

Full Equality Impact Assessment (EIA): Fairer Fee Policy

Introduction

The current system

1. The Solicitors Act 1974 requires practising solicitors to have a practising certificate which attracts an annual fee. Registered Foreign Lawyers (RFLs) and Registered European Lawyers (RELs) are required to register annually on payment of a fee. This fee income is used to fund the cost of regulating the profession, permitted purposes by the representative function and levies for complaints handling, the solicitors' disciplinary tribunal and the Legal Services Board (LSB).
2. The standard practising certificate fee for 2009/2010 was £1,180 plus the Compensation Fund contribution. There are a number of reductions and exemptions available, for example:
 - ... If earnings are less than £20,000, solicitors may qualify for a low income fee reduction
 - ... Women may also qualify for a maternity leave fee reduction
 - ... Solicitors/RELs working for the Crown Prosecution Service are exempt from the Compensation Fund contribution.¹
3. The current fee income was generated on the basis of individual fees and change was inevitable following the introduction of the Legal Services Act 2007 which requires the SRA to regulate firms as well as individual solicitors.
4. The majority of the SRA's effort is focused on firms. Lord Hunt recognised this in his recent review of legal regulation, when he recommended 'that the practising certificate fee should be clearly and, so far as possible, equitably split between an entity element and an individual element'.

The need for change

5. The SRA feels the present system is unfair, for example solicitors employed in local government or commerce and industry are charged the same practising certificate fee as solicitors in private practice, despite the fact that between 60% and 80% of the SRA effort relates to private practice. Moreover, the amount the firm pays under the current system depends solely on the number of solicitors, registered European lawyers (RELs) and registered foreign lawyers (RFLs) employed which does not take into account income earned by other non-solicitor fee earners.
6. The SRA commenced a review in 2008 as it felt that the present system is unfair. The LSB has since expressed its view that the system needs to better reflect where the regulatory effort is spent across the profession and the current system fails to do this.

Developing the new system

¹ For more detail on the current fee structure please see the SRA's website at <http://www.sra.org.uk/solicitors/pc-registration-renewal/fees/fees-2009-2010.page>.

7. To help us develop a fairer fee policy, we built a number of complex fee structure models to understand what the likely impact of various options would be.
8. We carried out three consultations between June 2009 and April 2010 along with a number of meetings and workshops with key equality stakeholders and members of the profession. This helped us develop and agree on the new fee structure which we will be introducing for the practising year 2010/2011.
9. We posed questions in all three consultations about the impact of the proposals on equality and asked for feedback from the profession. Equality and diversity implications have been taken into account throughout the development of the policy and legal advice has been sought when relevant.

Key Stakeholders

10. Those who will be affected by this policy are
 - ... all those within the solicitors' profession (i.e. all regulated solicitors, RELs and RFLs and recognised sole practitioners and recognised bodies)
 - ... solicitor representative groups (e.g. AWS, JLD, CLLS)
 - ... the Legal Services Board
 - ... the Law Society
 - ... the SRA itself, as one of the bodies funded by the fee income and in relation to the changes proposed to internal processes and procedures (especially members of staff dealing with the renewal process and providing first point of contact for the profession such as the contact centre)
 - ... other approved regulators as there is now a choice of regulators and the new fee structure may have an impact on that choice.

Aims and Objectives of the new policy

11. The SRA set out to implement a fairer system and was not seeking to achieve an overall increase in revenue from fees. The main aims and objectives of the new policy are to:
 - ... make the fee structure more logical and spread the costs more fairly over the various sectors of the profession (i.e. between in-house and private practice)
 - ... prepare the fee structure to be more compatible with alternative business structures (ABSs) when they are permitted from 2011
 - ... meet our strategic objective to ensure that our policies and regulations are fair and that they are not directly or unjustifiably indirectly discriminatory
 - ... comply with our regulatory objectives, in particular improving access to justice, promoting competition and encouraging an independent, strong, varied and effective legal profession.
12. We consulted on what the guiding principles for the new fee policy should be and had a positive response from the profession. The principles that we adopted are that the policy should:
 - (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 - fees should not be a deterrent to new entrants.
13. In line with the fifth principle of the new fee policy, in introducing the new funding structure and corresponding process changes, we were also aiming to simplify the types of exceptions and discounts that are allowed currently, which can be complex.

Information, feedback and data considered

14. In conducting this full equality impact assessment, we have reviewed and considered evidence from the following sources:
- ... Internal statistical data on the profile of the profession - the data we have used is from the annual statistics report published by the Law Society.²
 - ... An extract from Regis which includes fee information and diversity data against each individual firm.
 - ... Benchmarking of the profession under other jurisdictions and other professions (the results of this exercise are set out at Annex 2).
 - ... Sample statistical data from different fee models on turnover and number of fee earners broken down by firm - as this information was previously not captured internally we needed an external data source. Anonymous data (which represented approximately 40% of all firms in England and Wales) was obtained from two of the principal insurance providers to the profession. This data was used to build a model for calculating the new fee structure and conduct corresponding impact analysis for firms of different sizes and composition.³
 - ... The outcome of the three formal consultation exercises, details of which are set out below.
 - ... Feedback from various other meetings and engagement activities (the events are listed at Annex 2).

Responses to the three formal consultations

² See Annual Statistical Reports of the profession available on the Law Society's website at <http://www.lawsociety.org.uk/aboutlawsociety/whatwedo/researchandtrends/researchpubs/view=researchpubsarticle.law?PUBLICATIONID=425618>.

³ This data was set out in the second consultation paper available on the SRA's website at - <http://www.sra.org.uk/sra/consultations/fee-policy-second-december-2009.page>.

15. The first consultation, 'Moving toward a fairer fee policy' (consultation paper 19) was open for twelve weeks from 30 June to 28 September 2009. This consultation paper articulated the broad principles and objectives upon which any new fee policy should be based.⁴
16. We had responses from a cross section of the profession and a range of key stakeholder groups and representative bodies. We also held a number of workshops and meetings with different equality groups conducted so far. The outcome of the consultation was reported to the SRA Board on 19 November 2009.
17. Respondents were in broad agreement on the principles that should drive the new fee policy and accordingly, these principles were adopted by the SRA Board (as set out in paragraph 12 above).
18. Respondents agreed that the fee should be split between an individual component and a firm component and we had put forward a number of options for calculating the level of the firm's fee such a size, number of fee earners or turnover. The turnover model was the preferred option for most respondents and this was agreed by the SRA Board. Annex 1 sets out the other two models in more detail with reasons why they were discarded.
19. Respondents agreed that the Compensation Fund should continue to be a means of providing the public with confidence in the profession, and contributions should come from individuals and firms. However, it was clear that we needed to further develop the proposed model to ensure that it was fair on the profession.
20. We also needed to carry out further assessment of the impact on the profession of the proposed changes to identify any significant positive or negative effects. In addition, the profession needed more detailed information on the proposed fee structure, including examples as to how the turnover model would work in practice, as well as clarity about how the specific principles and objectives of the new funding system would be interpreted in the future.
21. We carried out a second consultation, 'Moving toward a fairer fee policy: Second Consultation' (consultation paper 21) which was open for seven weeks from 7 December 2009 to 22 January 2010. This paper provided more detail about the preferred model that had emerged from the first consultation, which was the individual fee plus a firm fee which would be calculated on the basis of the firm's turnover.⁵
22. We received 45 responses to the questionnaire together with 10 general responses by email and post. The responses were submitted by, or on behalf of a range of local law societies and representative bodies as well as individual solicitors from different sectors and law firms of varying sizes. The outcome of the consultation was reported to the SRA Board on 15 February 2010.

⁴ The first consultation paper and a report on its outcome are available on the SRA's website at <http://www.sra.org.uk/sra/consultations/moving-toward-fairer-fee-policy-june-2009.page>.

⁵ The second consultation paper and a report on its outcome are available on the SRA's website at <http://www.sra.org.uk/sra/consultations/fee-policy-second-december-2009.page>.

23. The consultation paper suggested that the individual component of the fee should represent 40% of the fee income and the firm component should be 60% but moving towards a 20/80 split in the future. We proposed that the individual component should be a flat fee with minimum discounts. Both proposals were favoured by respondents and agreed by the SRA Board.
24. There were some concerns about the reduced number of discounts, in particular the low income discount - respondents were concerned about the effect this might have on semi-retired and more senior members of the profession, as well as those working in disadvantaged sectors and less profitable areas of practice such as legal aid. It was agreed by respondents, and subsequently by the SRA Board, that the maternity reduction should remain.
25. The consultation paper proposed a banding structure for working out a firm's contribution based on their turnover, a system which would avoid a dramatic shift in the fees being paid by firms under the current system.⁶ We provided a number of worked examples so that firms could understand the impact of the new system that we were proposing and these are reproduced at Annex 4.
26. Respondents and subsequently the SRA Board agreed that the banded turnover model was the fairest available option for calculating the firm fee. However, there were some concerns raised by respondents, one of the main ones was the lack of clarity as to whether a particular firm or business would have to pay the firm based fee. For example, some sole practitioners and local authorities were unsure whether they would have to pay both the 'individual' and 'firm' component.
27. We considered the Compensation fund and offered a number of options as to how that fee should be used and how it should be split between individuals and firms and on what basis each component should be calculated. Respondents felt that the Compensation Fund should be funded by both individuals and firms, and used only to pay the costs of claims, the costs of handling of those claims and any necessary reserves.

The third consultation, 'Moving towards a Fairer Fee Policy: transitional arrangements' (consultation paper number 22) was open from 5 March to 16 April 2010. The paper asked whether there was a need for a transitional fee moderation process introduced for this year in order to alleviate some of the hardship caused by using historic turnover data in determining firm fee and facilitate a smooth transition to the new funding arrangement for certain firms. It also covered the approach to setting firm fees for brand new firms.⁷

28. As a result of the third consultation, the Board agreed to introduce a criteria-based transitional fee moderation process for 2010. The board also agreed to introduce a pro-rated regulatory firm fee for brand new firms or sole practitioners in their first year of practice of £1000. See Annex 4 for additional details on the outcomes of the third consultation.
29. These three consultations alongside the accompanying workshops were invaluable in helping the SRA to achieve a more effective and considered

⁶ Although there is no firm based fee due under the current system, we recognised that most firms paid the fees on behalf of their practicing solicitors, RELs and RFLs.

⁷ The third consultation paper and a report on its outcome are available on the SRA's website at <http://www.sra.org.uk/sra/consultations/moving-toward-fairer-fee-policy-third-March-2010.page>.

approach to practicing fees in 2010 which aims to allocate the cost of regulation more fairly across the profession. The new fee policy will be implemented for the 2010 practising certificate/registration fee/recognition renewal process.

30. There is a table in [Annex 4](#), setting out the main SRA Board decisions after each of the three consultations.

Key elements of the new fee structure

31. As seen above, the policy has been developed and informed through three consultation exercises and much engagement with key stakeholders, including equality groups.
32. The new fee structure has now been agreed by the SRA Board and will be made up of four main component parts:
- ... Individual regulatory fee - a flat fee of approximately £460 will be payable by every solicitor seeking a practising certificate and every REL and RFL seeking to register. The only discount remaining will be for individuals on maternity leave, who will be charged 50% of the regulatory individual fee
 - ... Regulatory firm fee – this will be calculated based on the firm’s turnover – see table and worked examples at [Annex 4](#)
 - ... Compensation Fund individual fixed fee – a flat fee of approximately £10 will be payable per regulated individual irrespective of whether they hold client money
 - ... Compensation Fund firm fee - a flat fee of approximately £120 will be payable by firms which hold client money.
33. We have set out below, the key elements of the new policy that the SRA has decided to introduce for the 2010/2011 practising year, and for each one, we have considered the impact across all equality strands.

The split between individuals and firms

34. The new policy proposes a shift from collecting fees solely from individual solicitors, to collecting approximately 40% from individuals and 60% from firms.
35. The impact of this change for individual solicitors will be to reduce the regulatory fee due from all practising solicitors from £1,180 to approximately £460. This would of course have a positive impact on all individual solicitors, although we recognised that most individual solicitors would not ordinarily pay this fee themselves. In the sections below we have considered the impact of the overall fee on firms.

In house solicitors

36. All 30,000 in house solicitors (including, RELs and RFLs based in the UK) will experience a significant decrease in their fees and these fees will not be supplemented by any additional firm component.

37. Approximately 13% of in-house solicitors (including, RELs and RFLs based in the UK) are BME⁸ as compared to approximately 9% of solicitors in firms.⁹ As a higher proportion of the BME solicitor population are working in-house in comparison to their White counterparts, the BME solicitors will on average as a group benefit more from the reduction in the individual regulatory fee than their White counterparts.
38. The data suggests that women account for a higher proportion of solicitors in the employed and other sectors than in private practice. In private practice only 43.0% of solicitors are women, compared with 51.3% in the other sectors.¹⁰
39. Therefore women on average benefit from the fee burden shift onto Private Practice. There is a higher than average proportion of women solicitors working in-house who will benefit from a reduction in PC fees of approximately 60%.
40. The data shows that just over one-half (52.9%) of all solicitors with a practising certificate are aged 40 or less.¹¹ Approximately 51% of solicitors under 40 work in house so there is no significant positive or negative impact with regard to the fee burden shift away from in house solicitors onto private practice.¹²

The basis for calculating the individual fee

41. As the new system will provide a significant reduction in the individual fees, we felt that it was appropriate to reduce the number of available discounts significantly. This was in order to simplify the system in compliance with the guiding principles set out above, making it easier to calculate the fees due and simpler and more cost effective to administer the system.
42. Stakeholders had expressed concern about the equality implications of not providing a range of discounts – in particular for low income earners, those on long term sick leave and part time workers. We recognised that this approach could potentially have an adverse impact on female solicitors, BME solicitors and older solicitors.
43. However, the new system will have a significant positive impact for all solicitors, including those who would otherwise have been entitled to a discounted fee. For example, in relation to low income earners, solicitors, RELs and RFLs whose gross fees or income have not exceeded £20,000 in the 12 months prior to date of applying for their practising certificate/registration would pay £590 under the fee structure for 2009/2010 and under the new system would be liable to pay £460. Although the £460 fee may change slightly once the

⁸ An extract was taken from Regis on 08/06/2010 which includes fee information and diversity data against each individual firm.

⁹ See Annual Statistical Reports of the profession available on the Law Society's website at <http://www.lawsociety.org.uk/aboutlawsociety/whatwedo/researchandtrends/researchpubs/view=researchpubsarticle.law?PUBLICATIONID=425618>.

¹⁰ See Annual Statistical Reports of the profession available on the Law Society's website at <http://www.lawsociety.org.uk/aboutlawsociety/whatwedo/researchandtrends/researchpubs/view=researchpubsarticle.law?PUBLICATIONID=425618>.

¹¹ See Annual Statistical Reports of the profession available on the Law Society's website at <http://www.lawsociety.org.uk/aboutlawsociety/whatwedo/researchandtrends/researchpubs/view=researchpubsarticle.law?PUBLICATIONID=425618>.

¹² An extract was taken from Regis on 08/06/2010 which includes fee information and diversity data against each individual firm.

calculations have been finalised, it is not expected that the figure will increase significantly if at all and certainly not to the point of exceeding £590.

44. Those on maternity leave were previously entitled to a discount which brought their fee for 2009/10 down to £590. We have retained the principle of discounting for those on maternity leave and the 50% reduction will therefore apply to the new £460 fee for individuals. We will consider implications for paternity leave too (with regard to extended paternity leave for example in place of maternity leave).
45. Unfortunately we do not have reliable data as to the part time status of regulated individuals or those who are on long term sick leave so as to identify those who would potentially be affected by there being no discounts for these groups. However, we accept that part-time workers are anecdotally more likely to be female and those on long-term sick leave may include a disproportionate number of disabled solicitors. Potentially, the absence of a discount for these two categories could therefore have adverse impact on equality for female and disabled individuals.
46. We have considered this carefully and although we will keep this matter under review, the SRA Board has determined that there is justification for not extending the range of discounts available for the individual regulatory fee. We have agreed that one of the guiding principles for the system is to keep it as simple as possible. The factors we have taken into account are:
 - ... There is no current entitlement to a discount by virtue of being part time
 - ... The fact that a person is working part time is not synonymous with them earning a low income, and it is not therefore safe to conclude that all part time workers are likely to suffer hardship by not having access to the current low income earner discount. In fact within private practice, the benefit of using the turnover approach means that if an individual works 3 days per week but has a higher turnover (e.g. £4000/day) than an individual who works 5 days per week with a lower turnover (e.g. £1000/day) the employing firm will and should pay more according to the ability to pay principle.
 - ... Low income earners and part time workers are going to be better off under the new system in any event. Previous reductions were required because of the high level of the fee.
 - ... Shifting 60% of the cost of regulation out of the individual fee should result in individual solicitors fees only funding activities which relate to their individual right to practice, and matters that affect that, rather than also funding activities which relate to the delivery of legal services by them to the public. The cost of the latter will be funded through the firm fee. Costs associated with the grant and maintenance of an individual right to practice are not likely to increase or decrease according to whether a person works full or part time, and this supports the rationale for a flat fee payable by all.
47. However, these decisions are made on the basis of the actual impact of the new policy as compared to the impact of the current policy. If the individual regulatory fee is increased significantly beyond the current estimate of £460, or if there was a change in the ratio of the overall fee as between individuals and firms, then it would be appropriate to review the position.
48. In any event, we will be considering the position in more detail and although we are not able to introduce any further discounts for the 2010/2011 practising

year, we will consider the position further when we review the scheme next year. We will take steps to quantify the cost of having such discounts available and the extent to which this might compromise our aim of having a simple and cost effective system in place.

The basis for calculating the firm fee

49. We found a general consensus among respondents that the fairest, simplest and most transparent fee structure for 2010 would be to use banded turnover model as the basis for calculating the regulatory fee for the firms. The main reasons for this are because:
- ... it takes into account how much business a firm does and will benefit firms with a relatively low level of earnings per practising certificate holder
 - ... the banded approach is fairer on firms of different sizes - using the same set percentage for firms with the smallest and largest turnovers would not have been fair
 - ... it has a positive impact for low income solicitors in private practice - those who were just above the threshold of £20,000 would previously have incurred the full fee, whereas under the proposed system there will be a more gradual increase in fees
 - ... firms already calculate their turnover as part of their annual accounts processes, and it is often used when renewing their indemnity insurance.
50. Other possible approaches that would reflect the ability to pay, such as profit, were discounted on the basis of them not being a fair reflection of the amount of work a firm undertakes and the complexity and variability of how firms calculate structure or allocate their costs, which could result in inconsistencies and therefore unfairness between different firms.
51. There are some risks associated with the turnover model which have been addressed (as much as possible) but include:
- ... dependency on the quality of data submitted by the profession and our ability to validate these data
 - ... impact of the external environmental and economic factors on the value of turnover
 - ... challenges of applying the model to special cases such as new firms, splitting firms and merging firms
 - ... impact the model will have on the renewal process and
 - ... firms that have a high turnover but low margins could be unfavourably impacted by the turnover model.
52. The last point has potential implications with regard to access to justice and therefore further impact assessment is being carried out, with particular regard to legal aid firms.
53. Our initial modelling of the proposed changes on the different sectors of the profession was limited as we based our calculations on sample statistical data (from insurers), which is not necessarily fully representative of the whole profession and which did not contain equality data.
54. We updated our model with real firm data extracted from Regis in January 2010 as a result of the 2009/2010 renewal cycle. Over the past few months we have

been improving the data quality as a result of corrections to the turnover figures previously submitted. From March, we were also able to conduct more effective and quantitative equality impact assessment work as a result of being able to extract firm's equality data; prior to this all of our data in assessment of equality was qualitative in nature.¹³ The following set of analysis is based on the information available on the 8th of May 2010.

55. The table below indicates for different sized firms, whether they are likely to experience an increase or a decrease in the overall fee due. This is calculated by comparing the overall fees and contributions paid by a firm currently (based on the assumption that the firm will be paying for the individual fees due) with the overall fees and contributions that would be paid under the new system (including both practising and Compensation Fund, individual and the firm components of the overall fee).

* , ;=70 ; \$, 7 / 472	Decrease	Increase <15%	Increase >15%	Increase > 50%
Sole Practitioner	66.7%	12.4%	12.3%	8.7%
2-4 Partners	61.0%	16.1%	15.3%	7.6%
5-10 Partners	51.8%	23.3%	15.8%	9.2%
11-25 Partners	50.0%	26.1%	12.7%	11.2%
26-80 Partners	53.4%	24.8%	7.5%	14.3%
81+ Partners	48.0%	32.0%	18.0%	2.0%

56. In the light of this information, we concluded that:
- ... Over half of firms will actually experience a decrease in their fees; resulting therefore in positive impact for all equality groups *and*
 - ... the use of the banded turnover model would mean that any equality group which on average earned less than the average in turnover would on average pay less. Inversely, any equality group which on average earned more in turnover than the average would on average pay more.
57. Currently more than 75% of firms in every partner firm banding experience a reduction in their fees *or* an increase that is lower than the 15% fee burden shift which results from the reduction in contributions by individuals working in-house.
58. Using the improved data we obtained from the 2009/10 renewal, we have considered below, how the new policy will specifically impact on firms under each of the equality strands.

Race equality impact

59. Proportionally a higher number of smaller firms will experience a decrease in fees (see table above). We have data that suggests that just over one half of BME solicitors (50.2%) work in firms with 4 or fewer partners, compared with

¹³ A firm's status is based on the age, ethnicity or gender of the firms practising certificate holders. Where 50%+ of practising certificate holders are of one group, the firm is classed as that group. Where no group accounts for 50%+ of the total, the firm is classed as having "No Majority Group"

only 28.1% of their white counterparts.¹⁴ Therefore this is likely to lead to a positive average impact for the BME equality group.

60. Sole practitioners as a group will benefit from the reduction in fees. 15.9% of sole practitioners are BME compared to only 7.5% who are white European.¹⁵ Therefore, given that sole practitioners are benefiting above average from the new fee model, there is a positive benefit to the BME equality group on average.
61. A greater proportion of BME majority firms (57.4%) will receive a reduction in fees (including Individual and Firm fees and contributions) compared to White majority firms (46.8%).

Ethnicity	Firm Count	Decrease	Increase <15%	Increase >15%	Increase > 50%
BME majority	1,202	57.4%	9.3%	6.8%	26.5%
White majority	8,395	46.8%	13.4%	11.6%	28.1%
No majority group	860	50.6%	9.1%	10.5%	29.9%
Unknown majority	665	45.6%	6.8%	7.7%	40.0%

Disability equality impact

62. While the data on disability is limited, in the 2009 renewal process data, there are 433 firms which have informed us that they have employed at least 1 practising certificate holder who is disabled.
63. 72% of these 433 firms experience a reduction or increase of less than 15% in fees compared to 60% for the remaining firms. It is not reasonable to assume causality but there is certainly no indication of any adverse impact on this equality group.

Disability Status	Firm Count	Decrease	Increase <15%	Increase >15%	Increase > 50%
No/unknown (Firms)	10,689	47.9%	12.1%	10.9%	29.2%
Yes	433	55.9%	16.2%	8.8%	19.2%

Gender equality impact

64. From the 2009 renewal data (as of 08/06/10) we can see that 53.8% of majority female firms will experience a reduction in fees compared to 45.5% of majority male firms.
65. Therefore on average women are likely to experience a reduction in fees paid compared to men; likely that the average turnover in majority female firms is lower than majority male firms.

¹⁴ See Annual Statistical Reports of the profession available on the Law Society's website at <http://www.lawsociety.org.uk/aboutlawsociety/whatwedo/researchandtrends/researchpubs/view=researchpubsarticle.law?PUBLICATIONID=425618>.

¹⁵ See Annual Statistical Reports of the profession available on the Law Society's website at <http://www.lawsociety.org.uk/aboutlawsociety/whatwedo/researchandtrends/researchpubs/view=researchpubsarticle.law?PUBLICATIONID=425618>.

66. Women also tend to have lower average turnover within the Sole Practitioner group and are therefore on average likely to be winners.

Gender	Firm Count	Decrease	Increase <15%	Increase >15%	Increase > 50%
Majority female	2,747	53.8%	11.7%	9.5%	24.9%
Majority male	6,960	45.5%	12.8%	11.1%	30.5%
No majority group	1,347	51.7%	10.9%	11.7%	25.8%
Unknown majority	68	20.6%	1.5%	7.4%	70.6%

Age equality impact

67. We perceive a potential positive impact, for junior lawyers who tend to have lower turnover than the average across the profession and are therefore on average more likely to benefit from the proposed changes. That said the data below suggests that firms which are predominantly classified as age band 22 – 30, shows a lower than average decrease; the volume of firms in this band is however less significant statistically.
68. We have however identified that those firms who have an average age band majority of 60 and above are more likely to benefit on average than other age bands.

Age Band	Firm Count	Decrease	Increase <15%	Increase >15%	Increase > 50%
22-30	127	37.8%	17.3%	9.4%	35.4%
31-40	1,199	48.0%	7.9%	7.9%	36.1%
41-50	1,871	45.2%	7.5%	9.6%	37.6%
51-60	1,896	46.8%	11.3%	10.2%	31.6%
61-65	535	57.0%	8.2%	7.1%	27.7%
65+	295	59.7%	7.1%	8.1%	25.1%
no majority group	5,125	48.8%	16.0%	12.7%	22.4%
unknown majority	74	23.0%	2.7%	6.8%	67.6%

Religion or belief and sexual orientation equality impact

69. We do not have any evidence which suggests that there may be an adverse impact on either of these equality groups; however, currently we do not have any comprehensive statistical data for these groups.
70. We are now collecting this information and will continue to monitor the outcomes by this strand and assess impact when we have further information.

The Compensation Fund Contribution

71. Historically, the model for generating Compensation Fund income was a complex matrix of number of years holding a practicing certificate along with whether the individual held client money. This approach penalised the largest firms who were least likely to give rise to claims on the Compensation Fund. 60 - 70% of the number of claims and value of grants paid are against sole practitioners and over 98% are against firms with less than 5 partners.
72. The income from the compensation fund contribution was previously used to cover the costs of payments made from the fund, the costs of administering the fund and other indirect costs (relating to regulatory action). In order to increase transparency, in future the compensation fund contribution will only be used for the compensation fund and the regulation income requirement will be raised through the regulatory practising fees.
73. However, this year the cost of interventions and legal costs will be paid out of the compensation fund, because the figure held in the Compensation Fund Reserves are significantly above their target.
74. As there is only a need to bring in a small amount of Compensation Fund contributions this year, the SRA have opted for a flat fee of £10 from every solicitor and a flat fee of £120 per firm that holds client money. This is in line

with the guiding principles as it is simple, economic and efficient to administer and fair.

75. The flat fee per firm was not the most popular approach from those responding to the consultation, but in light of the low income required this year and the fact that the contributions could be kept low, it was deemed the most appropriate for this year. It will be reviewed again next year in line with the expected increase in Compensation Fund contributions and we will assess the equality impact of the proposed approach as the proposals are developed.

Human Rights

76. We perceive no specific impact on human rights.

Monitoring and future review arrangements

77. An action plan is set out at [Annex 5](#) which sets out some of the actions we have already completed within this equality impact assessment and some of the future work we have identified to review and monitor the impact of the new policy.
78. An equality impact assessment review report will be published on our website in the second half of 2011 (or when enough data is collected) in order consider the actual impact of the new fee policy.
79. We will monitor the processes and outcomes annually to ensure that the processes and outcomes of the new fee policy are fair and objective.

Models that were discarded following consultation

Models	Model explained	Reasons for being discarded
Model 1	Entity fees are based on paying a flat fee per Full Time Equivalent (FTE) fee earner	Definition of 'fee earner' is open to interpretation, and therefore manipulation Is not linked to tangible value generated by a firm The simplest option is a flat fee, however a disproportionate amount of costs are passed onto larger firms
Model 3	Firms are banded according to annual turnover generated from fees, then a sliding scale of fees per fee earner applied to bands (decreasing as firm turnover increases)	Too complex to calculate Similar disadvantages to above due to fee earner aspect

Relevant results of benchmarking research which compared regulatory requirements and fee structure of other regulators providing similar functions

Organisation	Membership	Training	Regulatory requirement	Consumer Complaints	Comp Fund	Entity based charge?
The Law Society of upper Canada	Mandatory	Yes	Yes	Yes	Yes	No
The Law Society of New South Wales	Mandatory	Yes	Yes	Yes	Yes	No
Office of Communications (OfCom)	Mandatory	No	Yes	Yes	No	Yes
The Royal Institution of Chartered Surveyors (RICS)	Voluntary	Yes	Yes	Yes	Yes	Yes
Financial Service Authority (FSA)	Mandatory	No	Yes	Yes	Yes	Yes
Institute of Chartered Accountants (icaew)	Voluntary	Yes	No	Yes	Yes	Yes
British Veterinary Association (BVA)	Voluntary	No	No	No	No	Yes
The Royal College of Veterinary Surgeons (RCVS)	Mandatory	Yes	Yes	Yes	No	Yes - accreditation

Workshops conducted and dates

6 October 2009	Equality Implementation Group (EIA) briefing
17 November 2009	Top 100 firms
16 December 2009	Lawyers with Disabilities Division
14 January 2010	Sole Practitioners Committee
14 January 2010	Joint workshop for special interest groups (including EIG)
19 January 2010	Conveyancing and Land Law Committee
23 January 2010	Junior Lawyers Division of the Law Society
25 January 2010	Crime Practitioners Group and Civil Legal Aid Practitioners
9 February 2010	EIG workshop on the appeals process
16 February 2010	Top 100 firms follow up
9 March 2010	Two Transitional Arrangements workshops - all special interest groups were invited to attend either session

NB The Association of Women Solicitors (AWS) were offered a workshop presentation but declined

Worked examples for calculating firm regulatory fee
Firm turnover table

Turnover Range (A)	Pay %* of Turnover within band (B)	Minimum Turnover in band (C)	Minimum Fee in Band (D)
£0 - £19,999	1.10%	£0	£100
£20,000 - £149,999	0.69%	£20,000	£320
£150,000 - £499,999	0.67%	£150,000	£1,217
£500,000 - £999,999	0.62%	£500,000	£3,562
£1,000,000 - £2,999,999	0.59%	£1,000,000	£6,662
£3,000,000 - £9,999,999	0.42%	£3,000,000	£18,462
£10,000,000 - £29,999,999	0.34%	£10,000,000	£47,862
£30,000,000 - £69,999,999	0.32%	£30,000,000	£115,862
£70,000,000 - £149,999,999	0.28%	£70,000,000	£243,862
£150,000,000 +	0.10%	£150,000,000	£467,862

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

Please note that the data is accurate as of 8th June 2010 but the banding, values and percentages provided are only an indication as they are based on a number of assumptions, including:

- ... the model is based on the budget for 2010 as the final budget for 2011 has not yet been determined
- ... the 2010 budget has been adjusted to shift £8.1m of costs currently collected through the Compensation Fund contributions to be collected through the regulatory fees
- ... a decision has been made to reduce the reserves in the Compensation Fund, meaning that the contribution to the Fund this year will be lower than will usually be the case in future
- ... the calculation is based on the latest data we hold about the number of regulated individuals (practising certificate holders, registered European lawyers or registered foreign lawyers) and turnover of firms; this is constantly changing

The figures will not be finalised until July 2010 but we do not anticipate that the changes will affect the conclusions we have drawn in relation to the equality impact.

Using the turnover table to calculate the firm's fee based on turnover

1. Identify which band the turnover (T) falls in from column A.
2. Take T and subtract the figure in the corresponding column C.
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).

The Formula is $(B \times (T - C)) + D$. The following sets out some worked examples:

Annex 4

- ... **Example 1:** For Turnover of £0:
 $(£0 - £0) \times 1.1\% + £100 = £100$

- ... **Example 2:** For Turnover of £200,000:
 $(£200,000 - £150,000) \times 0.67\% + £1,217 = £1,552$

- ... **Example 3:** For Turnover of £813,421:
 $(£813,421 - £500,000) \times 0.62\% + £3,562 = £5,505$

- ... **Example 4:** For Turnover of £279,123,528:
 $(£279,123,528 - £150,000,000) \times 0.1\% + £467,862 = £596,986$

Timeline setting out SRA Board decisions following each consultation

Timeline	Key Activities / Decisions
30 June – 28 Sept 2009	First Consultation
19 Nov 2009	<p>SRA Board Meeting with agreement on:</p> <p>... =50 0425=9;47 .4950<=; / 0 , / ;9=0/ ... 5 ,B472 10@ /4. . ;>7=, /7 / <90.45. . ,<0<K0D.09=1; ; 9 , =0;74EL ... 5 ,B472 =>;7;B0; 1; ;9 =50 / , <4 ; 1. , 5.>5 =4; 7 ; 1=50 14;9 / , <0/ 100 ... =5, =, 5;02>5=0/ 47/4B4>, 5<5; >5/ . ;7=;4/>=0 , 140/ , 9 ; >7=; =50 . ; 9 907<, =4; 7 1>7/ , 7/ =5, =50 / , 5 7.0 <5, 5/0 . ; 7=;4/>=0/ / E, 14;9 J/ , <0/ 100 ... =50 700/ 1; ; 1>;=50; , <<0<<9 07=; 1=50 49 , . =; 7 =50 9 ; ; 10<<4; 7 =; . ; 7=47>0 47 ; ; / 0 ; =; ; 0B0, 5, 7E <4744 , 7=9; <4B0 , 7/ 702, =B0 0110 . =</p>
7 December 2009 – 22 January 2010	Second Consultation
15 February 2010	<p>SRA Board Meeting agreed that:</p> <p>... =>;7;B0; K2;; <<100<L1; ; RPPS @ ; >5/ 1; ; 9 =50 / , <4 1; ; =50 . , 5.>5 =4; 7 ; 1=50 07=4E 100G ... =>;7;B0; @ 45/0 . , 5.>5=0/ / , <0/ ; 7 , / , 7/0/ , 99; ; , .5 ... =50 <95+ / 0=@ 007 =50 47/4B4>, 5, 7/ 14;9 . ; 9 9; 707= @ ; >5/ / 0 , 5; . , =0/ ; 7 =50 / , <4 ; 1KPO =; 47/4B4>, 5< , 7/ LPO =; 07=440<G ... =50;0 @ ; >5/ / 0 , 15=; , =0 100 1; ; , 547/4B4>, 5< , . ; ; <<=50 9 ; ; 10<<4; 7<G ... =50;0 @ ; >5/ / 0 9 ; ; B4<4; 7 1; ; , 9 , =0;74E ; 0/> . =4; 7G ... =50;0 @ 45/0 9 ; ; B4<4; 7 1; ; + ' (< / , <0/ ; >=4/0 '725 7/ M - , 50<=; 9, E, ; 0/>.0/ 15=; , =0 100G ... , 5<; 54<; ; <C+' (< , 7/ +' (<K/ , <0/ 47 '725 7/ , 7/ - , 50<L@ ; >5/ / 0 . ; 7<4/0;0/ 0=>, 5E , 7/ 9, E=50 <, 9 0 100G ... =50;0 @ ; >5/ / 0 , 15=; , =0 . ; 7=;4/>=4; 7 =; =50 % ; 9 907<, =4; 7 '>7/ 1; ; 47/4B4>, 5<, 7/ , <09, ; , =0 . ; 7=;4/>=4; 7 1; ; , 507=440<=5, =505/ . 507=9 ; 70EG ... =50;0 @ ; >5/ / 0 , 15=; , =0 100 1; ; 0, .5 =>, 51E472 / ; , 7.5 ; 114.0 / , <0/ ; >=4/0 '725 7/ M - , 50<H ... 1>;=50; @ ; ; 7@ , <700/0/ 1; ; . ; 7<4/0;472 , 9; <<4/50 9 ; ; .0<<1; ; ; 0/> . =4; 7<; 114;9 100<; 7 =50 2; ; >7/<; 1 5, ; / <54</p>
5 March 2010 – 16 April 2010	Third Consultation
4 May 2010	<p>SRA Board Meeting agreed:</p> <p>... , ; 47=; ; />.0 , . ; 4=0;4 J/ , <0/ =; , 7<44; 7, 5100 9 ; / 0 ; , =4; 7 9 ; ; .0<<1; ; RPQP , <<0= ; >=47 (9=4; 7 R ; 1=50 . ; 7<5, =4; 7 / ; .>9 07=\$; B472 =; @ , ; / , 1, 4;0;</p>

	<p>100 9; 5LE7=; 7<44; 7, 5, ;;, 7209 07=C/>=7;==;</p> <p>47.5>/0 =50 ,995L, =4; 7 ;19 ;/44/ .;40;4 1; ;14;9 <</p> <p>2070; ,=42 ,=50 ,<=14E 90;.07=; 1=504; =>;7;B0;</p> <p>=5;;>25 502,5,4/ @ ; ;7H</p> <p>... , ; 47=;; />.0 , 9;;J; ,=0/ ;02>5=; ;E 14;9 100 1; ;</p> <p>/ ; ;7/ 70@ 14;9 < ; ; ;50 9; , .44; 70;< 47 =504; 14;<=</p> <p>E0, ; ;19; , .4.0 ;10QPPP</p> <p>... ,5, =;7 14;<=;070@ ,570@ 14;9 <5; >5/ </9 4, <9</p> <p>1; ;=50 0<49 ,=0/ 14;<=@ 050 9 ;7=5< ;1/><470<<C</p> <p>/ ,<0/ ;7 , .;9 /47, =4; 7 ;1, .=>,5,7/ 0<49 ,=0/</p> <p>14>;0< ,7/ =5, =50 100 1; ;70@ ;0.;2740/ <;50</p> <p>9; , .44; 70;< 5; >5/ /0 ;7 =50 <,9 0 / ,<4</p> <p>... ,5,=@ 50;0 , 14;9 5, / <954; ;9 0;20/ />=5, /7;=</p> <p>9;;B4/0/7;=4.0C=50 ++\$ @ ;>5/ 9 ,70 , 147,5</p> <p>/0=0;9 47, =4; 7 ;1=50 9;;9; ;=4; 7 ;1=>;7;B0; =5, =,</p> <p>14;9 @ ,< <..00/472 =; 1;9 ,7;=50; 14;9 ; ;=50</p> <p>9;;9; ;=4; 7 @ 545 , 14;9 ;0=,470/ ,1=0; , <954</p> <p>... ,5,=@ 50;0 14;9 <5, / <954; ;9 0;20/ <47.0 (.=;/0;</p> <p>RPPSC/>=9;4; ;=; =50 47=;; />.4; 7 ;1;>50< ;0=>4;472</p> <p></9 4<4; 7 ;17;=4.0C=50E <5; >5/ 9;;B4/0</p> <p>471; ;9 ,=4; 7 ;7 =>;7;B0; ;7 =50 / ,<4 <49>5 =0/ /E</p> <p>=50 ++\$H</p> <p>... ,5, =50 47/44/>, 514;9 ,99; ;=4; 79 07=1; ;</p> <p>%;9 907<, =4; 7 '>7/ .;7=;4/>=4; 7< 5; >5/ /0</p> <p>,99;;D9 ,=0E 14E14E K; ,5;@ 1; ;;>7/472IH</p> <p>... , ; ;714;9 =5, =>;7;B0; K2;; <<100<L<5; >5/ 1; ;9 =50</p> <p>/ ,<4 1; ;=50 .,5>5 =4; 7 ;114;9 100<C/>=5, =50</p> <p>49 9, .=@ ;>5/ /0 9 ;74; ;0/ ,<471; ;9 ,=4; 7 /0.,9 0</p> <p>,B,45 /50 />;472 RPQPIQQH</p> <p>... ,5, =50 %;9 954,7.0%;9 9 4=00 <5; >5/ ,/B40 =50</p> <p>\$, ;, / ;7 =50 47.5<4; 7 ;1,99;;9;4 =0 9 0, < ;0<47</p> <p>=50 '71; ;.09 07=*; 5LE 1; ;/0, 572 14;9 5E@ 45 5,=0</p> <p>,7/ 47, ..>; ,=0 ;0=>;7< ;1471; ;9 ,=4; 7 ,7/ =50</p> <p>/0B05;99 07=;1/0.44; 7J9 ,7472 .;40;4 =; ;0150.=</p> <p>=50 ;,720 ;1.4.>9 <=,7.0<@ 50;0 =54 9 425=; ..>;H</p> <p>... ,5, =, 50=0; /0 <07=;; ,514;9 <47 \$,ERPQP</p> <p>0D95 47472 =5, =50E .,7 ;0J>/9 4=504; =>;7;B0;</p> <p>14>;0 47 ,..; ;/ ,7.0 @ 45 =50 /014744; 7 ;1=>;7;B0;</p> <p><49>5 =0/H</p>
--	--

