

SRA BOARD  
13 September 2017



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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 2016/17 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](mailto:paul.philip@sra.org.uk), 0121 329 6940.**

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### Section 1: Priorities for 2016/17

- 2 This section provides an update focusing on developments and progress against our 2016/17 Business Plan.

#### *Anti-money laundering (AML)*

- 3 We now have a programme board in place to oversee all of our AML-related work. This is a significant programme of work that we anticipate will put pressure on our resources. We are currently assessing the implications in more detail.
- 4 The new Office for Professional Body AML Supervision (OPBAS), based within the FCA, will start supervising the SRA and other professional bodies on 1 January 2018. The Treasury has recently consulted on the new regulations to set up OPBAS and a further consultation on the new OPBAS handbook is ongoing and will close in October.
- 5 We have also begun work to implement the requirements of the new AML regulations, including the different types of data we will need to collect from regulated firms and the requirement to extend authorisation to new classes of individuals within firms. Work also continues in preparation for the Financial Action Taskforce (FATF) visit in spring 2018.

#### *Practising Certificate Renewal Exercise*

- 6 The LSB wrote to us in August to confirm its approval of the 2017/18 fee determinations for practising certificates, recognised sole practices, recognised bodies and licensed bodies. We have announced that the Practising Certificate renewal period will run from 2 to 31 October 2017 and contacted all firms and individuals to let them know about the 2017/18 practising fees.

### Progress against our 2016/17 Business Plan

- 7 We are making good progress to achieve the objectives set in our 2016/17 Business Plan. Below I highlight key areas of development to note against each Business Plan objective.

<p><b>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</b></p>	<p><b>On track</b></p>
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- 8 We are on track to deliver this objective.

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***Risk Outlook July 2017***

- 9 We delivered the 5th edition of our annual Risk Outlook, which now includes a new risk on questionable investment schemes, as well as highlighting risks around diversity, access for the public to legal services and the standard of service. This year's press coverage included an article in The Times focusing on the threat of cybercrime, quoting our statistics from the Risk Outlook of £11million losses last year. Early indications show over 1300 readers in the first two weeks which represents a 14% increase in readership compared to last year.

***Holiday Sickness Claims***

- 10 The issue of false holiday sickness claims has been widely reported in the media and is rising up our agenda. We will shortly be undertaking a roundtable of claimant firms to gain their views about the issue. We are also using the relationships we have developed through the Insurance Fraud Taskforce to bring together and engage all interested parties and forming relationships with travel companies and the Civil Aviation Authority (who own ATOL and air regulate travel companies).

<p><b>Objective 2: We will work with solicitors and firms to raise standards and uphold core professional principles</b></p>	<p><b>On track</b></p>
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- 11 We are on track to deliver this objective.

***Solicitors Qualifying Examination (SQE)***

- 12 We continue to engage with universities, law firms and other stakeholders in relation to the SQE. As part of our engagement we are holding an SQE event with the universities on 18 December, hosted by Aston University. Work has also begun on the toolkit of resources and we aim to have the first suite of resources published by the end of 2017. The tender exercise for the assessment organisation to develop and deliver the SQE continues to run smoothly. We have extended the deadline for submission bidders' outline solutions from 1 September to 22 September. This is in response to potential bidders experiencing logistical difficulties caused by the summer holiday. We do not envisage further delays to the timetable and we remain committed to making the final contract award in April 2018.

***Offensive Communications Warning Notice***

- 13 In August, we published a warning notice reminding the profession of its responsibilities when sending emails or letters, and when using social media (<http://www.sra.org.uk/solicitors/code-of-conduct/guidance/warning->

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[notices/Offensive-communications--Warning-notice.page](#)). The notice was issued following an increase in reports of solicitors falling below the standards expected of them. Specifically, we have warned that online comments posted in a personal capacity and which might be deemed offensive or inappropriate could be classed as misconduct if the poster can be identified as a solicitor. The notice received trade and national media coverage.

<p><b>Objective 3: We will improve our operational performance and make justifiable decisions promptly, effectively and efficiently</b></p>	<p><b>On track</b></p>
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14 We are on track to deliver this objective.

### ***Modernising IT Programme***

15 During September, we are rolling out Windows 10 and Office 365 to all SRA and Shared Services staff as part of Wave 1, Phase 1 of the Modernising IT programme. It is taking place in a phased way to different groups of staff each week in September and follows on from two pilots with different teams during which issues have been raised and resolved and lessons learned prior to the wider rollout. The software includes a new operating system (Windows 10) which is much faster than our current operating system (Windows 7). As we prepare for rolling out the new software, we have stepped up our internal communications to ensure all staff are engaged in the programme and we have put in place a number of training options for staff.

16 Wave 2 of the Programme, which focuses on developing a system to support our operational regulatory work, continues to progress as planned with lessons learned from the initial work being built into our planning and development moving forwards. Engagement with the public, advocacy groups and profession continues as we work to ensure that our IT meets the needs of our service users.

### ***Mainstreaming EDI***

17 We are making good progress on our commitment to mainstreaming EDI throughout our work. We have now established an internal EDI Programme Board. As reported in the July Board paper on mainstreaming our EDI work, this Board will be overseeing the implementation of the various components of our EDI roadmap and framework.

18 We have revised our interpretation and translation policy to ensure that the profession and the public can access our communication in their first or preferred language.

19 As part of our work to demonstrate the importance of a diverse legal profession, we are sponsoring the forthcoming Black Solicitors Network Diversity Awards,

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as well as participating in Society of Asian Lawyers and British Nigerian Law Forum events. We are also holding an event to celebrate Black History month in partnership with the Black Solicitors Network and hosted by Freshfields, at which Board Member Geoff Nicholas is speaking.

**Objective 4: We will work with our stakeholders to improve the quality of our services and their experience when using them**

**On track**

20 We are on track to deliver this objective.

#### ***Firm Diversity Data Collection***

21 Our Firm Diversity Data Exercise opened for submissions on 20 July and we had received 9,209 submissions (out of 10,348 firms) at the time of writing, a 89% completion rate. The closing date for submissions was 18 August 2017, although some extensions have been given so we expect the final number of submissions to increase. We are continuing to engage further with firms that have not yet responded.

#### ***Corporate Strategy***

22 Following consideration at the last Board meeting, we published our draft three year Corporate Strategy for consultation on 27 July. The consultation will close on 21 September and will come back to the Board in October. The consultation is available to view at: <http://www.sra.org.uk/sra/consultations.page>.

#### ***Legal Social Mobility Partnership Scheme***

23 During July, we talked to students aged 16-18 from all over the country taking part in the Legal Social Mobility Partnership scheme. The scheme promotes diversity in the legal profession and delivers work experience and ongoing coaching support to 300 students nationwide each year. We spoke to students at 10 events about the work we do and the standards and behaviours expected of solicitors. We also hosted a full day at our Cube offices, giving the students an opportunity to work with teams across the SRA.

#### ***Legal Choices***

24 Our Legal Choices website provides support and information to the users, and potential users, of legal services. In quarter 3 this year the website recorded 25,733 page views, which was a 75% increase on the same quarter in 2016. We now have agreement with other legal regulators to progress the further development of the Legal Choices website. This follows recommendations in the CMA report that Legal Choices could help to address the difficulties many people face in accessing the legal services they need.

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## **Section 2: Operational Performance**

### ***KPIs***

25 Below are the KPI results for July:

- 94% of conduct matters closed within 12 months of receipt in July against a target of 93%.
- 75% of Compensation Fund claims were closed within 12 months against a target of 90%. This is a result of our focus on closing older complex files and the intake of complex high value investment fraud cases. We expect to be back on target in the next 2 to 3 months.
- 92% of medium / high risk applications closed within 3 months in Firm Based Authorisation against a target of 90%. We achieved all of our KPIs in Authorisation in July.

26 We are currently dealing with the peaks for training contracts and admissions in Authorisation. We are assessing 2000 admission applications to enable these individuals to be admitted in September (on average we normally admit 300 individuals per month). 6180 training contract notifications are submitted by firms for assessment per annum with 50% of these applications received between June to September. Due to training additional staff, we are continuing to meet our service standards during this peak period.

## **Section 3: External Developments, Publications and Engagement Activity**

### ***Enforcement Powers and Standard of Proof***

- 27 In August, the Treasury published an update on its progress in responding to the recommendations of the Insurance Fraud Taskforce (published in January 2016). The update highlighted that the possibility of increasing the fining power of the SRA remains on the agenda. It also indicated that reconsidering the standard of proof before the Solicitors Disciplinary Tribunal (SDT) could also be considered as part of reviewing whether the SRA's enforcement powers should be strengthened.
- 28 The SDT published its response to the BSB's consultation on moving to the civil standard of proof at the end of July. The response (<http://www.solicitortribunal.org.uk/news/sdt-response-bsb-standard-proof-consultation>) indicates that the SDT will be consulting on the appropriate standard of proof to apply as part of its exercise to bring forward its proposed new rules. We published our response to the BSB consultation in June (<http://www.sra.org.uk/sra/consultations/consultation-responses/bsb-response.page>).

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***LSB Updates***

- 29 In July, the Ministry of Justice published the outcome of its review of the Legal Services Board (LSB) and the Office for Legal Complaints (OLC). The review's assessment shows that the LSB is generally effective both in promoting the regulatory objectives and in delivering its functions. The report can be viewed at:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/630084/lb-olc-tailored-review-2017.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/630084/lb-olc-tailored-review-2017.pdf).
- 30 We met with the LSB on 16 August to provide them with an interim progress report on our work to encourage a diverse workforce, ahead of their planned 2018 assessment of the legal regulators against their new EDI requirements. Feedback was positive.

***Annual Report - Bi-Lingual Version***

- 31 As part of our strategic commitment to increase engagement in Wales and demonstrating best practice in our regulation by being as fully inclusive as possible, we have now published a bi-lingual version of our Annual Report for 2015/16 in English and Welsh. We have distributed to all members of the Welsh Assembly and other key stakeholders. We are also holding a compliance and wellbeing event for the profession in Cardiff in September.

**Author** Paul Philip, Chief Executive  
**Date** 31 August 2017