

Recognised Body Fee Determination [2010]

This determination is made by the Solicitors Regulation Authority Board under regulations 1.1(b) and 1.5 of the SRA Recognised Bodies Regulations 2009 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 2010 to 31 December 2010;
 - (b) £800 on applying for initial recognition to commence in the period 1 January 2011 to 31 March 2011;
 - (c) £600 on applying for initial recognition to commence in the period 1 April 2011 to 30 June 2011;
 - (d) £400 on applying for initial recognition to commence in the period 1 July 2011 to 31 October 2011, and

the renewal date for any such recognition shall be 31 October 2011.

2. The fee payable by a body applying for initial recognition in the following circumstances:
 - (a) where the body is succeeding to a practice of a recognised sole practitioner;
 - (b) where the application is being made by an existing recognised body which is changing its legal status; or
 - (c) where the application is being made by a Successor Recognised Body,shall be £200 and the renewal date for any such recognition shall be 31 October 2011.

Renewals

From 1 November 2010 recognised bodies which apply for the renewal of their recognition are required to pay a fee 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 body, a new recognised body on first renewal or a successor recognised body. Paragraphs 3 to 5 below deal with the way that the fee is determined in relation to each of those categories.

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 2009 and is not a Successor Recognised Body;

Recognised body means a partnership, company or LLP for the time being recognised by the Solicitors Regulation Authority under section 9 of the Administration of Justice Act 1985 and the Recognised Bodies Regulations;

Recognised Bodies Regulations means the SRA Recognised Bodies Regulations 2009;

Recognised Sole Practitioner means a solicitor or REL authorised by the Solicitors Regulation Authority under section 18 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 2009 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 2010.

Appendix 2

Turnover Figure

The following paragraphs describe how the turnover figure that will be used for the purposes of determining the renewal 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 2010 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 2009, 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 2009 (e.g. 31 March 2009). The latest acceptable annual accounting period end date is 31 October 2009.
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 2008 to 31 October 2009, 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 2008 figure if an updated 2009 figure based on closed accounts has not been received by 31 August 2010.
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 2009) will be accepted; the basis upon which the firm has made the estimate should be provided to the SRA.

Appendix 3

Successor Turnover

Successor turnover is relevant where firms have changed through, for example, an acquisition, merger or split. All successor turnover will 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 apportion the Turnover Figures for the purposes of determining renewal fees. The SRA will determine this apportionment based on the information available and its decision will be final. Firms will not be able to renew recognition without an appropriate successor turnover figure being determined, as this is necessary to calculate the appropriate firms' fees.