

SRA BOARD
9 March 2016

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Chief Executive's Report

Purpose

- 1 This report sets out progress against our strategic objectives and provides an update on operational performance.
 - Section 1: reports on our priorities and progress against the 2015/16 Business Plan.
 - Section 2: provides an update on operational performance.
 - Section 3: provides details on publication and engagement activity.

If you have any questions about this paper please contact: Paul Philip, Chief Executive, paul.philip@sra.org.uk, 0121 329 6940.

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Section 1: Priorities for 2015/16

- 2 This section provides an update focusing on developments and progress against our 2015/16 Business Plan.

Progress against our 2015/16 Business Plan

- 3 We are making good progress in the work undertaken to achieve the objectives set in our Business Plan. Below, I provide detail of our programme and highlight areas of development and points to note.

<p>Objective 1: We will reform our regulation to enable growth and innovation in the market and to strike the right balance between reducing regulatory burdens and ensuring consumer protection</p>	<p>On track</p>
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- 4 Overall we are on track to achieve this objective.

Looking to the Future: Handbook and Accounts Rules review

- 5 We continue to develop proposals informed by an extensive programme of stakeholder engagement. We have also undertaken a Handbook users' survey and a range of internal work across the organisation – engaging with front-line Handbook users.
- 6 We are working with external experts and have sought external advice on the likely economic impacts of our proposals. The output from this will be a report that we publish alongside our consultation papers and initial impact assessments. Internally, we are undertaking a number of discrete pieces of research and analysis of SRA data, including a comprehensive market analysis. We are also reviewing a range of research on consumer behaviour. We are looking at what other regulators do and are speaking to a number of them.
- 7 We recognise that the views of the profession, consumers and employees will be crucial to the development of the structure and content of the new Handbook. We are carrying out a mapping exercise of stakeholders to inform a targeted on-going communication plan. This will include targeted digital content, webinars, surveys and engagement events.

Improving Regulation

- 8 Last year the LSB approved changes to the Handbook under our Improving Regulation initiative. One part of our proposals was not approved at that time.

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This was the removal of authorisation rules that implied that providers must, at all times, be carrying out one or more of the reserved legal activities that our authorisation entitles them to undertake. On 27 January 2016 we received the LSB's approval for this final element of our Improving Regulation proposals. If the Board agrees at today's meeting the Handbook will be updated in April to reflect the changes.

Consumer Credit

- 9 Our regulatory arrangements (rules and guidance) were approved by the Legal Services Board in November 2015. We have since published a consumer credit toolkit on the SRA's website to help firms to ensure that the services they deliver are compliant with the new regulatory regime. The existing transitional arrangements we have with the Financial Conduct Authority end on 31 March 2016.
- 10 The toolkit can be found at - <http://www.sra.org.uk/solicitors/code-of-conduct/financial-services-rules/regulation-consumer-credit-activities.page>

SRA innovate

- 11 The SRA Innovate project was soft launched at a Department for Business, Innovation and Skills conference in November last year. We now have a section of our website with dedicated content for firms wishing to innovate. We also have a dedicated innovation service within our Ethics Guidance Team.
- 12 We are now preparing for an Innovate conference scheduled for 22 March 2016 in London. It is targeted at mid-sized regulated firms. It is intended to be a practical session with speakers from firms who have introduced innovation and will include workshops with our staff to work through the authorisation process and the link between risk and innovation. We expect between 100-150 delegates to attend.
- 13 The Innovate project team continues to review how internal processes currently work for firms wishing to try out new ideas and how they can be aligned with the SRA Innovate concept. We aim to provide consistency in the handling of requests regardless of the point at which the firm makes its approach and we are developing case studies to highlight how we can help.

Professional standards

- 14 Excluding SRA staff, more than 5,000 people had the opportunity to give their views during our consultation (run as the Question of Trust campaign):
 - Over 2,000 people voted online
 - Over 1,100 people voted live at one of our events
 - Over 250 people rated the seriousness of scenarios on a postcard
 - Over 1,600 people responded to a twitter poll
 - 34 individuals and organisations sent in full consultation responses

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- 15 Respondents to the on-line survey were split 49% solicitors and 51% non-solicitors, with a good range across genders, ethnicities and age brackets. The data collected is still being analysed but so far the scenarios rated as least serious were those where there was no intention to do something wrong, such as mistakenly not paying a train fare or an administrative error meaning a practising certificate expired). Examples of scenarios viewed as the most serious include misusing client money or taking advantage of an elderly client. Interestingly, most questions had at least one person vote that it was a matter of no concern and one person that it was the most serious of behaviours. This highlights how different people's views can be.
- 16 19 of the 34 full consultation responses were from individuals, the majority of whom were solicitors in private practice. There were two responses from members of the public. The bulk of the remaining 15 responses were from local law societies and other representative bodies. Responses from individual solicitors tended to be sympathetic to the position of the solicitor accused of wrong-doing. This was expressed more in yes/no questions than in the comments (for example, an individual solicitor was more likely to say 'no' to questions about taking action on matters that occur in their private life but would qualify this by saying an investigation should be considered if the events had relevance to professional practice, such as financial dishonesty). In contrast, organisations were more likely to say 'yes' to questions about taking action on matters outside of practice, but qualify it by saying only if there was direct read across to professional life.
- 17 All of the feedback we have gathered during consultation will be used to refine a reference framework to support our decision making and transparency. The framework will be used as an input into any future reviews of internal SRA products and processes.

Objective 2: We will work with solicitors and firms to raise standards and uphold core professional principles	On track
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- 18 Overall we are on track to achieve this objective.

T4T - Equivalent means

19. A table showing the numbers of equivalent means applications received since 01/07/2014, when the new regulations came into force is at Annex 1.

Objective 3: We will improve our operational performance and make justifiable decisions promptly, effectively and efficiently

**On
track**

Professional Indemnity Renewal

- 20 The September 2015 professional indemnity renewal data collection exercise was successfully completed in January (note that approximately 85% of firms renew their indemnity insurance in September). We continued to engage with insurers throughout the data collection exercise and worked proactively with firms and the insurers where exceptions were identified (142 compared to 1,800 in last year's exercise) to clarify the position. This resulted in 25 firms being referred for further investigation, including one intervention. Last year we referred two firms to the Solicitors Disciplinary Tribunal for practising without insurance and publicised the names via a press release last March. We will consider a similar response this year.

Revocation

- 21 The bulk revocation process was successfully completed on 7 December 2015; with 3,537 individual Practising Certificates revoked, (this followed the 2015 Practising Certificate Renewal Exercise). Initial checks by the Authorisation Directorate were undertaken into firms that did not renew. In February, details of 103 firms were referred to Supervision for further checks. Supervision will engage with the firms and revoke recognition if necessary. Where this is the case, Supervision will engage with the firm to ensure an orderly closure. Any disciplinary issues arising from the work will be dealt with separately. Last year we did not to revoke practising rights of any firms, although we did send letters of guidance to seven firms that delayed the completion of their renewal application.

Regulation 3

- 22 Regulation 3 gives us the ability to put restricting conditions on individuals' Practising Certificates. Since 1 October 2015, 758 Regulation 3 applications have been completed, with 188 applications outstanding where individuals are subject to Regulation 3 of the Practising Regulations. The service level target for these applications is to make a decision within 120 days and the aim is to resolve these applications by 31 March 2016. We are currently ahead of schedule against this target.

Anti Money Laundering (AML) report

- 23 We will publish a short report in March summarising the outcome of our examination of compliance practices in relation to AML. This follows concerns that we raised around AML in our 2014 and 2015 Risk Outlook documents. The report is based on our engagement with 252 firms from across the regulated community and identifies examples and case studies of good and bad practice

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in relation to AML compliance. This is part of a wider package of initiatives that we are taking forward which also includes close working with the Treasury, National Crime Agency and other government agencies.

Appeal on anonymity

- 24 On 15 January, the High Court delivered its judgment in *SRA v Spector* [2016] EWHC 37 (Admin). This was an appeal brought by the SRA against a decision of the SDT that the name of a respondent be anonymised in its judgment and that the SRA should not disclose to enquirers his involvement in the disciplinary proceedings. The Court allowed the appeal, agreeing with the SRA that there was no reason why the respondent, Mr Spector, could not be identified.
- 25 The Court ruled that the SDT had erred in law and that its decision was contrary to principle and irrational; it stated that it is a key component of the principle of open justice that proceedings are freely reportable and that included being able to identify the persons involved. It went on to say that the starting point is full openness and it is only if an exception is required in the interests of the administration of justice, that some limitation is justified. The Court agreed with the SRA that the order put us in an invidious position and would inhibit the performance of our statutory duty to have regard to the principles under which regulatory activities should be transparent.

Objective 4: We will work with our stakeholders to improve the quality of our services and their experience when using them	On track
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Section 2: Operational Performance

- 26 We continue to make good progress against our key end-to-end 12-month disciplinary proceedings target by achieving 91% against the 90% target. This was the same level of performance achieved in December and is up from 89% last in January 2015.
- 27 Performance has also remained strong in both Individual and Firm Based Authorisation, Client Protection and in the Contact Centre, where we continue to achieve the new, more challenging target, of 80% of calls being answered within 20 seconds (performance in January was recorded at 89%).

Section 3: Publications and Engagement Activity

SRA in Parliament

- 28 The SRA has been referenced a number of times over the Al-Sweady inquiry. For example, Minister for the Armed Forces, Penny Mordaunt said "The Solicitors Regulation Authority (SRA) has been conducting a wide-ranging investigation into two firms - Leigh Day & Co, and Public Interest Lawyers - as a result of concerns about their conduct in the Al-Sweady Inquiry and associated litigation ... The Government welcomes the SRA's decision to refer Leigh Day &

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Go to the Solicitors Disciplinary Tribunal, and awaits its decision with regard to Public Interest Lawyers. We will decide what further action may be appropriate in the light of the results of this process.”

- 29 The SRA was also referenced in a Westminster Hall debate led by Byron Davies (Conservative, Gower) in relation to a case involving a constituent and the serious fraud office, specifically the referral of a solicitor to the SRA
- 30 We met the Law Society of Scotland on 16 February 2016 for what were useful and constructive discussions on Alternative Business Structures, the Solicitors Qualifying Examination ABSs, SQE and our plans for our Handbook. We also held quarterly update meetings with the City of London Law Society.

A Question of Trust

- 31 January was another busy month with our 'A Question of Trust' campaign ending with visits to SAALS (Southern Area Association of Law Societies) in Andover, Liverpool and Nottingham Law Societies. We held two events in Liverpool and Nottingham, giving solicitors and the public the chance to have their say on the standards expected of solicitors, and what should happen when solicitors fall short of those standards.
- 32 35 Presidents, Vice Presidents and Treasurers attended the SAALS event from over 10 law societies. Paul Marsh, David Willis and Richard Collins supported Crispin Passmore in what was a lively and thought-provoking session.

Looking ahead to 2016

- 33 The Innovate Conference will be held on 22 March 2016 at Altitude 360, 29th floor of Milbank Tower, London. Paul Philip will open the event, with a keynote address from Karl Chapman of Riverview Law and a panel session chaired by Kevin Poulter from the Solicitors Journal.
- 34 Our 'Meet the Board' Roadshows 2016 programme will start with visits to Norwich and Norfolk, West Bromwich, Bournemouth and Shropshire Law Societies in the first half of the year.

Equality, Diversion and Inclusion

- 34 The EDI Team is working to expand the numbers of the EDI Virtual Reference Group (VRG). Members are also engaging with large and small firms and Stonewall on EDI and have a number of events booked in March and April.

Complaints

- 35 The number of complaints being made to us remains stable and comparable to previous months, with no trends of note emerging. Stage 1 complaints have now been passed back to Supervision, with the Corporate Complaints Team supporting colleagues closely, by way of coaching and quality approval of letters, to ensure that the stage 1 complaints work is handled in accordance with our new 'Writing the SRA way' principles. This support will continue for the

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foreseeable future and will be provided to other operational areas over the coming months, to embed the lessons learned from the complaints we receive and to embed our tone of voice guidelines.

Legal Choices

- 36 Traffic to legalchoices.org.uk, the consumer website we run on behalf of the joint regulators, is growing strongly, reflecting a higher variety of content and our redoubled efforts to ensure content is fresh, topical and easy to read. The number of visitors to the site in the first quarter was up 135% from a year earlier.

Social media

- 37 Traffic to sra.org.uk from social media platforms such as Twitter and Facebook is growing strongly as a result of higher social content volume. In the first quarter, visits to sra.org.uk from social media platforms such as Twitter were up 300% year on year.
- 38 Meanwhile, we have completed a programme of face-to-face and online interviews with stakeholders about the role of social media at the SRA. The findings, informed by our social analytics from the past five years, will be reported to the executive team shortly; the report will enable us to formulate a coherent, stakeholder-validated vision of SRA social media, along with an implementation plan.

High-volume email

- 39 We are working to boost the deliverability of—and level of activity generated by—our flagship email channels, *SRA Update* and *Compliance News*. Although the two e-newsletters generally equal or outperform sector benchmarks, we are keen to increase their reader appeal and expand their reach.

Content-rich website

- 40 Results of click testing of Phase 1 of our website redesign were strongly positive, with around 80 per cent of subjects clearly preferring the new design to the current one. Go-live is tentatively scheduled for the weekend of 20-21 February.

Author Paul Philip, Chief Executive
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T4T - Equivalent means

As at 22/2/15, the following numbers of equivalent means applications had been received since 01/07/2014, when the new regulations came into force:

EQ App 22.02.16	Received	Granted	Refused	Withdrawn	Work in progress	Unallocated
Common Professional examination	92	40	17	18	17	0
CPE for non graduates	27	22	2	3	0	0
Legal Practice course	11	2	1	4	4	0
Period of recognised training	112	36	11	16	45	4
Professional Skills Course	7	2	0	2	2	1
Morgenbesser	3	0	0	3	0	0