

The Law Society Compensation Fund Annual Report and Financial Statements For the Year ended 31 October 2019

October 2020

Principal activities

The primary object of the Compensation Fund (the Fund) is to replace money which a defaulting practitioner or a defaulting practitioner's employee or manager has misappropriated or otherwise failed to account for.

The Fund makes discretionary grants to those persons who have either:

- suffered loss as a consequence of the dishonesty of a defaulting practitioner or the employee or manager or owner of a defaulting practitioner; or
- suffered loss and hardship in consequence of a failure to account for money which has come into the hands of a defaulting practitioner or the employee or manager or owner of a defaulting practitioner.

The majority of these grants arise from claims made following an intervention by the Solicitors Regulation Authority (SRA) into the practice of a defaulting practitioner.

Regulated individuals and licensed bodies are required to pay an annual contribution to the Fund. Contributions are determined and collected on behalf of the Fund by the Law Society of England and Wales (the Society).

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Governance

The Council of the Law Society (the Council), as the governing body of the Society has ultimate accountability for maintenance of the Fund in accordance with the SRA Compensation Fund Rules 2011 which are made under sections 36 and 36A of the Solicitors Act 1974, section 9 of the Administration of Justice Act, sections 21(2) and 83(5)(e) of, and paragraph 19 of Schedule 11 to, the Legal Services Act 2007 and an Order made under section 69 of the Legal Services Act 2007, S.I. 2011 No 1716, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

The management of the Fund has been delegated by the Council to the Solicitors Regulation Authority Board (the Board) and the administration



of the Fund is governed by the SRA Compensation Fund Rules 2011.

Reference throughout this document to 'the Society' refers to the Law Society as a royal charter body which consists of the Law Society professional body (TLS) and the Solicitors Regulation Authority (SRA).

Members of the Board during the financial year under review were:

- Anna Bradley Chair from 1 January 2019
- Enid Rowlands Chair to 31 December 2018
- Julia Black Member to 31 December 2018
- Sharon Darcy Member to 31 January 2020
- David Heath Member
- Paul Loft Member
- Barry Matthews Member
- Geoff Nicholas Member
- Dame Denise Platt Member
- Chris Randall Member to 31 December 2019
- Elaine Williams Member
- Tony Williams Member
- David Willis Member
- Peter Higson Member from 1 January 2019
- Selina Ullah Member from 1 January 2019

Chief Executive of the SRA:

- Paul Philip

The Board similarly delegated certain powers and duties during the financial year to the Finance and Audit Committee.

Members of the Finance and Audit Committee during the financial year under review were:

- David Willis Chair
- Paul Loft Member
- Elaine Williams Member
- Tony Williams Member

Given the Council's size (there are 100 places on the Council) the membership records are not shown here but are available on request and are included in the consolidated financial statements of the Law Society Group.

Operating and financial review

Results for the year

Contributions

Contributions are collected annually, as part of the annual practising fee collection process, by the Society on behalf of the Fund. These contributions form part of the overall Fund balance and may be used to provide cover for future claims in any year against the Fund.

A contribution of £60 per individual and £1,150 per firm which holds client money (2018: £90 and £1,680 respectively) was approved by the Board at its meeting in May 2019 relating to the practising fee year 1 November 2019 to 31 October 2020. The total budgeted contribution for the 2019/20 practising year was £17.5m (2018: £25.6m).

Of the budgeted £17.5m in relation to the 2019/20 practising fee year, £16.7m had been invoiced at the end of October 2019 (2018: £19.4m) with the remainder being invoiced by the end of January 2020. Contributions recognised during the year totalled £24.1m compared with £22.6m in 2018.

Investment income

Investment income in the period has increased as a result of an increased cash holding in the year. Cash is invested in short term cash deposits. At the end of October 2019, the Fund had £50.9m in cash and investments compared with £30m at the end of October 2018.

Grants paid and grant recoveries

During the year to 31 October 2019 grants were made to the value of £7.5m (2018: £18.1m).

In 2019 grant recoveries were £8.9m, a decrease of £3.9m from 2018. Recoveries are often received several months or even years after the initial grant is paid and therefore are not necessarily related to grants paid in the same year due to the accounting policies adopted. Grants are recovered primarily from Statutory Trust Accounts held by the Society.

The Fund received 1,414 claims in 2019 (2018: 2,695) and closed 1,516 (2018: 3,092). At the end of the year there were 446 open claims (2018: 548) with a total claim amount of £79.6m (2018: £76.6m).

Of the total grant recoveries, £1.1m (2018: £2.2m) relates to monies recovered by cost recovery where the Fund is able to recover from solicitors, grants that have been paid out to former clients of those solicitors.

Statutory Trust Accounts (STAs)

The Society is the Trustee of separate funds held as a result of interventions into solicitors' practices and as Trustee is responsible for ensuring that the funds are properly accounted for and distributed

appropriately. These funds are held in STAs. The Fund is able to recover from the STAs and other avenues (e.g. insurers), via right of subrogation, grants it has made where the funds held can be identified as due to a claimant who has received a grant from the Fund.

Once all reasonable and proportionate efforts have been made to trace beneficiaries, any residual balances remaining in STAs are transferred to the Compensation Fund. In 2019 the amount transferred was £1.0m (2018: £0.6m).

Administrative costs

Costs incurred during the year in administering, maintaining, applying and protecting the Fund were £9.0m (2018: £10.6m). Almost all Fund administrative costs are incurred by the Society and recharged to the Fund in accordance with agreed methodology and cost allocation rates. The most significant element of the recharge relates to third party intervention and legal costs incurred by the Society (£4.5m).

Result for the year

The surplus for the year was £17.8m (2018: surplus £7.5m). The movement in the year is due to an increase in contributions raised, along with a reduction in the level of grants paid and administrative recharges driven by a reduced level of interventions being performed.

Balance sheet and cash flow

Accumulated funds as at 31 October 2019 were £66.7m, compared with £48.9m as at 31 October 2018.

Reserves are expected to reduce throughout most of 2020 as the majority of the income in relation to the 2019/20 practising year was invoiced at the end of 2019. Contributions for the 2020/21 year are due to be collected from October 2020.

Analysis of open claims on the Fund along with the expected inflows into the fund in the form of recoveries provides confidence that these reserves are sufficient to meet future obligations.

Current assets

Current assets have increased by £17.8m overall (2018: £7.5m increase). The balance in the bank has increased in the year as a result of the increased contributions received this year

The Compensation Fund's investments are in instant access managed cash funds and short-term cash deposit accounts.

The amount held by the Fund in cash is intended to be kept at minimal levels required to support the forecast requirements.

Open claims

Due to the predominantly cash accounting nature of the accounting policies of the Fund, as explained in note 1, no liability is recognised within these financial statements for open claims received.

The movement in open claims open during 2019 and 2018 are shown in the table below based on the original claims value recorded:

	2019	2018
	£m	£m
Claims open at 1 November	76.6	100.2
Claims closed or deleted during the year	(56.8)	(73.5)
Net change in value of open claims	3.0	8.1
Claims received or reopened during the year	56.8	41.8
Claims open at 31 October	79.6	76.6

We have estimated the grants that may result from the claims outstanding at the end of 2019 and consider that the balances in the Fund are sufficient to meet the potential liabilities as they fall due.

Principal risks and uncertainties

As stated on page 1, the primary object of the Fund is to make discretionary grants to those persons who have either:

- suffered loss as a consequence of the dishonesty of a defaulting practitioner or the employee or manager or owner of a defaulting practitioner; or
- suffered loss and hardship in consequence of failure to account for money which has come into the hands of a defaulting practitioner or the employee or manager or owner of a defaulting practitioner.

As such the principal risk of the Fund is that it holds insufficient accumulated funds to settle authorised grants or that grants are made in inappropriate circumstances.

The above risks are mitigated by the fact that grants from the Fund are discretionary as outlined in rule 3.3 of the [SRA Compensation Fund Rules \[https://contact.sra.org.uk/solicitors/standards-regulations/compensation-fund-rules/\]](https://contact.sra.org.uk/solicitors/standards-regulations/compensation-fund-rules/). (A grant out of the Fund is made wholly at the discretion of the Society. No person has a right to a grant enforceable by law). However, in practice the Society must act in the public interest when approving claims made against the Fund. As a result, should insufficient funds be available for grants the Fund considers it appropriate to make, the Society could

enforce its powers to raise a special levy contribution against regulated individuals and bodies to fund the shortfall in accumulated funds. This would, however, carry reputational risk with these groups and therefore would be an action of last resort. The risk of inappropriate grants being made is mitigated by a maintaining a robust process of investigation and adjudication.

Covid-19 Pandemic

The Covid-19 outbreak has not had a direct impact on the Compensation Fund however it remains to be seen what the impact may be on the profession in the future.

The potential for a future impact was considered when setting the Compensation Fund contributions for 2020/21. The Fund maintains significant reserves to provide for uncertainty and had £51.3m in cash at the end of September 2021.

Statement of financial control

The Board acknowledges that it is responsible for the system of internal financial control and has reviewed its effectiveness, having regard to the following key procedures:

- a clearly defined management structure with open lines of communication;
- an on-going review by the Board of the cost of claims in relation to the income
- and assets of the Fund;
- approval of annual expenditure budgets; and,
- a monthly review of actual expenditure against budget.

All decisions and payments pertaining to the Fund and STAs are governed by the SRA's schedule of delegations which was approved by the Board in February 2009 and most recently updated in March 2018. The Board reviews the effectiveness of the internal financial processes with financial management representatives and Deloitte LLP, our outsourced provider of internal audit services.

It must be stated that a system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

Statement of the Council of the Law Society and SRA Board's Responsibilities in respect of the financial statements

Council of the Law Society

The Council of the Law Society is accountable for the maintenance of the Fund due to its responsibilities in law. The financial management of the Fund has been delegated by the Council to the Solicitors Regulation Authority (SRA) Board.

SRA Board

Under delegated authority from the Council of the Law Society, the SRA Board is responsible for the preparation of the non-statutory financial statements in accordance with the basis of preparation and accounting policies in note 1 and which show the position of the Fund at the end of the financial year and of any surplus or deficit for that period.

The SRA Board has taken responsibility for preparing non-statutory financial statements although there is no specific legal requirement to do so. The Council and SRA Board must not approve the non-statutory financial statements unless they are satisfied that they have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 1 to the non-statutory financial statements.

In preparing these non-statutory financial statements, the SRA Board has:

- selected suitable accounting policies and then applied them consistently
- made judgements and accounting estimates that are reasonable and prudent
- stated the basis of preparation and accounting policies applied; and,
- prepared the non-statutory financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business
- Considered the going concern assessment following the Covid-19 outbreak including the potential impacts on the claims made against the Fund.

The SRA Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund. It is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

In relation to Board members in office at the date the Board's report is approved, the following applies:

- so far as we are aware, members of the Board are not aware of relevant audit information that has not been disclosed to the Fund's auditors
- appropriate governance arrangements are in place and are operated, such as by the activities of the SRA Finance and Audit Committee and the Board; and
- we and members of the Board are satisfied that, by the said governance arrangements, members of the Board have taken the steps that they ought to have taken as a member in order to make themselves aware of relevant audit information and to establish that systems and practices are in place so that the Fund's auditors are aware of that information.

Independent auditor's report to the Council of the Law Society

Opinion

We have audited the financial statements of The Law Society Compensation Fund (the 'Compensation Fund') for the year ended 31 October 2019 which comprise the income and expenditure account, balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial statements have been prepared by the Council of the Law Society in accordance with the accounting policies set out in Note 1.

In our opinion, the financial statements of the Compensation Fund for the year ended 31 October 2019 are prepared, in all material respects, in accordance with the accounting policies set out in Note 1.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) including ISA (UK) 800. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Compensation Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council of the Law Society's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council of the Law Society has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Compensation Funds ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter - basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the special purpose framework used in the preparation of the financial statements. The financial statements are prepared to assist the Council of the Law Society to fulfil its stewardship duties in respect of the Compensation Fund. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Council of the Law Society and should not be distributed to or used by parties other than the Council of the Law Society.

Other information

The Council of the Law Society is responsible for the other information. The other information comprises the information presented within the Annual Report (including the financial information on page 6), other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

The Council of the Law Society responsibilities for the financial statements

The Council of the Law Society is responsible for the preparation of these financial statements in accordance with the accounting policies set out in Note 1 and for such internal control as The Council of the Law Society determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Compensation Funds ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Compensation Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Compensation Funds financial reporting process.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Council of the Law Society in accordance with the terms of engagement dated 7 October 2021. Our audit work has been undertaken so that we might state to the Council of the Law Society those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Compensation Fund and the Council of the Law Society, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

BDO LLP

Chartered Accountants

Birmingham

United Kingdom

Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Date: 25 October 2021

Income and expenditure account for the year ended 31 October 2019

Income	Note	2019 £'000	2018 £'000
Contributions received in the current year	7	24,060	22,609
		24,060	22,609
Grant recoveries	3	8,915	12,796
Investment income received	4	301	108
Residual balances received from Statutory Trust accounts	6	995	570
Total Income		34,271	36,155
Expenditure	Note	2019 £'000	2018 £'000
Grants paid	2	(7,495)	(18,085)
Administration costs	6	(8,964)	(10,571)
Auditors' remuneration – audit fees		(30)	(29)
Income tax		(28)	-
Total Expenditure		(16,517)	(28,685)
Surplus for the year		(17,754)	7,470
Fund balance as at 1 November		48,908	41,438
Fund balance as at 31 October		66,662	48,908

All activities derive from continuing activities. The notes on pages 15-20 form part of these non-statutory financial statements.

Balance sheet as at 31 October 2019

Current Assets	Note	2019 £'000	2018 £'000
Investments – cash funds		25,000	25,000
Bank and cash		25,949	5,036
Money owed from the SRA 8		15,713	18,872
Total Current Assets		66,662	48,908
Current liabilities		-	-

Total Current liabilities	-	-
Net Current Assets	60,662	48,908
Accumulated Funds	66,662	48,908

The notes on pages 16-21 form part of these non-statutory financial statements.

The financial statements of the Compensation Fund were approved by:

Signed by:

Paul Philip Cheif Executive, SRA

Anna Bradley Chair SRA Board

Date: 22 October 2021

Notes to the financial statements for the year ended 31 October 2019

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the following accounting policies. As the Fund is maintained and administered pursuant to sections 36 and 36A of the Solicitors Act 1974 as amended by the Courts and Legal Services Act 1990 and under the provisions of the Administration of Justice Act 1985, it is not required to prepare statutory financial statements or comply with applicable United Kingdom accounting standards or the Companies Act 2006 but has chosen to prepare non-statutory financial statements and have them audited as good governance.

The accounting policies adopted by the Fund are described below and these have been applied consistently.

Cash flow

No separate cash flow statement is prepared as the accounting policies adopted by the Fund are predominantly on a cash accounting basis.

Contributions

Fund contributions received in conjunction with Society practising fees are recognised in full when an invoice is raised following an application from a solicitor or a firm. The contributions relate to practising years which begin on the 1 November each year. These amounts are

recognised in full and not deferred and therefore the financial statements include amounts invoiced in advance relating to the following year.

Grants paid

Grants paid by the Fund are discretionary in nature and are accounted for when paid. Grant authorisation is given by an adjudication panel or an authorised adjudicator under delegated authority from the Board.

Grants recovered via right of subrogation from the STAs

The Fund is able to recover from the STAs, via right of subrogation, grants it has made provided certain procedures are followed. Recoveries from the STAs are recognised when cash is received.

Grants recovered from solicitors

The Fund is able to recover from solicitors, grants that have been paid out to former clients of those solicitors. Recoveries from solicitors are recognised when cash is received.

Residual balances received from Statutory Trust Accounts

Remaining funds held in Statutory Trust Accounts are transferred to the Fund once all reasonable efforts to establish and trace beneficiaries have been exhausted. Income from residual balances in Statutory Trust Accounts is recognised when the cash is received.

Investment income

Investment income is received monthly in the form of dividends and interest. Income arising on bank and cash amounts is received as interest. Investment income is accounted for when cash is received.

Administration costs

Administration costs are incurred by the Fund via a recharge from the Society in accordance with agreed cost allocation methodology and cost allocation rates. Administration costs are recognised when actually calculated and notified to the Fund by the Society.

Certain costs are incurred directly by the Fund and are recognised when paid.

Taxation

The Fund is only liable to taxation on its investment income at the basic rate and normal dividend rates of income tax and obtains no tax relief for its overhead expenditure. Charges for taxation are recognised when paid or received and no account is taken of deferred taxation assets and liabilities.

Valuation of investments

Investments, constituting managed cash funds, are valued at their mid-market value at the Balance Sheet date on a portfolio basis. Given the cash nature of investments, except in exceptional circumstances, the mid-market value of investments is £1 for £1. Should any movements in mid-market value occur they shall be recognised through the income and expenditure account.

Of the investments none were held under fixed term arrangements and are all available for withdrawal with no more than seven days notice.

Going concern

The level of reserves coupled with the fact that the Fund's grants are discretionary means the Board believes the Fund has sufficient funds available to it to meet future obligations as they fall due.

In the current climate, the Board acknowledges the ongoing COVID-19 pandemic.

The Fund holds significant cash reserves and contribution levels for 2020/21 have been set with the additional risks associated with Covid-19 in mind. The latest forecasts for the fund indicate that there will continue to be significant reserves through the next 12 months and beyond, with the Fund forecasting £45m of cash reserves at October 2022. As part of the year end audit process, the Board has also considered possible scenarios that would result in cash reserves being exhausted and considers that multiple worst-case events would need to occur such as a 40% reduction in the profession, a threefold increase in interventions with a 50% increase in cost and a 100% increase in the level of claim on each intervention. The likelihood of any of these scenarios individually is considered to be extremely low and the likelihood of all three almost inconceivable.

The Society also has the power to raise an additional levy on regulated individuals and bodies between the annual collections if required. Based on the reforecasts and the available liquid resources, the Board believe that, while some Covid-19 uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Fund's ability to continue as a going concern for the foreseeable future, being a period of at least 12 months after the date on which the report and Financial

Statements are signed. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

2 Grants paid

Grants paid in 2019 totalled £7.5m (2018: £18.1m).

4 Investment income received

	2019 £'000	2018 £'000
Dividends -		25
Interest	301	155
	301	180

5 Income tax

Income tax is payable on gross dividends and interest earned during the year from money market funds and treasury deposits. Income tax falling due on investment income for the financial year totals £28k (2018: £29k).

6 Administration Costs

	2019 £'000	2020 £'000
Direct cost of processing Compensation Fund claims	2,146	3,105
Direct cost of intervention and other legal costs	4,467	5,253
Total Direct Cost	6,613	8,358
Allocated cost of other regulatory activity that administers and protects the Fund	1,376	1,226
Total Allocated Costs	1,3	1,26
Contribution to central overheads: Central costs contribution	975	987
Total Contribution costs	975	987
Total Administration costs	8,964	10,571

All administration costs are incurred by the Society and recharged to the Fund.

7 Compensation Fund contributions

Contributions recognized in 2019 totaled £24.1m (2018: £22.6m) of which £16.7m (2018: £19.4m) related to the practicing year 2019/20. Of the budgeted £17.5m for the 2019/20 practicing year (2018: £25.6m) a further £0.8m (2018: £6.3m) had been invoiced by the end of December 2019.

8 Related party transactions

The Society has ultimate accountability for the maintenance of the Fund and the STA's. Both the Society and the STA's are therefore considered to be related parties for the purpose of financial reporting.

The Society collects all Fund contributions on behalf of the Fund, as disclosed within the income and expenditure account. In addition the Society charges the Fund administration costs, as disclosed in note 6. Amounts due from the Society at 31 October 2019 are £15.7m (2018: due from the Society £18.9m) and are disclosed within the balance sheet.

Transactions with the STAs are recovery of grants under rights of subrogation and amounted to £7.4m (2018: £8.8m).

Further monies are also received from residual balances in STAs once all reasonable efforts have been made to trace beneficiaries. Any remaining funds are then transferred to the Fund and amounted to £1.0m in 2019 (2018: £0.6m).

Disclosure of related parties arising from Council members and Board members, included in recharged costs, are disclosed in the Society consolidated financial statements.

There are no other significant related party transactions.

9. Disclosure of significant assets and liabilities

Due to the predominantly cash accounting nature of the accounting policies certain assets and liabilities are not included in the financial statements. The most significant are explained below.

Open claims

As explained in note 1, grants made are recognised when cash is paid. Amounts approved for payment and those related to outstanding claims being investigated are not included in the financial statements.

No estimate can currently be made of future claims against interventions in progress and no estimate is made of amounts recoverable from the seized accounts relating to those interventions.

Statutory Trust Accounts, undistributed balances

The 2006 Re Ahmed judgment provided for any undistributed STA balances (residual balances) to be transferred to the Fund after reasonable investigations to distribute them.

In 2019 this resulted in £1.0m being transferred from STAs to the Fund (2018: £0.6m). This is in addition to the funds received via rights of subrogation. The SRA is continuing to identify historic undistributed balances which can be transferred to the Fund.

Statutory Trust Accounts, amounts due via right of subrogation

In accordance with the accounting policies, no amounts are recognised within the balance sheet or income and expenditure account in respect of amounts due to the Fund via rights of subrogation from the STAs as these amounts are only recognised when paid.

Whilst the amounts due to the Fund are likely to be significant we are currently unable to accurately quantify the amount due. At the end of October 2019, the total balance held in STAs was £8.1m (2018: £15.0m).

Uninsured Firms

From 1 October 2012 the SRA Compensation Fund Rules were changed to provide cover for claims made against uninsured firms that would previously have been covered by the Assigned Risks Pool (ARP) under the arrangements for non-applied firms. This cover is similar to that provided historically through the ARP arrangements whilst still retaining the discretionary nature of the Compensation Fund. The cover extends to claims made against firms that are practising whilst uninsured and includes six-year run-off cover in the event that a practice ceases without successor practice whilst uninsured.

10. Post balance sheet events

The Covid-19 outbreak has not had any material negative impact on the Fund.