

**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 2013/14**



Table of Contents

Law Society Practising Fees 2013/14

	Page
Section 1: Introduction	3
Section 2: Setting the budget	4
Section 3: The SRA budget	7
Section 4: The Law Society budget	13
Section 5: The Corporate Solutions budget	16
Section 6: Clarity and Transparency	18
Section 7: Regulatory and diversity impact assessment	19
Section 8: Practising fees determinations 2013/14	19
Annex A: Draft Practising Certificate Fee Determination [2013]	22
Annex B: Draft Determination of Sole Practitioner Fees [2013]	31
Annex C: Draft Recognised Body Fee Determination [2013]	32
Annex D: Draft Licensed Body Fee Determination [2013]	39

Practising Certificate Fee application 2013/14 for the Law Society Group

Section 1 – Introduction

1. This document seeks the Legal Services Board's agreement to the Law Society (TLS) / Solicitors Regulation Authority (SRA) application for practising fees for 2013/14.
2. The following fees, outlined in Table 1 require LSB approval:
 - Individual regulatory fee.
 - Firm regulatory fee for both recognised bodies and licensed bodies (turnover bandings).

Table 1: Fee levels

Practising Certificate Fees	2013/14 Budget Year	2012/13 Current Year	Variance (£ and %)	Commentary
Individual fee – Regulatory	£384	£344	+ £40 + 12%	Inclusion of provisions in relation to changes to the ARP and to replenish reserves
Firm fee (total £m to be collected)	£70.1m	£62.1m	+ £8.0m + 13%	

Background

3. Significant changes were made to the fees structure in 2010, moving from collecting virtually the whole of the cost of regulation from practising individuals to the cost being borne by individuals and firms. As part of the process the SRA adopted the following guiding principles for the fees policy:
 - 1) be fair to fee payers
 - 2) be efficient and economical to administer
 - 3) ensure a predictable income to meet the cost of regulation
 - 4) be stable - charges should not vary considerably year on year
 - 5) be as simple as possible – to enable the regulated profession to predict their likely fees
 - 6) be based on data that can be verified
 - 7) ensure that, where possible, the costs of processes that are not of general application should be borne by those making such applications, as far as possible, on a cost recovery basis
 - 8) take some account of ability to pay, in particular in relation to small and new businesses, charitable and not for profit bodies – fees should not be a deterrent to new entrants.
4. In April 2011 the SRA Board agreed that the basic structure for the collection of fees for 2011/12 should remain the same as previous year, meaning that the 40/60 split between individuals and firms for the apportionment of the regulatory requirements should be maintained and that the current discounts to the individual fee for maternity leave should be maintained.
5. The SRA Board agreed in 2012 and confirmed the position in 2013, to maintain the set apportionment and discounts of the regulatory requirements. In making this decision the

Board considered the review of the SRA approach to apportioning regulatory costs which is taking place in 2013-15.

6. Under the arrangements agreed between the Law Society and SRA, it is for the Law Society Council, having consulted the SRA Board, to determine the total amount to be raised from practising fees. It is for the SRA Board to determine how the amount required for regulation should be apportioned between the different categories of fee payer.
7. In 2010 the SRA changed the mechanism for collecting the regulatory net funding requirement and Compensation Fund requirement. The regulatory funding was split into an individual fee (40% of total) and a firm fee (60% of total) based on turnover bandings. The Law Society adopts the same approach to apportionment of the sums required for the Law Society's other 'permitted purposes' under the Legal Services Act.

Section 2: Setting the budget

The Law Society Group budget setting process

8. The foundations of the budget, or net funding requirement for the Law Society Group, are submissions from the business based on their expected activity in 2013/14. The process is worked through on a bottom up basis from the SRA, the Law Society and Corporate Solutions, starting with cost centres, business units and directorates and it is at the directorate level which the 2013/14 application is shown. The budget is submitted by each of the Directorates and authorised by the relevant Board¹. The full Law Society Group budget is then discussed and agreed by both the Law Society Management Board and finally the Law Society Council.
9. The net funding requirement (NFR) also includes a provision for levy payments to the LSB, Legal Ombudsman and the Solicitors Disciplinary Tribunal. The funding requirement for these is based on funding requirement information from the relevant bodies.
10. In translating the net funding requirement into proposed fees, we also need to make assumptions about:
 - Number of practising certificates to be issued.
 - The turnover from all firms within the profession, which is based on information supplied by each of the firms as part of the 2012/13 renewal exercise.
11. The Law Society Council approved a total of £116.8m to be collected from practising fees – an increase from £103.5m collected in 2012/13. The increase includes a provision of £5m to fund future payments in relation the assigned risks pool and £5m to rebuild reserves.
12. The individual practising fee is £384, an increase from £344 in 2012/13. Private practice firms (including licensed bodies as they are authorised) will also pay a fee based on their UK turnover. The proportion of turnover charged declines as turnover increases.
13. The Law Society Group financial year will now end on 31 October rather than 31 December as in previous years. This will allow the budget to be set at the same time as the net funding requirement; in previous years the budget has not been finalised until

¹ The SRA Board for the SRA, the Business and Oversight Board for Corporate Solutions and the Law Society Management Board for The Law Society.

October, after the funding level had been finalised. In 2013/14² the practising fee income will be applied as follows:

- Solicitors Regulation Authority - £53.7m³.
- The Law Society (professional body) - £31.8m⁴.
- Statutory levies (Legal Services Board (LSB), Legal Ombudsman (LeO), Solicitors Disciplinary Tribunal (SDT)) - £21.3m.
- A contingency of £5m to mitigate the potential calls on reserves.
- A contingency of £5m to fund future liabilities as a result of the changes to the Assigned Risks Pool.

14. Comparison of the overall budget allocation between 2013 and 2014:

Table 2: Total PC fee income and expenditure (Permitted activities only)

Budget Item	2013/14 Budget Year	2013 Current Year (budget)	Variance	Commentary
Total PC fee income				
Total PC fee income	£116.8m	£103.5m	+ £13.3m + 13%	
Funding from reserves	£0.0m	£1.8m	- £1.8m - 100%	Funding from reserves not expected to be required in 2013/14
Total	£116.8m	£105.3m	+ £11.5m + 11%	
Split of PC fee expenditure				
Solicitors Regulation Authority	(£53.7m)	(£52.4m)	+ £1.3m + 2%	
The Law Society (permitted purposes)	(£31.8m)	(£30.7m)	+ £1.1m + 4%	
Legal Ombudsman (LeO), Legal Services Board (LSB)	(£18.5m)	(£19.4m)	- £0.9m -5%	Lower budgeted expenditure by LeO / LSB
Solicitors Disciplinary Tribunal (SDT)	(£2.8m)	(£2.8m)	+ £0.0m + 0%	
Contingency / Provision	(£10.0m)	(£0.0m) ⁵	+ £10.0m	
Total	(£116.8m)	(£105.3m)	+ £11.5m + 11%	

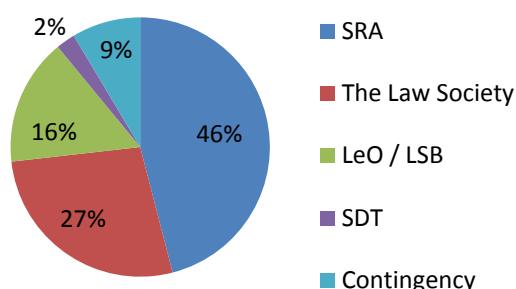
² The 2013/14 financial year will run from the 1 November 2013 to the 31 October 2014.

³ Including shared services and central costs allocation of £22.8m (2013 budget £21.8m)

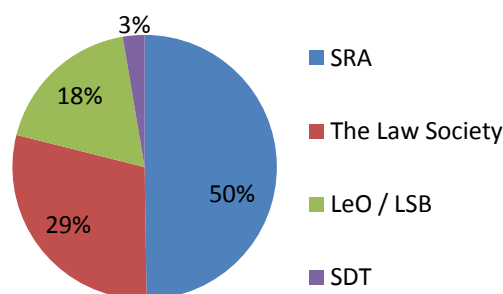
⁴ Including shared services and central costs allocation of £13.4m (2013 budget £17.4m)

⁵ A contingency of £3m was included in the 2012/13 NFR to mitigate any potential calls on reserves. This contingency was then utilised when setting the 2013 budget. It is the 2013 budget which is presented in table 2.

Total PCF income split by expenditure category - 2013/14



Total PCF income split by expenditure category - 2012/13



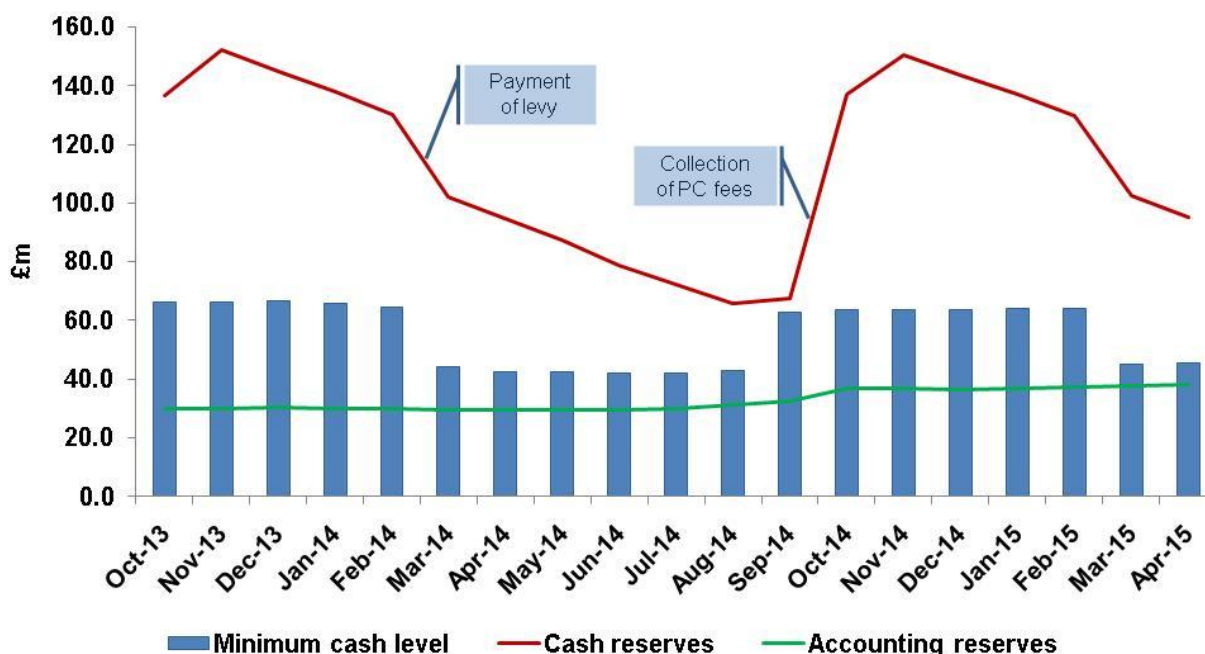
Contingency arrangements and reserves

15. All parts of the group are expected to live within its approved budget reprioritising if necessary should unexpected needs arise in year.
16. At the end of 2012 the Law Society Group had cash reserves totalling £114.6m⁶ and accounting reserves of £30.9m. There are no planned calls on reserves during the remainder of 2013 or 2014.
17. It should also be noted that cash reserves of £28.6m were held by the Solicitors Indemnity Fund (SIF) at the end of 2012. The SIF Ltd Board has designated £1.5 million as available for release as surplus. The SRA has requested that a portion of this surplus (£132,500) be used to fund future liabilities of the Assigned Risks Pool.
18. The Society carries a potential liability to meet the costs of claims made against the ARP together with the qualifying insurers. These claims and costs are likely to emerge over a period of in excess of 10 years. In the accounts for the year ending 31 December 2012 the Law Society Group has made a provision of £3.2m to cover these claims. At the end of the current financial year ending 31 October 2013 that provision will be further reviewed.
19. The only source to meet actual cash calls against that provision are likely to be the cash reserves held by the group (which includes SIF surplus). The Society also expects to meet a cash call from the ARP manager in the current financial year of £0.58m. It is therefore proposed to include within the NFR a sum of £5m to meet these potential costs.
20. It is considered prudent to include within the proposed NFR a sum of £5m to begin to rebuild reserves. In settling this proposal the Society decided to ignore the possibility that the Society's Defined Benefits Pension scheme is by resolution of the scheme Trustees wound up and a surplus released from the sums held in current reserves (to meet the cost of winding up the scheme). Any such sum released would be taken account in subsequent financial years.

⁶ Excluding cash held in escrow to finalise the buyout of the defined benefit pension scheme and reserves of the Solicitors Indemnity Fund.

21. The Law Society Group has recently established a minimum cash reserves policy. A schematic setting out the minimum established and projected movements over the coming year of reserves (Accounting reserves & Cash Reserves) against that policy minimum is shown below in Graph 1 to include the £5m reserves as outlined and included in this year's budgets which were approved by Council on 11 July 2013.

Graph 1: Cash and accounting reserves as forecast at 15 July 2013



Section 3: The SRA Budget

22. The SRA budget consists of three elements:

- The directly controlled SRA budget.
- The portion of Corporate Solutions budget that supports the SRA, and
- The element of the central Group capital investment budget (controlled by the Projects Review Committee (PRC) on behalf of the Business Oversight Board (BOB)) that will be spent either wholly on SRA projects or on Corporate Solutions infrastructure projects for which the SRA carries a proportion of the cost.

23. The directly controlled SRA budget has been considered and approved by the SRA SMT. It was considered in draft at the SRA Board and Finance and Resource Committee (F&RC) meetings in April and May 2013 and considered and approved for recommendation to the Board at the F&RC meeting on 30 May. The issue of resource levels in the Supervision function has been considered by the Regulatory Risk Committee (RRC) which recommends the proposed increase in Supervision headcount in 2014. The R-View Programme 2014 has been considered by the RRC and F&RC, by the Board at its meeting in April 2013 and subsequently by a separate working group of Board members which recommended to the Board (at its meeting on 12 June 2013) that funding for R-View be included in the Board budget for 2014.

24. In addition, a number of budget plans for 2014 include measures to strengthen operational performance informed by the executive, Board and Board committees oversight of operational performance in 2013 through KPI reports.

25. The element of the Corporate Solutions draft budget that supports the SRA has been prepared by the Group Chief Operating Officer (COO) and has been considered by the SRA SMT and by F&RC at its meeting on 30 May 2013. It too was recommended for approval by the SRA Board, although it should be noted that the whole of the Corporate Solutions budget is subject to the approval of the Business and Oversight Board.

SRA budget 2014 – context and overall approach

26. The major context for the preparation of the 2014 SRA budget is provided by:

- The SRA Strategic Plan 2013/15.
- The SRA's 2013 budget.
- Our assessment of current regulatory challenges and priorities and operational performance.

27. The SRA Strategic Plan 2013/15 was developed and approved by the SRA Board in 2012 and published in December of that year. In preparing the budget we have reviewed the Strategic Plan in order to ensure that there is an alignment between commitments made in the Plan and the resources planned in order to deliver those commitments.

28. The delivery of the Strategic Plan is not only of critical importance to the SRA and its own assessment of the extent to which it is fully delivering its remit as an independent public interest regulator. It is also critical to the assessment of SRA regulatory effectiveness by the oversight regulator; the LSB. The SRA undertook the LSB's regulatory self-assessment exercise in 2012 and the LSB's resulting assessment of SRA performance was published at the beginning of 2013. The LSB will be monitoring the SRA's delivery of improvements identified as being required in that assessment. The plan and timescales against which that improvement will be monitored are those set out in the SRA Strategic Plan 2013/15.

Regulatory challenges and priorities

29. The Strategic Plan sets out our assessment of the regulatory environment in which we are operating. Our overall assessment remains unchanged, although the following issues should be emphasised as issues where we have improved information.

- Since the Strategic Plan was approved and published we have received the LSB's assessment of progress towards meeting the required regulatory standards and this has confirmed the necessity to complete the R-View Programme, as set out in the Strategic Plan, in order to meet the requirements of the LSB.
- We have seen the emergence of complex ownership structures as the number of ABS grows (for example, a number of ABS joint ventures between law firms and insurance companies in response to the personal injury referral fee ban). These will require detailed supervision throughout the Plan period in order to ensure that these complex structures are operating in accordance with the regulatory arrangements and in the public interest.
- The financial weakness of a significant number of firms, identified as a risk in the Plan, has become more apparent in 2013 with significant firm failures. This has had a significant impact on the utilisation of Supervision resource as well as on the cost of interventions. It will be necessary to invest Supervision resources, over and above those expected at the time of the creation of the Strategic Plan – this will be

necessary both to ensure consumer protection but also to constrain the cost of interventions.

- A strategic decision was taken in the plan not to proceed with further investment in SRA core information systems in 2013 in order to provide Corporate Solutions with time to re-plan the Group's core IT infrastructure. In 2013, the SRA is carrying significant (£1.4m) additional staff costs in Authorisation through a combination of processing applications that had been planned to be online as a result of the Enabling Programme and maintaining dual data entry onto the REGIS system. It had been hoped that REGIS might be decommissioned during 2013 but the CRM to replace REGIS will not be in place until May 2014. We will not see the necessary rationalisation of the SRA's IT infrastructure and improvements to regulatory information systems until the latter part of 2015 as a result of the R-View programme.
- As shown through regular performance reporting to the F&RC, SRA Board (and to the BOB), the SRA has, due to resource constraints flowing from the 2013 budget and levels of demand, delivered operational performance below the level required in 2013; particularly in respect of the Authorisation function and the Contact Centre. Steps have been taken in 2013 to address these issues but this strengthening will need to be maintained in 2014.

Directly controlled SRA budget - overview

30. The strategic approach to setting the SRA 2014 budget has been:

- To set the overall, and individual directorate, budgets as tightly as possible (as has been the case in 2013) and with a 5% in-year staff cost reduction target built into all operating budgets.
- To ensure that benefits are realised from previous programmes in accordance with the report considered by F&RC in April 2013 (with reductions in expenditure flowing through into 2014 budgets as planned).
- Only to budget for increased costs where this is justified and essential as a regulatory requirement, to manage risk and/or to improve operational performance to acceptable levels.

31. This approach (further details are set out below on the drivers for the major changes in 2014 compared to 2013) results in the figures in table 3.

Table 3 – Comparison of the SRA directly controlled budget

	SRA Budget	SRA NFR
2013 budget	£42.968m	£32.908m
2014 budget	£53.236m	£30.891m
2014 budget adjusted for comparison to 2013 (impact of change in treatment of interventions – removed from the budget)	£44.851m	£30.891m

32. The issue giving rise to the biggest change in the headline figures for the SRA budget/NFR in 2014 compared to 2013 is the change in the funding for the cost of interventions. In 2013, £3.9m was included in the SRA budget to meet the cost of interventions (£0.3m in-house interventions team, £1.3m external intervention agents,

£1.6m archiving, £0.6m VAT). In 2014 we are planning for the cost of interventions to be met by the Compensation Fund. Built into the budget figures is our “best view” cost for interventions of £12.3m as an expenditure item, and a matching income figure from the Compensation Fund. The cost of interventions in 2014 can only be an estimate but, whatever the actual figure, the net impact on the SRA budget will be “zero”: if expenditure on interventions is less than £12.3m then recoveries from the Compensation Fund will automatically reduce to an equal figure.

33. With the effect of the interventions change stripped out, the 2014 budget has built in an overall increase of some £1.9m above the comparable (excluding interventions) budget figure for 2013; even though the overall impact on the NFR requirement is a *reduction* of £2m from the NFR requirement for 2013. This equates to (unadjusted for inflation) a 4.4% increase in operating costs. However, it must be noted that this figure remains £1m below the 2012 operating cost figure of £45.8m. In the light of operational experience and the challenges that must be met in order to address current risks and meet the required regulatory standards, we are planning to unwind two thirds of the cost reductions made in 2013 from 2012.
34. The 2014 directly controlled budget includes R-View Programme costs (for Programme management of the whole Programme and for the SRA led work-streams, but excluding the IT costs) of £2.5m. This indicates that, notwithstanding any efficiency gains that may be identified and realised from R-View, the completion of the R-View Programme at the end of 2015 would allow a move back to the downward trend in underlying SRA operating costs subject to any decision made at the time by the SRA Board as to the overall resource requirement to discharge its public interest regulatory remit in the light of then current risks.
35. As part of the preparation of the budget, and alongside our consideration of the upward pressures that must be met we have sought to identify opportunities for compensating cost reductions. However, given: current risks that are being managed and the resulting requirements for regulatory activity; work volumes that must be processed in a timely fashion (for example in the Contact Centre and Authorisation); the work that is required to meet the necessary standards of regulation; and absence (in 2014) of efficiency gains as a result of information systems investment, it is not possible, safely to reduce headcount further in 2014. However, the early process analysis in preparation for R-View has indicated that process improvements and a proper alignment of our regulatory control processes (for example in Authorisation) with the risks we are controlling, have the potential to unlock efficiency savings through headcount reductions. The completion of R-View, including the rationalisation and improvement of SRA information systems is, however, necessary to progressing this
36. The costs of two of the three elements of the R-view Programme for 2014 are included in the draft SRA budget for 2014. These are for the Programme management costs for the whole Programme and for the SRA non-IT work streams. Together these elements account for £2.5m of the draft budget.

Corporate Solutions budget that supports the SRA

37. The Corporate Solutions budget for 2014 in respect of its work for the SRA includes both directly attributable cost for supporting the SRA and cost where the SRA budget has to meet a proportion of the overall costs of Corporate Solutions activities (both BAU and investment).

Central Group capital investment budget that will be spent on SRA projects

38. The SRA has budgeted for three elements of work in the 2014 Projects Review Committee investment budget :
- PCRE 2014.
 - QASA IT.
 - R-view IT.
39. The costs of these projects form part of the SRA budget but are part of the larger Group investments budget which contains the funding for, primarily, major IT projects (including for SRA, TLS and Group). This budget is approved by BOB and controlled for BOB by the Project Review Committee.
40. Planned Corporate Solutions expenditure on projects attributable to the SRA rises from £1.8m in 2013 to £6.5m in 2014. This is a significant increase. The 2013 figure is low as Corporate Solutions spending on SRA budgets was driven by the SRA Board decision (set out in the Strategic Plan) to provide time and space for Corporate Solutions to analyse and decide on the most appropriate long term information system and strategy for the Group as a whole. Of the £6.5m project spend total allocated to the SRA, some £4m is for the SRA projects detailed below and £2.5m is the allocation of cost to the SRA for Corporate Solutions led projects

PCRE 2014

41. The figure of £700k has been included consistent with that for 2013. This is likely to be a relatively consistent cost for as long as we use this system for the collection of annual PC and entity regulation fees and information. The cost of this annual exercise is borne by the SRA and Corporate Solutions. However, as part of the SRA's wider fees review the extent to which costs should be apportioned to the Society will need to be considered (as income from the annual fee collection is used for non-regulatory purposes as is some of the information collected).

QASA IT

42. SRA is currently working with Corporate Solutions IT department to identify the most appropriate IT solution to support the implementation of QASA. It is probable that a two stage IT implementation will be necessary and therefore cost for QASA IT (at £300k) is in the 2014 budget.

R-View IT

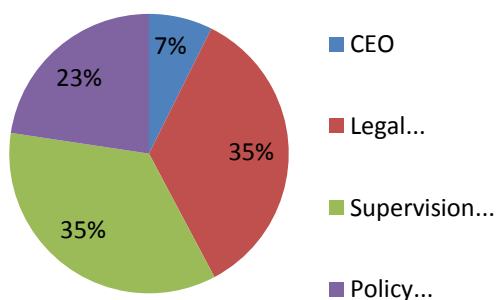
43. R-View IT costs are provided for in the central capital investment budget at £3.003m. Within this context it is important to note that the delivery of the information systems necessary to support SRA business (through the R-View Programme) is synchronised with the overall Group IT Strategy and the IT roadmap. For example, the separate Corporate Solutions led project of decommissioning REGIS will see the implementation of the CRM that will support SRA business in the future as other elements of the SRA's information systems are moved onto it.

Table 4: Total income & expenditure allocated to regulatory functions (SRA)

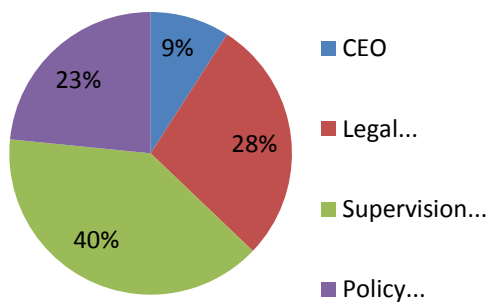
This table shows the expenditure of the Solicitors Regulation Authority, split by directorate, and the sources of income that fund that expenditure.

Budget Item	2013/14 Budget Year	2012/13 Current Year (budget)	Variance (£ and %)	Commentary
Total income allocated to the permitted purposes for regulatory functions				
Total PC fee income	£53.7m	£51.5m	+ £2.2m + 4%	
Funding from reserves	£0.0m	£1.0m	- £1.0m - 100%	
Recoveries	£16.4m	£6.4m	+ £10.0m + 156%	Increase in intervention related costs recharged to the Compensation Fund
Other Income	£5.9m	£6.0m	- £0.1m - 2%	
Total	£76.0m	£64.9m	+ £11.1m 17%	
Total expenditure on permitted purposes that are regulatory functions by directorate				
Chief Executive's Office	(£5.6m)	(£5.9m)	- £0.3m - 5%	
Legal, Enforcement and Post Enforcement	(£26.5m)	(£18.2m)	+ £8.3m 46%	Increase in intervention related costs
Supervision, Authorisation and I & I	(£26.7m)	(£25.6m)	+ £1.1m + 4%	
Policy, Standards, Risk, Research and Strategy	(£17.2m)	(£15.2m)	+ £2.0m + 13%	
Total SRA	(£76.0m)	(£64.9m)	+ £11.1m 17%	Increase in intervention related costs

Total PC fee expenditure on Regulatory Functions by directorate - 2012/13



Total PC fee expenditure on Regulatory Functions by directorate - 2011/12



SRA:

- **Chief Executive's Office** – includes costs of SRA CEO, legal education, and inclusion
- **Supervision, Authorisation and I & I** – includes costs of supervision, authorisation, operations, intelligence & investigation

- **Legal, Enforcement and Post Enforcement** – includes the costs of discipline and legal team, disciplinary legal fees, adjudication, interventions, cost recovery and claims management
- **Policy, Standards, Risk, Research and Strategy**– includes ethics policy and guidance and strategy, communications, risk, the contact centre and administration

Overall analysis of the SRA Budget against the statutory criteria

44. The budget flows from our assessment of the activities the SRA must undertake in 2014 to deliver its regulatory remit plus the Group COO's assessment of the resources required to support the SRA's activities with a professional shared service delivery. Overall there is a budget increase from £64m to £81.1m which is made of two key elements:

- The majority is accounted for by the SRA's "best view" estimate of the possible cost of interventions in 2014 (an increase of £8.4m over the 2013 budget). This is an estimate and because of the funding mechanism now adopted for these costs, if the SRA is successful in managing and influencing the behaviour of firms in financial difficulties (primarily through the Supervision function) this amount should reduce.
- The remainder of the variance arises from an increase of £1.9m in the directly controlled SRA budget and £4.9m in the Corporate Solutions budget to support the SRA (£4.7m on projects and £0.2m on BAU).

45. The impact on the NFR for 2014 is very different to the budget movement because of the treatment of estimated intervention costs. The 2014 NFR requirement for 2014 for SRA/Corporate Solutions is £53.7m compared to a 2013 requirement of £54m – a reduction of £0.3m.

46. In terms of the SRA's regulatory remit, the regulatory objectives and the activities necessary to manage the risks to those objectives, as set out in the Strategic Plan and this paper, we are satisfied that funding at the level set out in the budget is necessary.

47. The other major regulatory cost to regulated entities and individuals collected by the SRA, the Compensation Fund contribution, will drop in 2014 compared to 2013 notwithstanding the allocation of intervention costs to the Fund. The overall amount to be collected from the profession for the Fund for 2014 is £13.4m compared to £21.9m for 2013 - a reduction of £8.6m.

48. This means that in total NFR and Compensation Fund the SRA's requirement from the profession to support 2014 regulation will be £8.9m less than was required for 2013.

Section 4 - The Law Society Budget

Permitted purposes

49. During 2011, the Law Society Group reviewed all the group activities and allocated them between a) regulatory activities, b) permitted activities and c) non-permitted activities. The definition of permitted purposes comes from the Practising Fee Rules 2009 made under the Legal Services Act 2007 (c.29), section 51(3) and (6). In getting to this point, the following methodology has been used and agreed with the Law Society Management Board and the Law Society Council. It is only the costs for permitted activities which are included within the net funding requirement and the practising fee.

50. A detailed study of the Law Society activities, covering both costs and revenues was undertaken, reviewed and signed off by the Law Society's senior management team. Directorate and department costs were calculated initially based on the directly assignable costs and / or revenues along with an apportionment of shared services and central costs. Shared services and central costs are budgeted for within Corporate Solutions and have been allocated based on a number of drivers, mainly headcount.

51. Where a department conducts both permitted and non-permitted activities and individual costs could not be directly associated with either, an appropriate allocation percentage was agreed and signed off by the relevant director or head of business unit.

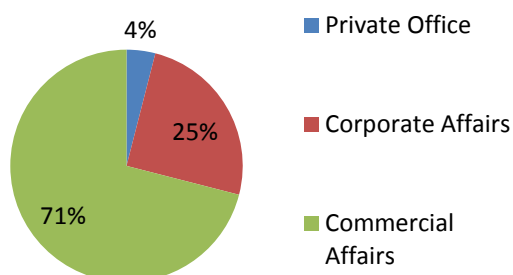
Table 5: Total non-Section 51 permitted income & expenditure

This table shows income in relation to non-permitted activities and associated expenditure. Any excess of income over expenditure contributes to the cost of the Law Society's permitted activities as shown in table 5.

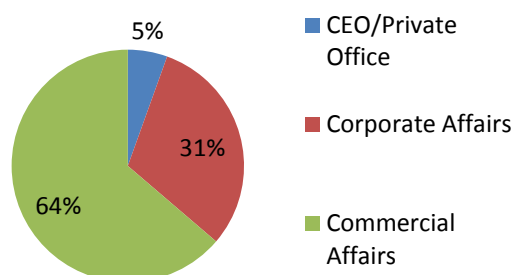
Budget Item	2013/14 Budget Year	2012/13 Current Year (budget)	Variance	Commentary
Total non-Section 51 income				
TLS non-S51 income	£11.1m	£13.6m	- £2.5m -18%	
Contribution of non-S51 income to permitted activities	(£1.1m)	(£4.5m)	- £3.4m - 75%	
Total	£10.0m	£9.1m	+ £0.9m + 10%	
Total non-Section 51 expenditure				
CEO/Private Office	(£0.4m)	(£0.5m)	- £0.1m - 20%	
Chief of Corporate Affairs	(£0.1m)	(£0.1m)	£0m 0%	
Communications	(£0.2m)	(£0.4m)	- £0.2m - 50%	
Legal Services	(£0.3m)	(£0.3m)	£0.0m 0%	
Legal Policy	(£1.5m)	(£1.6m)	- £0.1m - 6%	
International	(£0.0m)	(£0.0m)	£0.0m 0%	
Governance	(£0.4m)	(£0.4m)	+ £0.1m + 7%	
Government and Parliamentary Affairs	(£0.0m)	(£0.0m)	£0.0m 0%	
Relationship Management	(£0.0m)	(£0.0m)	£0.0m 0%	
Commercial Affairs	(£7.1m)	(£5.8m)	+ £1.3m + 22%	
Total	(£10.0m)	(£9.1m)	+ £0.9m + 10%	

Chief of corporate affairs, communications, legal services, legal policy, international, governance, government and parliamentary affairs and relationship management collectively form Corporate Affairs.

Total non-PC fee expenditure on non-permitted purposes by directorate- 2012/13



Total non-PC fee expenditure on non-permitted purposes by directorate- 2011/12



- **Private Office** - this includes the chief executive and the office holders. Provides strategic support to the leadership of the Law Society.
- **Communications** - includes media, branding, public affairs and corporate social responsibility (CSR) (i.e. equality & diversity). CSR involves promoting best practice throughout the profession.
- **Legal Services** – included in Corporate Affairs.
- **Legal Policy** - to develop policy to support the profession and ensure that the Society is recognised as one of the significant players in the legal system. 5 teams covering law reform, legal aid, professional representation and policy, regulatory affairs and research.
- **International** – included in Corporate Affairs.
- **Governance** – included in Corporate Affairs.
- **Government and Parliamentary Affairs** – included in Corporate Affairs.
- **Relationship Management** – included in Corporate Affairs.
- **Corporate Affairs** - includes commercial services, membership services, events and also international and UK operations. Commercial activity covers magazines, book publishing, venue hire, catering and affinity schemes. Membership services include sections and accreditation schemes as well as the practice advice service and the library.

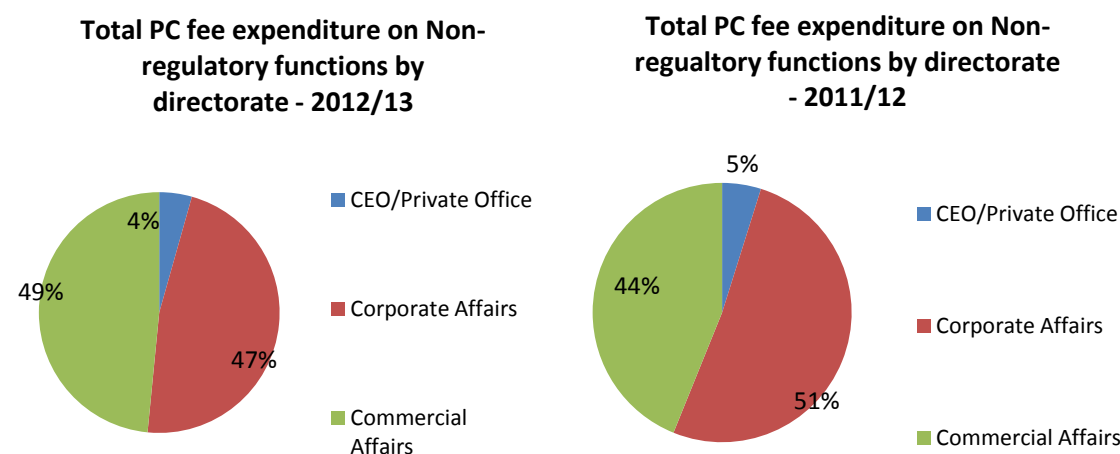
Table 6: Total PC fee income & expenditure allocated to non-regulatory functions (TLS)

This table shows the expenditure of the Law Society on permitted activities, split by directorate, and the sources of income that fund this expenditure. Any surplus from non-permitted activities will reduce the cost of permitted activities (see table 5).

Budget Item	2012/13 Budget Year	2011/12 Current Year (budget)	Variance	Commentary
Total income allocated to the permitted purposes for non-regulatory functions				
Section 51 permitted income	£5.9m	£4.0m	+ £1.9m + 48%	
Non-S51 Income (from table 3)	£1.1m	£4.5m	- £3.4m - 75%	
Total PCF income	£31.8m	£29.9m	+ £1.9m + 6%	
Funding from reserves	£0.0m	£0.8m	- £0.8m	

Budget Item	2012/13 Budget Year	2011/12 Current Year (budget)	Variance	Commentary
			- 100%	
Total	£38.8m	£39.2m	- £0.4m - 1%	
Total expenditure on permitted purposes that are non-regulatory functions by directorate				
CEO/Private Office	(£1.7m)	(£1.9m)	- £0.2m - 11%	
Chief of Corporate Affairs	(£0.4m)	(£0.4m)	+ £0.0m + 0%	
Communications	(£3.3m)	(£3.6m)	- £0.3m -8%	
Legal Services	(£1.8m)	(£2.1m)	- £0.3m -14%	
Legal Policy	(£6.2m)	(£6.5m)	- £0.3m - 5%	
International	(£2.0m)	(£2.3m)	- £0.3m -13%	
Governance	(£1.9m)	(£2.2m)	- £0.3m - 14%	
Government and Parliamentary Affairs	(£0.4m)	(£0.4m)	+ £0.0m + 0%	
Relationship Management	(£2.3m)	(£2.6m)	- £0.3m - 12%	
Commercial Affairs	(£18.8m)	(£17.2m)	+ £1.6m + 9%	
Total	(£38.8m)	(£39.2m)	- £0.4m - 1%	

Detail of the contents of each directorate can be found under Section 4: Permitted purposes above.



Section 5 - The Corporate Solutions budget

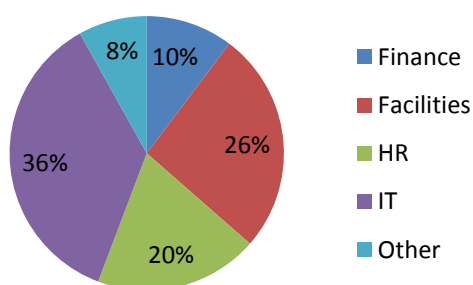
Table 7: Total PC fee income & expenditure on Corporate Solutions

This table shows the expenditure relating to shared services and central costs, split by area. These costs are allocated to the SRA and the Law Society and are included in the total expenditure in tables 4, 5 and 6. Corporate Solutions costs are allocated to directorates

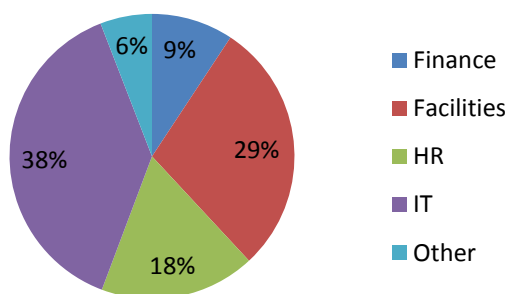
based on a number of drivers including headcount, floor space and usage. Once allocated to a directorate, the amount relating to non-permitted activities is calculated based on the proportion of other expenditure in that directorate related to non-permitted activities.

Budget Item	2013/14 Budget Year	2012/13 Current Year (budget)	Variance	Commentary
Total income allocated to shared services				
Total PC fee income	£38.5m	£34.2m		
Funding from reserves	£0.0m	£1.8m		
Contribution from non-S51 income	£3.3m	£3.1m		
Other income	£0.5m	£1.0m		
Total	£42.3m	£40.1m		
Total expenditure on shared services by area				
Chief Operating Officer	(£0.8m)	(£0.3m)	+ £0.5m + 167%	
Internal Audit and Risk	(£0.6m)	(£0.6m)	+ £0.0m +0%	
Finance	(£3.3m)	(£3.0m)	+ £0.3m + 10%	
Facilities	(£8.4m)	(£9.3m)	-£0.9m - 10%	
Human Resources and Development (HRD)	(£6.2m)	(£5.7m)	+ £0.5m + 9%	
IT	(£11.6m)	(£12.4m)	- £0.8m - 7%	
Sourcing	(£0.6m)	(£0.3m)	+ £0.3m +100%	
Portfolio Project Management Office	(£0.6m)	(£0.7m)	- £0.1m - 14%	
Group Projects	(£10.2m)	(£7.8m)	+ £2.4m + 31%	
Total excluding Depreciation	(£42.3m)	(£40.1m)	+ £2.2m + 5%	

Total PC fee expenditure on Corporate Solutions by directorate - 2013/14



Total PC fee expenditure on shares services by directorate - 2013



- **Finance** – costs for the group including corporation tax and pension provisions.
- **Facilities** – costs relating to expenditure on facilities in London and the Midlands.

- **HRD** – costs for the group of recruiting, redundancy payments, training and pension management.
- **IT** – the group costs of running all IT systems includes Logica contract.
- **Sourcing** – the cost of the sourcing team responsible for group wide procurement.
- **Portfolio Project Management Office** – management and support of group projects.
- **Group Projects** - this includes the costs of all projects across the group.

Section 6: Clarity and transparency

Consultations

52. As described in Section 1, we are not changing our approach to either fees structure or any discounts offered. This decision was made at the public session of the SRA Board in February 2012.
53. The SRA has implemented a change to the way interventions are funded. The SRA Board discussed this issue in public and decided to consult on the proposed approach. Formal consultation was issued in May 2013, with the SRA Board discussing results and making formal decision at the following public meeting in June 2013.

Communications

54. In July 2013, the contents of Sections 1-4 of this Application, adapted only to anticipate the final decisions of the Law Society Council and SRA Board, were published on both the Law Society and SRA web sites. This was to give those the SRA regulates the opportunity to make representation before the Law Society Council approved the overall budget on 11 July.
55. However, prior to that publication, a communications plan was drawn up to ensure that those we regulate and other stakeholders are kept informed of progress towards full approval of the fees structure and the implications for those the SRA regulates:
- Following the decision of the SRA Board on 23 January 2013 to maintain the fee structure for practising fees for this and the forthcoming year, and the SRA published a news release to the legal media on 6 February. This was also published on the SRA website and was tweeted. Given that the fee structure was to remain the same as the preceding year, a decision was made to adopt a comprehensive approach to communications as in 2012 without putting in place a full standalone stakeholder engagement strategy. It was felt more appropriate to put significant effort into communicating the full fees review and the Compensation Arrangements Review. This was to ensure that members of the regulated community and the media did not suffer from message fatigue and overload, and focus on the new and key issues.
 - As the decision was taken that the compensation fund contribution was to be significantly lower than last year, this was seen as warranting communications activity in its own right. This will be issued on 12 July (following the Law Society Council meeting), but will make it clear that it is still subject to LSB approval.

- At the start of July the on-line calculator was made available with an indicative individual fee of £384, a revised turnover table and indicative Compensation Fund contributions of £56 (individual) and £852 (firm).
- The publication of the on-line calculator was communicated via the legal media with a link through to the calculator. The news release was also tweeted and reference to the calculator was made within the SRA's e-newsletter that goes to everyone with a mySRA account. All communications relating to the online calculator make reference to the requirement for LSB approval to take place.
- In June a verification process was undertaken for the turnover figures submitted online by firms as part of the 2012/13 renewals process.
- As is the Communication Unit's practice, all news releases on the subject of fees were circulated to groups such as the Sole Practitioners' Group, the Association of Women Solicitors, the Association of Black Lawyers for publication in their in-house newsletters and website.
- Following the Law Society Council's approval of the indicative budget and the SRA Board approval of the fee determinations, a press release was issued jointly from the Law Society and the SRA. Every year a comprehensive communications plan is put in place to support the fees exercise as a whole, and includes communications to bodies such as the Local Government Association.

The Society's Treasurer in advance of the meeting of Council scheduled to review the budgets and NFR wrote to all Local Law Societies, Recognised Groups and Practitioner Associations drawing their attention to the NFR proposals and inviting comment or questions.

Section 7: Regulatory and diversity impact assessment

56. The significant changes made to the fee structure in 2010 were subject to considerable consultation with stakeholder groups and a published Equality Impact Assessment which indicated that, while there would be winners and losers in relation to firms in different size groups, overall the new structure would be beneficial to all in in-house practice and that more small firms would see an overall reduction in the total fees payable, as opposed to an increase.
57. Based on that analysis and the SRA Board's decision not to change the fee allocation policy, we believe the impact remains the same.

Section 8: Practising fees determination 2013/14

58. As stated at the outset of this application, under the arrangements agreed between the Law Society and SRA, it is for the Law Society Council, having consulted the SRA Board, to determine the total amount to be raised from practising fees. It is for the SRA to determine how that amount should be apportioned between the different categories of fee payer.
59. On 24 July 2013 the SRA Board made the following fee determinations, subject to the approval of the LSB.
- 59.1. Annex A: Draft Practising Certificate fee determination [2013]

59.1.1. This:

- sets the practising certificate fee and equivalent fees for registered European lawyers and registered foreign lawyers;
- provides for a 50% reduction for those who are or who have been on maternity leave;
- sets the firm fee for continuing recognised sole practitioners (based on turnover);
- sets the fee for brand new sole practitioners applying for recognition at the same time as renewal of a practising certificate;
- preserves a lower fee for RFLs who are based abroad and deals with other special cases;
- sets the fee at £250 for the SRA to determine relevant turnover following a Notice of Succession where the relevant firms cannot agree.

59.2. Annex B: Draft Determination of Sole Practitioner Fees [2013]

59.2.1. This separate fee determination is required to set the application fee for the recognition of a sole practitioner who applies during the course of a practising certificate year. It includes an amendment to make it clear that where the recognition commences in a different period from the one in which the application was made, the fee will be adjusted accordingly.

59.3. Annex C: Draft Recognised Body fee determination [2013]

59.3.1. This

- sets the application fee for authorisation as a recognised body;
- includes an amendment to make it clear that where the recognition commences in a different period from the one in which the application was made, the fee will be adjusted accordingly;
- sets the annual periodical fee for recognised bodies (based on turnover) with different provisions applying to brand new firms, continuing firms and firms who have been affected by an acquisition, merger or split in the last 12 months;
- deals with special cases such as overseas offices;
- sets the fee at £250 for the SRA to determine relevant turnover following a Notice of Succession where the relevant firms cannot agree.

59.4. Annex D: Draft Licensed Body fee determination [2013]

59.4.1. This

- sets the application fee payable by licensable bodies, which comprises a minimum set fee, plus an additional amount for each person requiring approval, with the possibility of fees being increased if the work in relation to the application is more than covered by the basic fee and for any costs of external agencies to be passed on to the applicant;
- sets the initial periodical fee payable by a licensed body on authorisation, based on estimated turnover for the first 12 months and calculated in accordance with the banded turnover table;
- sets the annual periodical fee for licensed bodies (based on turnover);
- includes an adapted definition of turnover to give the SRA a discretion to amend the figure where it appears that the turnover figure does not fully reflect the value of the legal services provided;
- adapts the definition of turnover to relate it to turnover from regulated legal activities.

ANNEXES

Annex A – Draft Practising Certificate Fee Determination [2013]

This determination is made by the Solicitors Regulation Authority Board under section 11 of the Solicitors Act 1974, paragraph 2(1)(b) of Schedule 14 to the Courts and Legal Services Act 1990 and regulation 1.1 of the SRA Practising Regulations 2011, 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 to the Law Society for each practising certificate issued will be £384 unless paragraphs 2, 3, or 4 below apply, or unless any of paragraphs 5 to 12 apply so as to impose an increased or additional fee.

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 2013 or any solicitor admitted prior to 1 November 2012 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 2013 to 31 December 2013 inclusive - £384
 - (b) Practising certificate issued 1 January 2014 to 31 March 2014 inclusive - £300
 - (c) Practising certificate issued 1 April 2014 to 30 June 2014 inclusive - £216
 - (d) Practising certificate issued 1 July 2014 to 31 October 2014 inclusive - £132Paragraphs 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 2013, 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 provisions

4. A solicitor who applies for a practising certificate during the practising certificate year 1 November 2013 to 31 October 2014 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 2013 to 31 December 2013 inclusive - £216
 - (b) Practising certificate issued 1 January 2014 to 31 March 2014 inclusive - £174
 - (c) Practising certificate issued 1 April 2014 to 30 June 2014 inclusive - £132
 - (d) Practising certificate issued 1 July 2014 to 31 October 2014 inclusive - £90This 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.

Recognised sole practitioners

Initial applications

5. Subject to paragraph 6, where a solicitor makes an initial application for a practising certificate or applies for a replacement of a practising certificate, and the certificate applied for is to include initial authorisation as a recognised sole practitioner, the fee payable under paragraphs 1, 2, 3 or 4 shall be increased by:
 - (a) £1,000 if the certificate is to commence in the period 1 November 2013 to 31 December 2013;
 - (b) £800 if the certificate is to commence in the period 1 January 2014 to 31 March 2014;
 - (c) £600 if the certificate is to commence in the period 1 April 2014 to 30 June 2014;
 - (d) £400 if the certificate is to commence in the period 1 July 2014 to 31 October 2014.

6.
 - (a) This paragraph applies where a solicitor on or after 1 November 2013:
 - i. makes an initial application for a practising certificate or applies for replacement of a practising certificate, which includes an application for initial authorisation as a recognised sole practitioner; and
 - ii. the solicitor is succeeding to the whole or part of a practice of a recognised body or recognised sole practitioner.

 - (b) Where in 6(a) the predecessor recognised body or recognised sole practitioner has paid a fee for the practising year 1 November 2013 to 31 October 2014, the fee payable under paragraphs 1, 2, 3, or 4 above shall be increased by an application fee of £200.

 - (c) Where in 6(a) the predecessor recognised body or recognised sole practitioner has not paid a fee for the whole or part of the practising year 1 November 2013 to 31 October 2014, the fee payable under paragraphs 1,2,3 or 4 shall be increased by an amount determined as if the solicitor were applying for renewal in accordance with paragraphs 7 to 10 below as appropriate, plus an additional application fee of £200.

Renewal of authorisation as a recognised sole practitioner

From 1 November 2010 recognised sole practitioners who apply to renew authorisation as such are required to pay a practising certificate fee under paragraphs 1, 2, 3 or 4 above and an additional sum which is calculated by reference to the firm's turnover. The way that the turnover is determined will depend on whether the firm is a continuing recognised sole practitioner, a new recognised sole practitioner renewing for the first time or a successor recognised sole practitioner. Paragraphs 7 to 9 below deal with the way that the fee is determined in relation to each of those categories.

7.
 - (a) This paragraph applies where a Continuing Recognised Sole Practitioner makes an application for a practising certificate and the certificate applied for is to include renewal of authorisation as a recognised sole practitioner.

 - (b) The fee payable under paragraphs 1, 2, 3 or 4 shall be increased by the amount arrived at after taking the Turnover Figure and carrying out the calculations in respect of the relevant band in accordance with appendix 1.

8.
 - (a) This paragraph applies where a New Recognised Sole Practitioner who first became authorised as a recognised sole practitioner after 31 October 2011

makes an application for a practising certificate and the certificate applied for is to include renewal of authorisation as a recognised sole practitioner.

- (b) The fee payable under paragraphs 1, 2, 3 or 4 shall be increased by the amount arrived at after 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.
9. (a) This paragraph applies where a Successor Recognised Sole Practitioner makes an application for a practising certificate and the certificate applied for is to include renewal of authorisation as a recognised sole practitioner.
- (b) The fee payable under paragraphs 1, 2, 3 or 4 shall be increased by the amount arrived at after taking the Successor Turnover Figure and carrying out the calculations in respect of the relevant band in accordance with appendix 1.

Overseas Branch Offices

10. Where a recognised sole practitioner has one or more overseas branch offices, the fee payable under any of the applicable paragraphs above shall be increased by £200 in respect of each overseas office.

Application for the SRA to determine Successor Turnover Figure

11. 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.

Late delivery of an accountant's report

12. Where a solicitor applies for a practising certificate at a time when section 11(4) of the Solicitors Act 1974 has effect because the solicitor has failed to deliver an accountant's report by such time or in such circumstances as prescribed by rules made under section 34(1) of that Act, an additional fee of £200 must be paid when making an application for a practising certificate.

Application to registered European lawyers

13. The fee to be paid to the Law Society 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 12 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 2012, 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

- 14. The fee to be paid to the Law Society for initial registration or renewal of registration as a registered foreign lawyer shall, subject to paragraph 15 below, be governed in all respects by the provisions of paragraphs 1, 2, 4 and 12 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 2012, registered or re-registered as a registered European lawyer and who applies for his or her first registration as a registered foreign lawyer.
- 15. The fee for a registered foreign lawyer practising mainly from an office or offices outside England and Wales shall be £100.

Interpretation

- 16. In this determination:

Continuing Recognised Sole Practitioner means a recognised sole practitioner who became authorised as a recognised sole practitioner before 31 October 2012 and who is not a Successor Recognised Sole Practitioner;

Firm means a recognised sole practitioner or a recognised body;

New Recognised Sole Practitioner means a recognised sole practitioner who first became authorised as a recognised sole practitioner after 31 October 2012 and who is not a Successor Recognised Sole Practitioner;

Notice of Succession means notice required under regulation 5.3 of the SRA Practising Regulations 2011 or Rule 8.3(f) of the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011;

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;

Period of leave equivalent to statutory maternity leave means a period of absence or leave which if a solicitor had been an employee would have been taken as statutory maternity leave;

Recognised body means a body recognised by the SRA under section 9 of the Administration of Justice Act 1985;

Recognised Sole Practitioner means a solicitor or REL authorised by the SRA under section 1B of the Solicitors Act 1974 to practise as a sole practitioner;

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;

Successor Recognised Sole Practitioner means for the purposes of calculating the renewal fees, a recognised sole practitioner who after 31 October 2012 succeeds to the whole or any part of any recognised body or recognised sole practitioner, for value or otherwise, in any of the following cases:

case (I):

a recognised sole practitioner who acquires the whole or a part of one or more recognised bodies or recognised sole practitioners;

case (II):

a recognised sole practitioner resulting from the merger between the whole or part of two or more recognised bodies or recognised sole practitioners;

case (III):

a recognised sole practitioner remaining after it has split or ceded part of its practice to another recognised body or recognised sole practitioner;

Successor Turnover Figure means as set out in appendix 3; and

Turnover Figure means as set out in appendix 2

17. The singular includes the plural and vice versa.

Commencement

18. This determination shall come into force on 1 November 2013.

**Annex A - Draft Practising Certificate 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	0.98%	£0	£100
B	£20,000 - £149,999	0.58%	£20,000	£296
C	£150,000 - £499,999	0.56%	£150,000	£1,050
D	£500,000 - £999,999	0.54%	£500,000	£3,016
E	£1,000,000 - £2,999,999	0.51%	£1,000,000	£5,714
F	£3,000,000 - £9,999,999	0.35%	£3,000,000	£15,881
G	£10,000,000 - £29,999,999	0.29%	£10,000,000	£40,227
H	£30,000,000 - £69,999,999	0.27%	£30,000,000	£99,088
I	£70,000,000 - £149,999,999	0.24%	£70,000,000	£206,107
J	£150,000,000 +	0.09%	£150,000,000	£398,742

* % is equivalent to 'divided by 100' (e.g. 0.65% = 0.0065)

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

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

Formula: (T - C) x B + D

Example 1: For Turnover of £0:
 $(£0 - £0) \times 0.98\% + £100 = £100$

Example 2: For Turnover of £200,000:
 $(£200,000 - £150,000) \times 0.56\% + £1,050 = £1,330$

Example 3: For Turnover of £813,421:
 $(£813,421 - £500,000) \times 0.54\% + £3,016 = £4,708$

Example 4: For Turnover of £279,123,528:
 $(£279,123,528 - £150,000,000) \times 0.09\% + £398,742 = £514,953$

Annex A – Draft Practising Certificate 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 2013 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 2012, 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 2012 (e.g. 31 March 2012). The latest acceptable annual accounting period end date is 31 October 2012.
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 2011 to 31 October 2012, 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 2011 figure if an updated 2012 figure based on closed accounts has not been received by 31 August 2013.
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 2012) 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 2012 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 2012)
 - Alternatively, if this is not possible then take the last closed accounts period prior to the 1 November 2012 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 at renewal it should respond as if there were no change in status.

Annex A - Draft Practising Certificate 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 B – Draft Determination of Sole Practitioner Fees [2013]

This determination is made by the Solicitors Regulation Authority Board under section 13ZB of the Solicitors Act 1974 and regulation 1.1 of the SRA Practising Regulations 2011, with the approval of the Legal Services Board under section 51 of the Legal Services Act 2007.

- (1) Subject to paragraph (3), the fees under section 13ZB of the Solicitors Act 1974 for a certificated solicitor or a registered European lawyer who makes a **separate** application for initial authorisation as a recognised sole practitioner to commence during the period 1 November 2013 to 31 October 2014 shall be set at:
 - (a) £1000 if the authorisation is to commence in the period 1 November 2013 to 31 December 2013;
 - (b) £800 if the authorisation is to commence in the period 1 January 2014 to 31 March 2014;
 - (c) £600 if the authorisation is to commence in the period 1 April 2014 to 30 June 2014;
 - (d) £400 if the authorisation is to commence in the period 1 July 2014 to 31 October 2014.
- (2) Where an initial authorisation as a recognised sole practitioner 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 where a solicitor on or after 1 November 2013:
 - i. makes a **separate** application for initial authorisation as a recognised sole practitioner: and
 - ii. the solicitor is succeeding to the whole or part of a practice of a recognised body or recognised sole practitioner.
 - (b) Where in (3)(a) the predecessor recognised body or recognised sole practitioner has paid a fee for the practising year 1 November 2013 to 31 October 2014, the fee payable is £200.
 - (c) Where in (3)(a) the predecessor recognised body or recognised sole practitioner has not paid a fee for the practising year 1 November 2013 to 31 October 2014, the fee payable shall be determined as if the solicitor were applying for renewal in accordance with paragraphs 8 to 10 of the Practising Certificate Fee Determination 2013 as appropriate, plus an additional application fee of £200.
- (4) All terms in this determination are to be interpreted in accordance with the Practising Certificate Fee Determination 2013.
- (5) This determination shall come into force on 1 November 2013.

Annex C - Draft Recognised Body Fee Determination [2013]

This determination is made by the Solicitors Regulation Authority Board under Rules 2.1 and 8.3 of the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011, 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 applying for initial recognition as a New Recognised Body is:
 - (a) £1000 on applying for initial recognition to commence in the period 1 November 2013 to 31 December 2013;
 - (b) £800 on applying for initial recognition to commence in the period 1 January 2014 to 31 March 2014;
 - (c) £600 on applying for initial recognition to commence in the period 1 April 2014 to 30 June 2014;
 - (d) £400 on applying for initial recognition to commence in the period 1 July 2014 to 31 October 2014.
2. Where an initial recognition for a New Recognised Body 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 is applying for initial recognition on or after 1 November 2013 in the following circumstances:
 - (i) the body is succeeding to a practice of a recognised sole practitioner.
 - (ii) the application is being made by an existing recognised body which is changing its legal status; or
 - (iii) the application is being made by a Successor Recognised Body.
 - (b) Where in paragraph 3(a) the predecessor sole practitioner or recognised body has paid a fee for the practising year 1 November 2013 to 31 October 2014, the fee shall be £200.
 - (c) Where in paragraph 3(a) the predecessor sole practitioner or recognised body has not paid a fee for the practising year 1 November 2013 to 31 October 2014, the fee shall be determined in accordance with paragraphs 4, 5 or 6, as appropriate, plus an additional application fee of £200.

Annual Periodical fees

Recognised Bodies 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

recognised body, a new recognised body or a successor recognised body. Paragraphs 3 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 where it is a Continuing Recognised Body 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 Recognised Body which first obtained authorisation after 31 October 2012 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 Recognised Body 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 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 Recognised Body means a recognised body which is not a Successor Recognised Body and in which either:

- (a) the number and identity of the managers has not changed since 31 October 2012; or
- (b) the only changes since 31 October 2012 in the number or identity of the managers are as a result of one or more managers leaving or joining the recognised body;

Firm means a recognised sole practitioner or a recognised body;

Manager means:

- (a) a partner in a partnership;
- (b) a member of an LLP; or
- (c) a director of a company;

Member in relation to a recognised body, means:

- (a) a person who has agreed to be a member of a company and whose name is entered in the company's register of members; or

(b) a member of an LLP;

New Recognised Body means a recognised body which obtained recognition after 31 October 2012 and is not a Successor Recognised Body;

Notice of Succession means a notice required under Rule 8.3(f) of the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011.

Recognised body means a body recognised by the SRA under section 9 of the Administration of Justice Act 1985;

Recognised Sole Practitioner means a solicitor or REL authorised by the SRA under section 1B of the Solicitors Act 1974 to practise as a sole practitioner;

Successor Recognised Body means for the purposes of calculating the renewal fees, a recognised body which after 31 October 2012 succeeds to the whole or any part of any recognised body or recognised sole practitioner, for value or otherwise, in any of the following cases:

case (I):

a recognised body which acquires the whole or a part of one or more recognised bodies or recognised sole practitioners;

case (II):

a recognised body resulting from the merger between the whole or part of two or more recognised bodies or recognised sole practitioners;

case (III):

a recognised body remaining after it has split or ceded part of its practice to another recognised body or recognised sole practitioner;

Successor Turnover Figure means as set out in appendix 3

Turnover Figure means as set out in appendix 2.

9. The singular includes the plural and vice versa.

Commencement

10. This determination shall come into force on 1 November 2013.

Annex C - Draft Recognised 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	0.98%	£0	£100
B	£20,000 - £149,999	0.58%	£20,000	£296
C	£150,000 - £499,999	0.56%	£150,000	£1,050
D	£500,000 - £999,999	0.54%	£500,000	£3,016
E	£1,000,000 - £2,999,999	0.51%	£1,000,000	£5,714
F	£3,000,000 - £9,999,999	0.35%	£3,000,000	£15,881
G	£10,000,000 - £29,999,999	0.29%	£10,000,000	£40,227
H	£30,000,000 - £69,999,999	0.27%	£30,000,000	£99,088
I	£70,000,000 - £149,999,999	0.24%	£70,000,000	£206,107
J	£150,000,000 +	0.09%	£150,000,000	£398,742

* % is equivalent to 'divided by 100' (e.g. 0.65% = 0.0065)

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

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

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

Example 1: For Turnover of £0:
 $(£0 - £0) \times 0.98\% + £100 = £100$

Example 2: For Turnover of £200,000:
 $(£200,000 - £150,000) \times 0.56\% + £1,050 = £1,330$

Example 3: For Turnover of £813,421:
 $(£813,421 - £500,000) \times 0.54\% + £3,016 = £4,708$

Example 4: For Turnover of £279,123,528:
 $(£279,123,528 - £150,000,000) \times 0.09\% + £398,742 = £514,953$

Annex C - Draft Recognised Body 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 2013 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 2012, 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 2012 (e.g. 31 March 2012). The latest acceptable annual accounting period end date is 31 October 2012.
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 2011 to 31 October 2012, 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 2010 figure if an updated 2012 figure based on closed accounts has not been received by 31 August 2013.
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 2012) 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 2012 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 2012)
 - Alternatively, if this is not possible then take the last closed accounts period prior to the 1 November 2012 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 at renewal it should respond as if there were no change in status.

Annex C - Draft Recognised Body Fee Determination

Appendix 3

Successor Turnover

Successor turnover is relevant where firms have changed through, for example, an acquisition, merger or split. Certain firms affected are required to submit a Notice of Succession to the SRA with an agreed apportionment of turnover among the affected firms.

As guidance successor turnover shall be calculated based on the Turnover Figures for each of the affected firms.

If a firm has succeeded to the whole or a part of one or more firms (e.g. through merger or acquisition), successor turnover will be calculated by combining the appropriate proportion of the Turnover Figure for each of the affected firms which has become part of the successor practice:

- In a simple merger between firms A and B, combine the Turnover Figures for each firm.
- In a merger of one firm (firm A) with part of another firm (e.g. one third of firm B) then firm A should add the corresponding proportion of firm B's Turnover Figure to its Turnover Figure (e.g. firm A's Turnover Figure + third of firm B's Turnover Figure)

For a firm which has split or ceded part of their practice to another firm and wishes this change to be reflected in a successor turnover figure, the successor turnover figure will be a proportion of the Turnover Figure, as long as it is clear how the Turnover Figure for such a firm is to be distributed between the successor firms. 100% of the Turnover Figure must be accounted for between the successor firms. For example:

- In a merger of firm A with one third of firm B then
 - firm B's successor turnover figure will be two thirds of its Turnover Figure, Firm A's will be its Turnover Figure plus one third of B's Turnover Figure
- Where firm A and one third of firm B become new firm C
 - firm A's turnover will be £0 (closed) and B's turnover will be two thirds of its Turnover Figure. Firm C's successor turnover figures will be the combination of A's Turnover Figure and one third of firm B's.

In a case where all successor firms agree on the apportionment of 100% of the Turnover Figures, then the SRA will accept the successor turnover figures.

In the case where all successor firms are unable to agree the apportionment of 100% of the Turnover Figures, then the SRA will treat the Notice of Succession as an application for it to determine the Turnover Figure for the purpose of calculating the fees. The SRA will determine this apportionment based on the information available and its decision will be final.

Annex D - Draft Licensed Body Fee Determination [2013]

This determination is made by the Solicitors Regulation Authority Board under Rules 2.1 and 8.3 of the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011 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, and includes a contribution towards the setting up of the appellate body;
 - (b) £150 in relation to each candidate subject to approval by the SRA under Part 4 of the Authorisation Rules, excluding those deemed to be approved under Rule 13.2 of the Authorisation 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 2013 to 31 October 2014 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 2014.
4. (a) Where a licensed body has succeeded to the whole of the practice of a recognised sole practitioner or recognised body the fee calculated in accordance with paragraph 3 shall be reduced by one twelfth of the firm fee already paid by the predecessor recognised sole practitioner or recognised body in respect of each month between the date of authorisation of the licensed body and 31 October 2013.
 - (b) Where a licensed body has succeeded to part of the practice of a recognised sole practitioner or recognised 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 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:

Applicant body means a licensable body which makes an application to the SRA for authorisation in accordance with the Authorisation Rules;

Authorisation Rules means the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011;

Candidate means a person who is assessed by the SRA for approval as an owner manager or compliance officer under Part 4 of the Authorisation Rules;

Firm means a licensed body;

Notice of succession means notice required under regulation 5.3 of the SRA Practising Regulations 2011 or Rule 8.3(f) of the Authorisation Rules;

Licensed body means a partnership, company or LLP for the time being licensed by the Solicitors Regulation Authority under Part 5 of the Legal Services Act 2007;

Material interest has the meaning given to it in the Authorisation Rules;

Regulated activity means (i) any reserved activity; (ii) any other legal activity and (iii) any other activity in respect of which a licensed body is regulated pursuant to Part 5 of the LSA;

Turnover Figure means as set out in appendix 3.

All other terms are to be interpreted in accordance with the SRA Handbook Glossary.

Commencement

8. This determination shall come into force on 1 November 2013.

Annex D - Draft Licensed Body Fee Determination

Appendix 1

1. The initial payment of £2000 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 £9000.
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 £3000 and £5000 dependent on the jurisdiction.
6. Additional costs may also be incurred where there are complex ownership structures which require investigation in order to identify all persons who hold a material interest.

Annex D - Draft 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	0.98%	£0	£100
B	£20,000 - £149,999	0.58%	£20,000	£296
C	£150,000 - £499,999	0.56%	£150,000	£1,050
D	£500,000 - £999,999	0.54%	£500,000	£3,016
E	£1,000,000 - £2,999,999	0.51%	£1,000,000	£5,714
F	£3,000,000 - £9,999,999	0.35%	£3,000,000	£15,881
G	£10,000,000 - £29,999,999	0.29%	£10,000,000	£40,227
H	£30,000,000 - £69,999,999	0.27%	£30,000,000	£99,088
I	£70,000,000 - £149,999,999	0.24%	£70,000,000	£206,107
J	£150,000,000 +	0.09%	£150,000,000	£398,742

* % is equivalent to 'divided by 100' (e.g. 0.65% = 0.0065)

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

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

Formula: (T - C) x B + D

Example 1: For Turnover of £0:
 $(£0 - £0) \times 0.98\% + £100 = £100$

Example 2: For Turnover of £200,000:
 $(£200,000 - £150,000) \times 0.56\% + £1,050 = £1,330$

Example 3: For Turnover of £813,421:
 $(£813,421 - £500,000) \times 0.54\% + £3,016 = £4,708$

Example 4: For Turnover of £279,123,528:
 $(£279,123,528 - £150,000,000) \times 0.09\% + £398,742 = £514,953$

Annex D - Draft Licensed Body Fee Determination

Appendix 3

Turnover Figure

The following paragraphs describe how the estimated 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 estimated 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, recognised body, licensed 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.