

Example 4: For Turnover of £279,123,528:
(£279,123,528 - £150,000,000) x 0.06% + £298,038 = £388,038

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 2022 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 2021, 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 2021 (e.g. 31 March 2021). The latest acceptable annual accounting period end date is 31 October 2021.

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 2020 to 31 October 2021, 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 2020 figure if an updated 2021 figure based on closed accounts has not been received by 31 August 2022.

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 2021) 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 2021 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 2021)

- Alternatively, if this is not possible then take the last closed accounts period prior to the 1 November 2021 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.

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 C: Licensed Body Fee Determination 2022

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 2022 to 31 October 2023 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 2023.

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 2023.

   (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 2020, 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 2022.

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.

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	0.72%	£0	£100
B	£20,000 - £149,999	0.43%	£20,000	£244
C	£150,000 - £499,999	0.41%	£150,000	£803
D	£500,000 - £999,999	0.40%	£500,000	£2,238
E	£1,000,000 - £2,999,999	0.38%	£1,000,000	£4,238
F	£3,000,000 - £9,999,999	0.26%	£3,000,000	£11,838
G	£10,000,000 - £29,999,999	0.22%	£10,000,000	£30,038
H	£30,000,000 - £69,999,999	0.20%	£30,000,000	£74,038
I	£70,000,000 – £149,999,999	0.18%	£70,000,000	£154,038
J	£150,000,000 +	0.06%	£150,000,000	£298,038

** % 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:
(£0 - £0) x 0.72% + £100 = £100

Example 2: For Turnover of £200,000:
(£200,000 - £150,000) x 0.41% + £803 = £1,008

Example 3: For Turnover of £813,421:
(£813,421 - £500,000) x 0.40% + £2,238 = £3,492

Example 4: For Turnover of £279,123,528:
(£279,123,528 - £150,000,000) x 0.06% + £298,038 = £388,038

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 2020, the turnover figure should no longer be estimated. In such cases, the turnover figures that will be used when billing firms in October 2022 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 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.

7. The turnover figure should, wherever possible, be for the last complete (12 months) accounting period prior to the 1 November 2021 (e.g. 31 March 2021). The latest acceptable annual accounting period end date is 31 October 2021.

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.