

SRA BOARD

25 June 2024

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**Budget for 1 November 2024 to 31 October 2025: consultation feedback
and next steps**

Reason for paper	This paper describes our next steps for finalising our funding requirement from practising fees, and seeking approval of our fees from the Legal Services Board.
Decisions(s)	<p>The Board is asked to:</p> <p>(a) approve the SRA's budget for 1 November 2024 to 31 October 2025, of £70.2m to be provided by practising certificate fee income</p> <p>(b) note the expected practising certificate fee, which the Board will be asked to consider for approval following the Law Society Council's meeting on 2 July 2024</p> <p>(c) comment on the feedback received on the proposed Compensation Fund contributions to inform finalisation for the July Board.</p>
Previous Board and committee consideration	The Board considered a draft Business Plan and Budget consultation at its meeting on 14 May 2024. The Board's feedback and discussion informed the development of the consultation proposals.
Next steps	<p>We will:</p> <ul style="list-style-type: none"> • continue engagement with the Law Society to finalise practising certificate fees and to make our joint approval application to the Legal Services Board • return to the Board in July 2024 to ask the Board to approve the level of practising certificate fees and Compensation Fund contributions for 2024-25 • return to the Board in September 2024 to ask the Board to agree the Business Plan 2024-25.

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

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Budget for 1 November 2024 to 31 October 2025: consultation feedback and next steps

Background

- 1 The Board considered the draft business plan and budget for 2024-25 in May 2024. Following this a consultation began on 23 May seeking views on the business plan and budget as well as the proposed Compensation Fund contributions for 2024-25.
- 2 In the consultation paper we described our proposals to secure income of £70.2m from practising fees in 2024-25, an increase of £2.6m (3.8%) compared to 2023-24. The proposal for the Compensation Fund was that the contributions would increase from £30 per individual and £660 for each firm holding client money to £90 and £2,220 respectively.
- 3 The overall consultation remains open until 2 July for comments on the Business plan itself, with comments requested by 24 June on the budget.
- 4 The consultation began on 23 May and has been widely publicised including via a press release, on social media and at our post Board media briefing on 28 May. It was also promoted in our monthly SRA Update bulletin, which is circulated to 180,000 solicitors and subscribers, and at a live Business Plan Q&A webinar broadcast on 12 June.
- 5 The consultation also included equality impact assessments on our proposals for the practising fee and Compensation Fund contribution and sought views on these.
- 6 A verbal update will be provided on the results of the consultation so far and specifically on any issues related to the proposed level of practising fees, Compensation Fund contributions and the equality impact assessments to allow the Board to consider the feedback.

Summary

- 7 The Board is asked to now approve the SRA budget requirement of £70.2m to be raised from practising fees, which represents an increase of £2.6m (3.8%) on the 2023-24 amount. We will then include this in the Law Society Group's practising fee requirement for 2024-25.
- 8 The Law Society has completed consultation on its share of the practising fee income. Based on this, and on information provided from the Legal Services Board, the Legal Ombudsman, the Solicitors Disciplinary Tribunal and the Office for Professional Body Anti-Money Laundering Supervision, we expect an overall practising fee requirement of £131.8m. This will represent an increase of £3.9m (2.9%) from 2023-24.

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- 9 The Board will be asked to approve practising fees for 2024-25 at its meeting on 9 July 2024 after the Law Society Council's meeting on 2 July 2024. The Law Society Council does not approve the SRA requirement, as this is solely an SRA Board decision. We expect to recommend no change to the individual practising certificate fee – remaining at £307 in 2024-25. The SRA's proportion of the individual practising certificate fee is also expected to remain at £162, unchanged from 2023-24.
- 10 As of May 2024, there were over 173,000 practising solicitors and Registered Foreign Lawyers. New additional entrants to the profession are expected during the late summer and early autumn. Numbers of practising solicitors and Registered Foreign Lawyers in England and Wales typically increase year-on-year, and have done so for more than a decade now. We do not anticipate this trend changing. We have also seen increasing numbers of candidates sitting the SQE, providing further evidence for the expected increase in practising solicitors.
- 11 For these reasons we can reasonably estimate that at least 175,000 individuals will renew their practising certificates, or will begin practising, in 2024-25. We provide discounts to some individuals, including for people on parental leave. Others joining the profession part-way during the year may be offered a reduced fee. With those discounts, we estimate that the equivalent of around 173,000 full practising fees will be paid in the practising year, which will equate to an individual practising certificate fee of £307.
- 12 The Compensation Fund contributions for 2024-25 will also be approved at the 9 July meeting. These contributions are paid by all practising solicitors and all firms that hold client money (approximately 7,000 firms).
- 13 The Board is asked to consider and comment on the Compensation Fund contribution feedback to inform finalisation of the contribution levels to be approved in July prior to submission of an application to the Legal Services Board for final approval.

Recommendations: the Board is asked to:

- (a) approve the SRA's budget for 1 November 2024 to 31 October 2025, of £70.2m to be provided by practising certificate fee income**
- (b) note the expected practising certificate fee, which the Board will be asked to consider for approval following the Law Society Council's meeting on 2 July 2024**
- (c) comment on the feedback received on the proposed Compensation Fund contributions to inform finalisation for the July Board.**

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Next steps

- 14 The SRA requirement will be confirmed to the Law Society and on 2 July the Law Society Council will approve the total amount to be collected in practising fees.
- 15 The Board will be asked to approve the individual and firm practising fees and Compensation Fund contributions on 9 July and then applications will be made to the Legal Services Board for final approval of both to be collected from October 2024.

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Supporting information

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

- 16 This paper sets out the budget requirement to fund the work activities proposed in the draft Business Plan 2024-25.

How the issues support the regulatory objectives and best regulatory practice

- 17 The draft SRA Budget for 2024/25 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 2024-25 business plan.

What equality and diversity considerations relate to this issue

- 19 Equality, diversity and inclusion activities are central to the workstreams we describe in our Business Plan and Budget.