

The Law Society Group

2016-17 practising fee
consultation with solicitors

**Managing the costs of regulatory,
public interest and representative work**

Consultation begins: 17 June 2016
Consultation ends: 7 July 2016

[The survey can be completed online here >](#)

Introduction

Your practising fees – funding regulatory, public interest and representative work

The Law Society and the Solicitors Regulation Authority are working hard to manage the cost of our work to the profession.

Our plan for 2016-17 is that the individual practising fee will be £30 lower than last year at £290. This is a reduction of more than 9% this year.

Overall we have reduced the fee by more than 24% since 2014.

Solicitors and firms pay annual fees toward the cost of regulation, discharging the profession's public interest role, representing, promoting and supporting solicitors.

Our roles underpin a growing legal services sector currently worth [£25.7 billion annually](#) to the economy.

The Law Society and the Solicitors Regulation Authority consult with you every year about the practising certificate fee (PC fee) and how it is split between regulation, public interest and representation as part of our annual reporting and planning.

In this document we explain our different roles, present some of the things we achieved last year, explain our draft budget and financial plans for 1 November 2016 to 31 October 2017, and ask for your views. We also set out the [benefits of Law Society membership](#).

Just under 200 of you responded to last year's consultation and we shared your views with the Law Society's Council before they agreed the 2015-16 budget. The Council will see the results of this consultation at their meeting on Wednesday 13 July before they discuss and agree the final 2016-17 budget proposal.

We also share the findings of the consultation with the Legal Services Board (LSB) along with our proposal for the PC fee. As the oversight regulator, the LSB considers and approves the fee.

The contents of this paper are accurate as of 16 June 2016. However, the final budget may be subject to change.

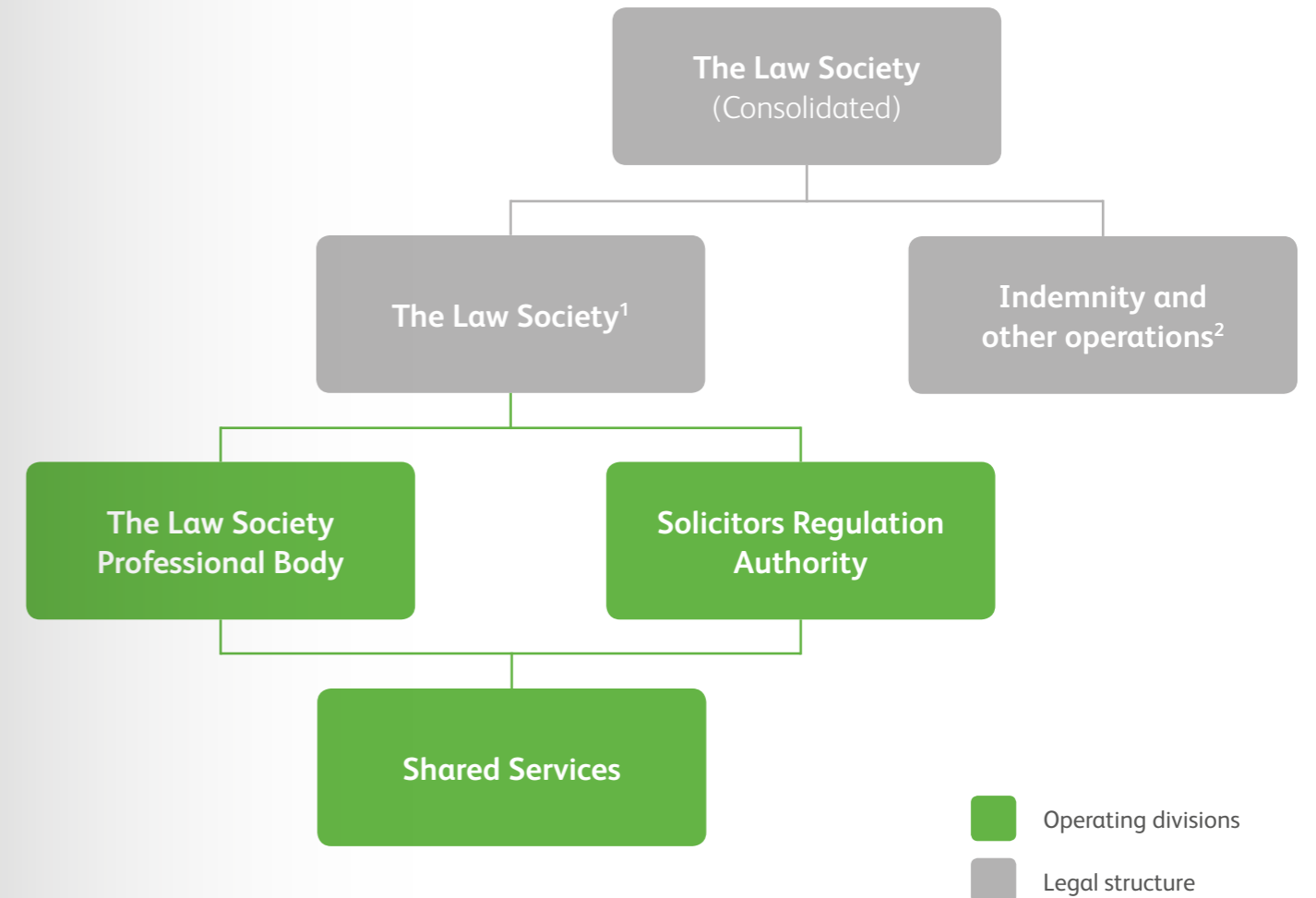
The Law Society Group

The Law Society Group (the Group) operates under Royal Charter and is the approved regulator for solicitors in England and Wales under the Legal Services Act 2007.

The professional body and regulatory arms of the Group exist and operate independently as the Law Society Professional Body (The Law Society) and the Solicitors

Regulation Authority (SRA). The Law Society and the SRA share corporate support services to ensure the group operates efficiently and effectively by sharing costs.

On the following pages we set out more detail about the role of [the Law Society](#) and the [SRA](#), outlining the elements of work which make up the PC fee.



1. Encompasses the following associated entities which are equity accounted for – Six Clerks Insurance Services Limited and Rliance Software Limited.
2. Encompasses the following entities which are consolidated – Solicitors Indemnity Fund, Solicitors Indemnity Fund Limited, Legal Indemnity Operations Limited and Legal Practice Technologies Limited.

The Law Society Professional Body

What we do



Our [member handbook](#) outlines the benefits of Law Society membership.

We are committed to putting our members at the heart of everything we do. Whether we are seeking to influence governments, campaigning for justice, delivering training or promoting solicitors to the public, we are committed to making sure your voice is heard, your needs are met and your business is supported.

Whether you are working in a high street practice, a commercial regional or City firm, an ABS (alternative business structure) or in-house for a private, public or charitable organisation, the Law Society exists to help you. Annual fees paid by solicitors and their firms enable the Law Society to represent, promote and support you throughout your career and support the profession's vital public interest work.

Working for the public interest

As a profession we have a commitment to upholding the rule of law and supporting access to justice. As the professional body for solicitors, we discharge this vital public interest role on behalf of the profession.

Representing solicitors in the public interest

- Influencing and improving law reform and the impact of changes to the law and legal system.
- Enabling access to justice for everyone.
- Challenging, where necessary, in order to uphold the rule of law.
- Promoting justice for all and protecting human rights and fundamental freedoms.

Promoting solicitors in the public interest

- Helping the public to identify and access quality legal services.
- Promoting the English and Welsh legal system internationally and helping to open up valuable overseas markets to create new opportunities.
- Promoting the profession's contribution to society and local communities by funding pro bono support through LawWorks, the solicitors pro bono charity, and raising awareness of the significant amount of free legal advice available

Supporting solicitors in the public interest

- Supporting diversity and social mobility enabling the best to join the profession irrespective of their background.
- Providing high quality advice and guidance on legal issues including professional standards and ethics.

Our profession's proud commitment to justice and upholding the rule of law binds us together.

We are committed to ensuring you can respond to the opportunities and challenges of a changing legal sector. Our aim is to deliver value for money on the public interest funding contribution you make as part of your PC fee.

Some of our recent successes

Representing our profession

Influencing and improving law reform and the impact of changes to the law and legal system.

A voice in Westminster, Cardiff, Brussels and with other governments across the world – influencing the regulatory environment in the public and profession's interest.



The Law Society gave evidence to parliamentary committees 8 times, briefed parliamentarians on over 18 pieces of legislation and has been mentioned 1232 times in parliament last year.

[You can see the outcomes we achieved in our annual report.](#)

Working for law reform in the public and profession's interest through:

- influencing
- responding to consultations
- litigating strategically
- creating media profile.



In the first 6 months of this year we made 36 responses to consultations and calls for evidence.

Our media impact grew significantly last year, with over 500 articles per month featuring the Law Society, including 300 on disputed wills, 300 on criminal legal aid contracts and 280 on civil court fee increases.



Disputed wills regional newspaper articles



Civil court fee increases articles



Criminal legal aid contracts articles

Some of our recent successes

Promoting solicitors

Helping the public to identify and access quality legal services.

At home:

Find a Solicitor – the online directory with customisable profiles – helping you build your business and check other solicitors.



There was a 44 % increase in visits to Find a Solicitor last year with over 171,000 visits per month.

Our ‘use a professional’ advertising campaign.



Our [adverts](#) were played 1.5 million times on ITV player.

Promoting the English and Welsh legal system internationally.

Abroad:

Promoting the use of English and Welsh law and England and Wales as the global jurisdiction of choice – protecting and developing this £25.7 billion market for legal services.



Our international activity this year has already included work to build markets in Azerbaijan, Botswana, Angola and China amongst others.

Opening up new markets for English and Welsh solicitors – creating new opportunities for our profession.

Some of our recent successes

Practical support for you and your team

Providing high quality advice and guidance on legal issues including professional standards and ethics.

Keeping you up to date:

The Law Society Gazette in print, a daily email update and Gazette app – keeping you on top of the latest developments in our sector.



Monthly page views for the [Gazette website](#) reached 1.5 million this February. Up 70 % year on year. Over 7,000 people now have the [Gazette app](#).

My Law Society – online information tailored to your interests and needs.



3,400 members have already [registered](#) since we recently launched.

Sharing best practice:

Practice notes, research, reports, news and e-newsletters – helping the profession share and learn from the best in the sector.



Our practical guide on the application of the Mental Capacity Act was viewed 20,000 times in its first month. The [practice note](#) supplemented by an easy read version for clients and carers was viewed more than 12,000 times.

Communities – offering mutual support and expertise from your peers.



- Last year we held over 100 events which attracted nearly 7,000 attendees.
- 8,299 members viewed our webinars.
- Over 800,000 people viewed the [communities' website](#).

Some of our recent successes

Practical support for you and your team

Providing high quality advice and guidance on legal issues including professional standards and ethics.

Advice and help:

Information – our library service, accessible across England and Wales, is one of the best legal reference collections in the UK.



Our [library](#) helped 10,740 members with legal research enquiries last year.

Practice Advice Service and other helplines – to unblock your progress with expert help.



Our Find a Solicitor helpline referred over 68,000 calls to members and our [practice advice service](#) helped 25,260 members with a range of practice and procedural issues last year.

Educating and training our profession:

CPD podcasts, webinars, road shows and training events – giving you the legal education and business support you need.



Last year 37,400 members attended our 357 events and 84 webinars. We provided 613 hours of [CPD](#).

Looking to the future:

Law Society reports on the legal market at home and abroad – helping you seize opportunities and tackle challenges.

Our recent reports on [Europe \(Brexit\), the Future of Legal Services and the Economic Value of the Legal Sector](#) have helped us and our members plan for the future.

Some of our recent successes

Practical support for you and your team

Supporting diversity and social mobility and promoting the profession's contribution to society and local communities.

Advice and help:

Support for social mobility – our diversity charter, mentoring scheme and ambassadors – helping remove unfair barriers to our profession.

Our new [mentoring scheme](#) is being piloted with 85 pairs and our Ambassadors programme is now in its second year.

Advice and thought leadership on meeting business and human rights obligations.

Our [business and human rights](#) programme is helping members understand this important issue.

Pro Bono support and promotion – helping you meet your corporate social responsibility aims.

We have launched new toolkits and case studies to support and promote your [pro bono work](#).

The Solicitors Regulation Authority

What we do

The Solicitors Regulation Authority (SRA) is the regulator of solicitors and law firms in England and Wales, protecting consumers and supporting the rule of law and the administration of justice.

We do this by overseeing all education and training requirements necessary to practice, setting the standards of the profession and regulating and enforcing compliance against these standards.



Setting the standards for solicitors



Assuring standards through education and training



Holding the roll of solicitors



Authorising and regulating firms providing legal services



Investigating concerns and taking action when necessary



Managing a compensation fund

Some of our recent activities

Regulatory reform

We are moving away from prescriptive rules in favour of protecting the public by setting out the principles solicitors should follow. And we are reducing unnecessary bureaucracy and taking measures to support an open, competitive, growing legal market.

- We are consulting on a shorter, sharper and clearer Handbook, removing unnecessary bureaucracy and freeing up solicitors to work in new markets.
- We amended the Account Rules to make accountants' reports more targeted and relevant and to bring in exemptions. That resulted in a 30% reduction in the submission of reports. Further consulting on Accounts Rules should make them simpler and less prescriptive, while maintaining appropriate consumer protections.
- Following our new approach to Multi-Disciplinary Practices, we have reviewed our approach to the Separate Business Rule and introduced changes that level the playing field for traditional firms to compete.
- We worked closely with the Financial Conduct Authority on the regulation of solicitors carrying out consumer credit activities. Effective consultation meant we were able to achieve a proportionate regulatory approach for SRA-authorized firms.
- We successfully completed the wind down of activity in relation to our regulation of Insolvency Practitioners, with all but two firms finding alternative regulators. We worked with the remaining firms to ensure the orderly transfer of ongoing clients.
- We are consulting on changing our Participating Insurers Agreement (PIA) to make it easier for firms to switch their regulator and improve competition in the market.

Getting feedback from the profession

We not only need the profession to understand what is expected of them and support them in managing risks, but we also want to hear views from across the sector so we benefit from their knowledge and ideas.

- To make sure our engagement is as inclusive as possible, we are carrying out much more pre-consultation. We have increased online conversations – for example, through a series of virtual reference groups, open to all – and face to face meetings such as regular visits to local law societies and roadshows.
- Almost 1,300 solicitors participated in webinars on our reforms in 2015.
- SRA followers across all platforms topped 43,000 in 2015, and our posts were viewed almost 3 million times.

Education and training

- Education, training and entry into the profession are key components of public protection. We want to help open up new routes into the profession to ensure the best and brightest can become solicitors, regardless of their background. We worked with a number of law firms to create new legal apprenticeships, which were approved by the Department of Business, Innovation and Skills in autumn 2015.

We removed the tick box exercise of counting hours of CPD and introduced a new approach, supporting solicitors to reflect and carry out meaningful training to stay up to date and competent. A survey of the profession showed that uptake has been good, with around half of respondents already having changed to the new approach. And 75% of that group implemented the new approach in less than three months.

- We established a new competence statement, which sets the benchmark defining what all solicitors should be able to do competently to fulfil their duties.

Some of our recent activities

- We have concluded the first stage of a consultation on a new approach to assessing trainee solicitors to robust, high standards in a consistent way. There was excellent engagement with the consultation, with more than 240 responses. We will consider the feedback, and carry out further consultation later this year.

Professional Standards

The SRA sets the standards for the profession, in the public interest, and regulates against those standards.

- Our 'Question of Trust' campaign asked the public and profession what standards they expect from solicitors and what should happen when things go wrong. More than 5,000 people – from all backgrounds – had their say online or at one of our many events up and down the country. The results will feed into our enforcement strategy.
- We promoted the standard and reputation of English and Welsh law through our international work, recognising that reputation is supported by effective regulation.

Diversity and inclusion

Promoting a diverse profession is one of our regulatory objectives – it is the right thing to do, but also helps to make sure the sector is as competitive as possible.

- We collected workforce diversity data from 9,000 law firms and 170,000 people – more than ever before. We published a new diversity toolkit allowing firms to benchmark themselves against other similar businesses, with the aim that it will help law firms review their approach to recruitment, retention and progression.
- We used our diversity data to support the establishment of our new small firms service, which includes dedicated web resources, a small firms support team and help-lines, and a small firms reference group.
- We raised awareness of the importance of diversity in the sector through events such as: the Birmingham and London Pride parades and holding a fringe meeting

at the Liberal Democrat Conference entitled 'Equal in the eyes of the Law – Diversity in the legal sector'.

- We launched 'Your health, your career' a package of support available to solicitors who have health concerns.

Encouraging innovation

We are committed to promoting innovation: helping the introduction of new services, the improvement of existing services and finding new ways to deliver them.

- We undertook joint research into innovation with the Legal Services Board. The report showed that solicitors are more innovative than other lawyers and that Alternative Business Structures (ABSs) are the most innovative of firms. We approved 118 new ABS last year.
- We have developed SRA Innovate – a new initiative to help legal service firms wanting to do things in new, creative ways. Its launch in March 2016 saw 150 solicitors come together to hear from some of the sector's most original thinkers.
- We are looking ahead to encouraging innovation in the legal education sector, with work in hand with universities and others to launch SRA Innovate-Educate later in the year.

Working with consumers and the public

We regulate in the public interest – stepping in where we need to protect consumers and working to open up the market to provide quality, affordable legal services. That means working with the public to make sure we understand their views and how best to deliver what they want.

- Our independent third tier corporate complaints service reported that we continue to improve how we work.
- In the space of a year, we have doubled the number of visitors to Legal Choices, the joint legal regulators' website, which supports the public to understand legal services and the help they need.

- We are canvassing the views of the public in a variety of ways such as independent polling, interactive voting, Twitter polls, focus groups and through our new Facebook page.
- We have launched Law Firm Search, which allows the public to check the status of law firms. In its first two months, more than 10,000 people had used it – with the majority visiting our website for the first time.

Our operational activity

We continue to improve the way we work – from stepping in where we need to protect consumers to keeping the profession up to date on the latest risks.

- We hold and maintain the roll of solicitors. There were 171,464 solicitors on the roll at the end of October 2015. Of these, 136,294 held practising certificates
- We approved 90% of practising certificates and registrations within 4 days.
- Our 'tone of voice' review has made our communications simpler and more accessible. Improved communications are achieving good results – calls to us about renewing practising certificates have dropped significantly.
- The Compensation Fund paid out around £18 million in the year to October 2015 – helping those who have lost out as a result of money not being accounted for or, in some cases, misappropriated by a solicitor or regulated law firm.
- We continue to step in where we need to – for example, with firms which continue to practise without professional indemnity insurance or fail to nominate a compliance officer.
- Our Risk Outlook, which is updated through the year, offers the latest information on risks such as cyber security and around managing client relationships. A guide tailored for small firms aims to help them manage the issues relevant to them.

- We have published research helping solicitors providing services to people who are vulnerable, and also reviewed the quality of legal services for asylum seekers. This review highlighted some concerns, so we have started a thematic review of asylum legal advice to better understand the problem.
- Our anti-money laundering thematic review highlighted good and poor practice. It found that generally law firms are doing well but it is no time for complacency.
- Our annual compliance conference was our largest ever event, with attendance doubling from 2014. Targeting also improved – 85% of the 600 plus delegates were in a compliance officer role, compared to fewer than 50% last year.

Operational effectiveness

We have continued to make operational improvements over the last year, and have:

- Improved the timeliness of our supervision cases. In October 2014, we had 1901 conduct cases in progress. By October 2015, we reduced this to 1688.
- Improved the timeliness of our process for Firm-Based Authorisation. In April 2015 the LSB removed the requirement to provide a monthly report on ABS applications and commended us on improving timeliness and operational processes.
- Reduced the average time to make a decision on changing an existing firm's legal status from 78.5 days to 25.5 days.
- Consistently operated above our service target of answering 70% of calls within 60 seconds
- Introduced webchat for our Ethics Helpline. 500 solicitors a month now chat online with us. 91% of customers surveyed rated their web chat experience as good and 96% said they would use the service again.

Financial plans for 2016-17

How we are funded

Solicitors and their firms pay annual PC fees. These fees include £68.7 million toward the cost of regulation:

- [the Solicitors Regulation Authority](#) (£53.5m),
- [the Solicitors Disciplinary Tribunal](#) (SDT) (£2.6m)
- contributions to the [Legal Services Board](#) (LSB) (£2.8m) and
- [Legal Ombudsman](#) (LeO) (£9.8m).

The annual fees also include £31.1 million to fund much of the Law Society's public interest work which it discharges on behalf of the profession and our work to represent, promote and support the profession.

The Law Society and the SRA generate income which helps to reduce costs of regulation, public interest and representative work.

You can see the Law Society Group's achievements in our [Annual Report](#).

What we expect to spend

We expect to reduce the PC fee by £30 to £290 which is a 9% reduction on last year's fee.

We anticipate 73% of our expenditure will be met from the annual practising fees and the rest will be met from other sources:

- the SRA has income from other regulatory fees, from costs awarded and from the Solicitors Compensation Fund
- the Law Society has around £15.3m income generated by its commercial activities
- some costs are met from our Group reserves

During 2016-17 the Group plans a significant IT investment programme for both The Law Society and SRA. This will help our longer term aim of reducing the PC fee whilst also improving the experience for members and facilitating an improved digital offering for all our services. Although we have managed to reduce the PC fee there is likely to be funding required, subject to our progress, over and above the sums available and detailed in this document. These funds will be drawn from the reserves of the Group, as and when required, and subsequently replenished in future years.

Funding of the Group expenditure 2016-17 (£m)

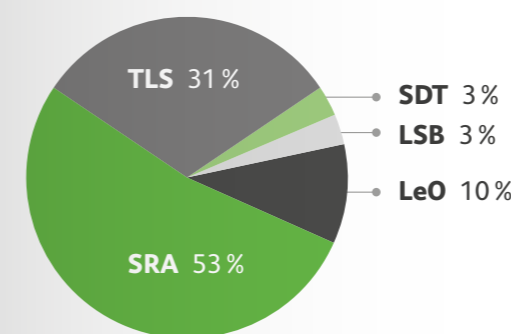
Total expenditure	
Expenditure funded by:	
Commercial income (TLS)	15.3
Regulatory income (SRA)	3.5
Recoveries	12.5
Other income	1.7

How we split the practising fee

As well as funding the Law Society and SRA, PC fees also fund the levies which we pay under the Legal Services Act. These levies fund:

- the full cost of the Solicitors Disciplinary Tribunal
- part of the cost of the Legal Services Board
- part of the cost of the Legal Ombudsman.

How the practising fee is split in 2016-17



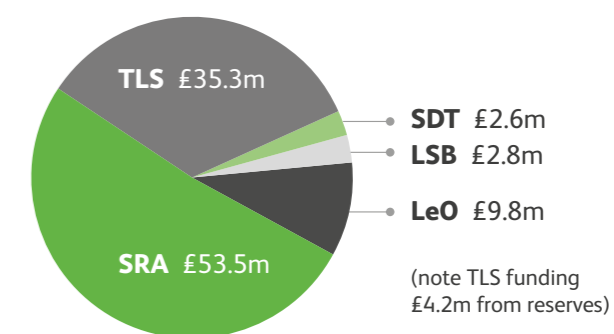
The final total of these levies will not be known until the organisations have finalised their budgets. However, the Legal Services Board and the Legal Ombudsman have indicated the likely sums will be £1.2m lower than the amount charged last year. The Solicitors Disciplinary Tribunal expect their costs to be in line with last years costs.

Our net funding requirement

Our total net funding requirement is £104m; this is our total expenditure minus commercial income, regulatory income, recoveries and other income. The Law Society proposes to meet part of this by using £4.2m from our reserves.

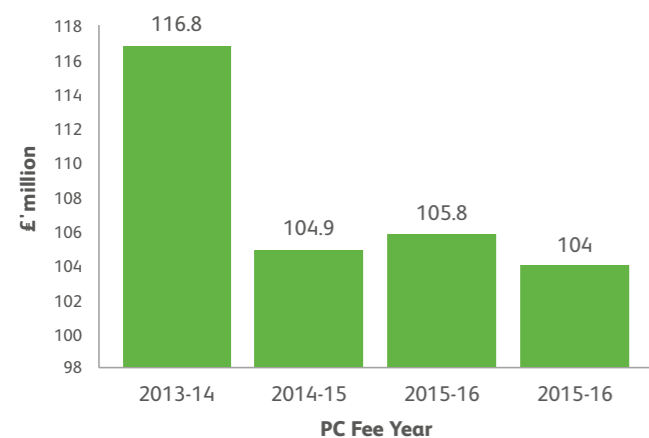
This means we need to collect £99.8m from practising fees – a change of £6m on 2015-16.

Net funding requirements for SRA, TLS, SDT, LSB and LeO



Financial plans for 2016-17

Funding requirements 2013-14 to 2016-17



What is section 51 and what are permitted and non-permitted activities?

The Law Society raises money through practising fees to support the legal profession's public interest work¹. Parliament recognised that, like many other professional bodies, the Law Society has a valuable public role to discharge on behalf of the profession which goes beyond regulation and campaigning in its members' interests. The formal description of activities covered by section 51 is:

- the regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons, including:
 - the maintaining and raising of their professional standards, and
 - the giving of practical support, and advice about practice management, in relation to practices carried on by such persons.

- the payment of a levy imposed on the approved regulator under section 173.
- the participation by the approved regulator in law reform and the legislative process.
- the provision by relevant authorised persons, and those wishing to become relevant authorised persons, of reserved legal services, immigration advice or immigration services to the public free of charge.
- the promotion of the protection by law of human rights and fundamental freedoms.
- the promotion of relations between the approved regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions.

The Law Society's work in all these areas is recognised as contributing strongly to the standards of the profession and the quality of the public debate. The work demonstrates that solicitors, as professionals and officers of the court, have a duty to contribute to the public interest.

The Law Society's activities can therefore either be permitted and funded by practising fees, or non-permitted work which cannot be funded by practising fees².

The Law Society carries out an annual review to determine the amount of time spent on each type of activity. This is used to calculate the direct cost of permitted and non-permitted activities. In 2016-17 the Law Society expects £41,827,995 of expenditure will be on permitted activities, and £7,116,767 will be non-permitted activities.

All activities carried out by the SRA are regulatory and therefore permitted in nature.

¹ Section 51 of the legal services act <http://www.legislation.gov.uk/ukpga/2007/29/section/51>

² The permitted non-regulatory activities are set out in rules made by the Legal Services Board under Section 51 of the Legal Services Act 2007. They include, accreditation, education and training, raising professional standards, giving practical support and advice about practice management, participation in law reform, provision of free legal services to the public, promotion of the protection by law of human rights and fundamental freedoms, promotion of relations with national/international bodies, governments and legal professions of other jurisdictions, and increasing public understanding of citizens' legal rights.

What is the proposed practising certificate fee for 2016-17?

If the number of practising certificates and regulated entities for 2016-2017 is in line with the latest actual numbers for 2016, the proposed PC fee will be £290.

The entity fees charged are based on turnover and are set in bands. Therefore, it is not possible to provide a simple comparison figure for the likely 2016-17 levels compared to 2015-16.

Proposed PC fee in 2016-17

Fee Year	PC Fee
2014	£384
2015	£320
2016	£320
2017	£290
Change for 2017	-£30

What you told us last year and how we responded

Key points raised in the consultation last year	How we responded to your input
The possibility of a review of the payment structure for PC fees to include staged payments, reductions for maternity leave, part-time work and unemployment.	The SRA currently provides reductions for solicitors on maternity leave. It is starting a fees review, including payment proposals, and anticipates consulting later this year.
Lack of clarity around what Law Society membership benefits were available.	The Law Society has produced a member handbook which sets out the benefits of membership.
Lack of clarity around the Law Society's representational role.	The Law Society has produced an annual report which explains our work to represent, promote and support the profession.

³ In addition it is expected the compensation fund fee will be levied at £32, resulting in a total fee of £352 – no change from the fees levied in 2014-15.

Your views on our 2016-17 proposals

We are asking for your views and we want to present these to the Law Society's Council before their meeting on Wednesday 13 July which will inform the discussion about the Net Funding Requirement.

We would like you to answer the following questions:

1. Do you think the PC fees for 2016-17 represent value for money in terms of the benefits you gain as a solicitor?
[\(The Law Society Group annual report 2014-15\)](#)
 - (a) Yes
 - (b) No
 - (c) Don't know

Please comment further to explain your answer:

2. Do you think the split of spending across the Law Society Group between the Law Society professional body, the Solicitors Regulation Authority, Legal Ombudsman, Legal Services Board and Solicitors Disciplinary Tribunal is reasonable?
 - (a) Yes
 - (b) No

Please comment further to explain your answer:

3. Do you have any other comments for the Law Society Group?

Please respond, by 5pm on 7 July by [filling in this online survey](#).