

Notice of Succession (NS1) 2018-19 Guidance Notes

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1.About the Notice of Succession

Under the SRA Authorisation Rules 2011, a firm which has succeeded to the whole or a part of another firm must submit a Notice of Succession form (NS1).

We use the term 'affected firm' to mean any firm where the turnover is affected by the succession.

An NS1 should be submitted where:

- a firm has succeeded to the whole or part of the practice of one or more firms; and/or
- a firm has split or ceded part of the practice to another firm and wishes a change to be considered by the SRA when determining the firm's next renewal fee.

Succession in these circumstances should not be confused with a 'successor practice' for the purposes of the SRA Indemnity Insurance Rules 2013. A firm may be a successor for turnover purposes without being a successor practice under the indemnity rules. Identification of a successor firm within the NS1 will not be taken as a declaration that any firm is a successor practice as defined in the SRA Indemnity Insurance Rules 2013.

In the NS1, all the original turnover of all the affected firms needs to be fully apportioned between them to give a 'successor turnover' figure. Where all affected firms agree on the apportionment of 100% of the total turnover figure, we will accept the successor turnover figures provided on the NS1.

If the affected firms are unable to agree the apportionment of 100% of the total turnover figure, we will apportion the turnover figures for the purposes of determining all the affected firms' periodical fees for the following year. We will determine this apportionment based on the information available and our decision will be final; we will charge a fee of £250 to the firm that submitted the NS1.

A firm can only be a successor firm for the purposes of apportioning turnover if it is an SRA authorised firm.

The NS1 is not an application for authorisation or revocation. Any affected firm which needs to be authorised or is closing will need to make the necessary applications.

2. The form

2.1. Section 1 – Summary information

Date of succession

Provide the date of the change. This should be within the last 28 days.

Agreement of the affected firms

The firm delivering the NS1 must seek the agreement of all the affected firms.

If agreement is not reached, you should provide a covering letter or email detailing:

- all steps taken to try to reach an agreement;
- which of the affected firms have agreed to the apportionment and which have not; and
- reasons why agreement has not been reached.

We will contact relevant affected firms and ask them to provide an explanation as to why they do not agree. We will also contact the other affected firms if appropriate.

Event leading to the succession

The most common options are provided as a drop-down for you to select from the following:

- Acquisition of / succession to the whole or part of another firm
- Merger of two or more firms
- Split of an existing firm

If your situation is not covered by these options, select 'Other' and provide details in the box below.

2.2. Section 2 – Details of successor firm(s)

Provide details of the successor firm(s) and with a contact person for each one.

As we may need to discuss turnover figures with that person, they should be an authorised individual manager who represents the firm and the other managers.

2.3. Section 3 – Details of ceding firm(s)

Provide details of the ceding firm(s) and with a contact person for each one.

As we may need to discuss turnover figures with that person, they should be an authorised individual manager who represents the firm and the other managers.

Firm	SRA No	Last turnover figure	Last turnover is	Successor turnover
Firm C1 (continuing)	123456	£1,000,000.00	Based on closed accounts	£500,000.00
Firm S1 (new)	789123	£0.00	First 12 months estimate	£500,000.00
Totals		£1,000,000.00		£1,000,000.00

Firm	SRA No	Last turnover figure	Last turnover is	Successor turnover
Firm C1 (continuing)	123456	£800,000.00	Based on closed accounts	£200,000.00
Firm S1 (continuing)	789123	£300,000.00	Based on closed accounts	£500,000.00
Firm S2 (continuing)	456789	£200,000.00	An estimate as accounts have not been closed	£400,000.00
Firm S3 (continuing)	876543	£500,000.00	Based on closed accounts	£700,000.00
Totals		£1,800,000.00		£1,800,000.00

2.5. Section 5 – Firm declarations

An authorised individual manager from each affected firm must complete this section. This must be a manager, who is authorised by the firm and its managers to make declarations on the firm's behalf.

If any affected firm does not complete the declaration section, we will infer that the notification has not been agreed by all affected firms.

3. Submitting the form

Once complete, email the form and any attachments to notifications@sra.org.uk.

You should complete the form on-screen, save a copy to your computer or device first before you start to fill it in.

If you need the form or this guide in an alternative format, email contactcentre@sra.org.uk or call 0370 606 2555.

Appendix A – Turnover definition

The following paragraphs provide additional guidance on calculating turnover.

Turnover figure means a firm's total gross fees arising from work undertaken from offices in England and Wales.

Gross fees include: 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 should be included.

Gross fees do not include: interest, reimbursement of disbursements, VAT, remuneration from non-private practice source, dividends, rents, and investment profit.

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.

Those firms who do not have closed accounts which ended within the period from 1 November 2017 to 31 October 2018 should provide an estimate of the turnover figure. They should also provide the previous year's turnover figure based on accounts which have been closed.

The turnover figure must be for a 12-month period.

For a new firm (i.e. not a successor firm nor one resulting from change in status), we will accept an estimate for the first 12 months of practice (irrespective of whether this is after 31 October 2018). The basis upon which the firm has made the estimate should also be provided.

If a firm has changed its annual accounting period, its latest closed accounting period prior to 1 November 2018 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 (if prior to 1 November 2018).
- Alternatively, take the last closed accounts period prior to the 1 November 2018 and scale it appropriately. For example, 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.

If a firm has changed in status (e.g. partnership to LLP, sole practice to partnership), then it should respond as if there were no change.