

SRA BOARD

19 July 2022

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*This paper will be published***2022/23 Practising Fees and Compensation Fund contributions**

Reason for paper	This paper describes the proposed practising fees and Compensation Fund contributions for the 2022/23 practising year.
Decisions(s)	The Board is asked to: approve the fee determinations for 2022/23 in respect of individual practising certificate fees, entity turnover based fees and Compensation Fund contributions.
Previous Board and committee consideration	The Board considered feedback on the Business Plan and Budget consultation at its meeting on 28 June 2022. It approved the SRA practising fee requirement which forms part of the overall Law Society group requirement
Next steps	Subject to Board approval, an application will be made to the Legal Services Board to approve the practising fees and Compensation Fund contributions.

If you have any questions about this paper please contact Liz Rosser, Executive Director of Resources, liz.rosser@sra.org.uk

SRA BOARD

19 July 2022

CLASSIFICATION – PUBLIC



2022/23 Practising Fees and Compensation Fund contributions

Background

- 1 The Board is asked to make its final decision on Practising Fees and Compensation Fund contributions apportionment for 2022/23, following the decision of the Law Society Council on the total funding requirement on 5 July 2022.
- 2 The Board agreed the SRA funding requirement for 2022/23 at its meeting on 28 June and this was included in the overall Law Society group funding requirement. The Law Society Council considered this on 5 July and approved an overall requirement of £113.5m.
- 3 This requirement represents an increase of £9.2m (8.9%) on the figure for 2021/22. The overall requirement is split between individuals and firms, 40% and 60% respectively. Individuals pay a flat fee and SRA authorised firms also pay an entity fee based on their UK turnover. The proportion of turnover charged declines as turnover decreases.
- 4 The increase in the overall requirement means that the individual practising certificate fee will increase in 2022/23, from £266 to £284, the first time the fee has increased since 2013. The total amount to be collected from firms through the entity fees will increase from £62.6m to £68.1m.
- 5 £45.4m will be collected from individuals. At the time of writing there are over 162,000 solicitors (and Registered foreign lawyers) on the roll and that figure will increase to close to 165,000 by the end of the practising year due to the annual peak of admissions in August and September. Assuming no increase in overall numbers next year, but recognising that not everyone pays a full practising fee (discounts are available to some of those individuals, such as people on maternity leave, while others joining the profession part-way during the year pay a reduced rate), the equivalent of around 161,000 full practising fees can be expected in the year, equating to an individual fee of £284.
- 6 The Compensation Fund contribution for individuals will reduce from £40 last year to £30 this year and for firms holding client money from £760 to £690. These figures were previously approved by the Board on 25 April 2022.

Practising Fee/ Compensation Fund contribution determinations for regulated individuals and authorised bodies

- 7 The draft fee and contribution determinations are attached as annexes to this paper and broadly follow those made last year. The fees and detail in the turnover table are based on turnover information provided by firms during the 2021/22 renewals exercise. Fees are calculated based on the declarations made in the previous year therefore any reduction in turnover in the last 2 months will not affect the fee charged this year.

SRA BOARD

19 July 2022

CLASSIFICATION – PUBLIC



- 8 The key points to note in relation to all of the draft practising fees and Compensation Fund contribution determinations are summarised below.

Practising fees determinations

- 9 Annex 1: Draft Practising Certificate Fee Determination [2022]. This:
- sets the practising certificate fee and equivalent registration and renewal fees for Registered European Lawyers (RELs)¹ and Registered Foreign Lawyers (RFLs)².
 - provides for a 50% reduction for those who are or who have been on maternity leave or a period of leave equivalent to statutory maternity leave.
 - preserves a lower fee for RFLs who are based abroad and deals with other special cases
- 10 Annex 2: Draft Recognised Body and Recognised Sole Practice Fee Determination [2022]. This:
- sets the application fee for authorisation as a recognised body or a recognised sole practice
 - makes 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 and recognised sole practices (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 firms cannot agree.
- 11 Annex 3: Draft Licensed Body Fee Determination [2022]. This:

¹ An REL is a Swiss lawyer practising English and Welsh law under their Swiss professional title. This category included EU lawyers prior to the UK withdrawal from the European Union. They are now RFLs

² An RFL is a 'foreign lawyer' who is registered with us. We hold and publish a register which includes the names of all RFLs. A "foreign lawyer" is "a person who is not a solicitor of England and Wales or a barrister but who is a member, and entitled to practise as such, of a legal profession regulated within a jurisdiction outside of England and Wales".

SRA BOARD

19 July 2022

CLASSIFICATION – PUBLIC



- sets the application fee payable by licensable bodies, which comprises a minimum set fee, plus an additional amount for each person requiring approval as a role holder, 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 a banded turnover table
 - sets the annual periodical fee for licensed bodies (based on turnover)
 - includes an adapted definition of turnover to give us 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
- 12 Annex 4: Draft Determination of Compensation Fund Contributions [2022]. This prescribes the individual and firm Compensation Fund contribution.
- 13 Annex 5: Draft Determination of Compensation Fund Contributions for Licensed Bodies [2022]. This prescribes the Compensation Fund contribution payable by Licensed Bodies.

Equality Impact Assessment

- 14 In preparation for our practising fee application this year we undertook an initial equality impact assessment in relation to our fees which identified no adverse impacts that required further action. As part of our consultation on the SRA business plan and budget we asked for comments on the assessments and for respondents to send information to help build our understanding on the impacts on different groups of solicitors. We received nothing to suggest that our analysis was incorrect or to suggest that the fees were disproportionate. We have also kept the LSB informed on our approach in preliminary discussions with them.

Recommendations: the Board is asked to make the following determinations:

- a) **the Practising Certificate Fee Determination [2022] in annex 1**
- b) **the Recognised Body and Recognised Sole Practice Fee Determination [2022] in annex 2**
- c) **the Licensed Body Fee Determination [2022] in annex 3**

SRA BOARD

19 July 2022

CLASSIFICATION – PUBLIC



- d) **the Determination of Compensation Fund contributions for individuals and firms [2022] in annex 4**
- e) **the Determination of Compensation Fund contributions for Licensed Bodies [2022] in annex 5.**

Next steps

- 15 The Practising Fees and Compensation Fund contributions are subject to final approval by the Legal Services Board and we will make the appropriate application following Board approval of the recommendations in this paper.

SRA BOARD

19 July 2022

CLASSIFICATION – PUBLIC



Supporting information

Links to the Corporate Strategy and/or Business Plan and impact on strategic and mid-tier risks

- 16 Approval of the fees to allow collection of the overall group funding requirement is essential to the delivery of all strategic objectives.

How the issues support the regulatory objectives and best regulatory practice

- 17 The draft SRA Budget for 2022/23 which underpins the SRA proportion of this funding requirement has been set in order to allow us to deliver against our strategic objectives, supporting our regulatory objectives.

What engagement approach has been used to inform the work and what further communication and engagement is needed

- 18 The proposed budget for the SRA was included in the recent consultation on the 2022/23 business plan. The responses to this consultation were considered by the Board on 28 June 2022.

What equality and diversity considerations relate to this issue?

- 19 The approach to setting practising fees and Compensation Fund contributions follows the structure adopted in 2010 as a result of the three Fairer Fees consultations. An initial Equality Impact Assessment has been carried out this year and identified no impacts that required further consideration.

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Annexes

- Annex 1** Draft Practising Certificate Fee Determination [2022]
Annex 2 Draft Recognised Body and Recognised Sole Practice Fee Determination [2022]
Annex 3 Draft Licensed Body Fee Determination [2022]
Annex 4 Draft Determination of Compensation Fund contributions [2022]
Annex 5 Draft Determination of Compensation Fund contributions for Licensed Bodies [2022]