

SRA BOARD  
12 April 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.

#### ***Financial Action Task Force on Money Laundering (FATF) inspection of UK***

- 3 The next FATF Mutual Evaluation Report for the UK will be conducted in March 2018. This will assess how well the UK complies with international money laundering and counter financing of terrorists rules. We have a role in the review as The Law Society is one of 27 statutory approved AML supervisors, with the supervision role delegated to SRA.
- 4 We have developed a programme of work to ensure that activity such as our 2015 review of the AML provisions of 250 law firms feeds into the preparations for FATF, and we are working closely with the Treasury and the National Crime Agency.

#### ***HM Treasury Anti-money laundering (AML) consultations***

- 5 The Government has announced two new consultations to give effect to a new system of arrangements to tackle money laundering in the UK. It has also issued a call for evidence to feed into an updated National Risk Assessment of money laundering and terrorist financing. Proposed new arrangements include improvements to the requirements for client due diligence, registers of Trust or Company Service Provider activity, improved information sharing about suspicious transactions and a new oversight body for the AML Supervisors (including the SRA). We are currently analysing the proposals and we will meet with HM Treasury to discuss the consultations.

#### ***General Data Protection Regulation***

- 6 We have started work preparing for the new General Data Protection Regulation (GDPR) that comes into force next May. This regulation will replace the current Data Protection EU Directive as well as the UK's Data Protection Act. There will be considerable changes in how we obtain and manage personal data including a more rigorous approach to obtaining consent to process personal information and enhanced rights for individuals to decide how information is used. A stricter reporting regime to the Information Commissioner's Office will also be introduced for data protection breaches.
- 7 An action plan is being developed to make sure our systems and procedures comply with the new legislation and to ensure that our staff are appropriately trained.

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***Legal Services Board (LSB) Investigation into Governance Arrangements***

- 8 On 20 March 2017, we received a letter from the LSB setting out the scope of their formal investigation into the governance arrangements in place between The Law Society and the SRA. We expect to hear further details on the investigation in due course. The letter has been published on the LSB's website ([http://www.legalservicesboard.org.uk/what\\_we\\_do/investigations.htm](http://www.legalservicesboard.org.uk/what_we_do/investigations.htm))

***Progress against our 2016/17 Business Plan***

- 9 Our 2016/17 Business Plan is available online - <http://www.sra.org.uk/sra/strategy/business-plans.page>. Our priorities are to continue to improve operational delivery, with a particular focus on improving our IT systems, and on progressing our regulatory reform work. We are making good progress to achieve the objectives set in our 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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- 10 We are on track to deliver this objective.

***Competition and Markets Authority (CMA) Report***

- 11 Discussions are ongoing within the organisation and with other regulators and the CMA about how we take forward the Market Study recommendations. The minutes of the first meeting of the 'Legal Services: Remedies Programme Implementation Group' have been published online (<https://www.gov.uk/government/publications/legal-services-remedies-programme-implementation-group-minutes-2017>), with the next meeting due to take place on 12 May 2017.

<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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- 12 We are on track to deliver this objective.

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### ***Question of Trust Consultation Findings***

- 13 On 30 March 2017, we published the detailed findings of our Question of Trust consultation about what should happen if a solicitor falls short of expected standards. The publication of all the material and raw data means that others can now analyse the information and use it for their own research. All the findings, consultation responses and the full raw data are available at: [www.sra.org.uk/trust](http://www.sra.org.uk/trust). The information from the consultation will feed into a review of our enforcement strategy.

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

- 14 We received 243 responses to the second consultation on SQE. As part of the process, we engaged with more than 6,800 people through 45 events, meetings and digital activities and had almost 4,650 visits to related website pages and 237,000 impressions on social media. Our proposals were debated in the House of Lords last month. In response to an oral question asked by Lord Low of Dalston, Lord Keen of Elie, responding for the government, said that the Government does not believe that taking the proposal forward would stifle innovation and curriculum development. The Board will be discussing the outcomes of the consultation and we plan to announce the decision on next steps in April.

### ***First Tier Complaints Research with Legal Ombudsman (LeO)***

- 15 In December last year, we informed the Board of our plans to work with LeO on research into better understanding the role and effectiveness of first tier complaints in ensuring quality of service to consumers. This follows previous research, which highlighted a number of issues associated with consumers being able or willing to make a complaint and the ability of firms to address them effectively. The research started earlier this month and is due to be completed in Autumn 2017.

<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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- 16 We are on track to deliver this objective.

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

- 17 The Modernising IT Programme continues to progress well. Following an open and competitive procurement exercise, we have chosen a preferred supplier for Wave 1 of the programme. We expect to have identified a preferred supplier for Wave 2 by the end of April with a view to signing contracts in May.

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### ***Encouraging a Diverse Workforce***

18 The Legal Services Board (LSB) has adopted an outcomes based approach in its decision document “Encouraging a diverse workforce” published on 15 February 2017. From August 2018, the LSB will be assessing regulators against four diversity objectives which cover:

- monitoring the diversity profile of the profession,
- using the data to inform our regulatory arrangements
- collaborating with others to encourage a diverse workforce
- accounting to our stakeholders for our work in this area.

The LSB has indicated that it will discuss the precise arrangements for this assessment with regulators in August 2017 and we welcome the opportunity to integrate this assessment, which reflects our work to mainstream Equality, Diversity and Inclusion.

### ***Transgender-positive Workplaces in the Legal Sector***

19 We marked International Transgender Day of Visibility with our initiative to help firms to create transgender-positive workplaces. We have created a transgender-positive checklist, videos and guidance offering practical tips and knowledge that are available on our website (<http://www.sra.org.uk/trans/>). Coverage of the initiative on social media generated over 36,000 impressions (people viewing our posts) and 757 engagements (people sharing our posts). We also had some organisations engage with us for the first time as a result of the campaign. This initiative is part of our continued work to encourage a diverse profession.

<b>Objective 4: We will work with our stakeholders to improve the quality of our services and their experience when using them</b>	<b>On track</b>
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20 We are on track to deliver this objective.

### ***SRA firms and financial services***

21 A small number of SRA-authorized firms are authorised by the Financial Conduct Authority (FCA) as they carry out mainstream regulated financial activities. There is a larger population of SRA-authorized firms carrying out certain financial activities, that do not need to be authorised by the FCA because the activities are central to the delivery of legal services. These firms are regulated by the SRA as a Designated Professional Body (DPB) and are referred to as Exempt Professional Firms (EPFs).

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- 22 As a DPB, the SRA is required to provide the FCA with information regarding the number of exempt professional firms and the range and scope of exempt regulated activities conducted by these firms through an annual report.
- 23 To improve the quality of the data that we hold on the number of EPFs and their activities, we have developed an online data collection form. This is due to be launched shortly. We will send it to all firms to enable us to collate accurate information to provide to the FCA. We will provide support to firms throughout this exercise via our website and through our Ethics Guidance team.

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

- 24 Our work on collecting firm diversity data and publishing a benchmarking tool for firms to compare their diversity data and profiles has been included as a case study in 'The Class Ceiling: Increasing Access to the Leading Professions', a report published by the All Party Parliamentary Group on Social Mobility. Our next firm diversity data collection will take place later this year.

#### ***Law Firm Search***

- 25 21 March 2017 was the anniversary of the launch of "Law firm search", part of our interim digital register solution. Law Firm Search supports the public, small businesses and the profession to check that a firm they may be considering using is authorised by the SRA. Approximately one quarter of a million individual searches were run on 'Law firm search' in its first year. Including searches of our database of regulatory and disciplinary decisions and searches of our ABS register, around half a million searches of register-related content have been run by SRA website users over the past 12 months. The development of these arrangements will be picked up in due course in our programme of work following the CMA report.

### **Section 2: Operational Performance**

#### ***KPIs***

- 26 The results for February for our key KPIs were as follows:
  - 93% of conduct matters closed within 12 months of receipt - this was achieved in February at 93%.
  - 90% of Compensation Fund claims closed within 12 months - this was achieved in February at 98%.
  - 90% of medium / high risk applications closed within 3 months in Firm Based Authorisation - this was achieved in February at 96%. We achieved all of our KPIs in Authorisation in February.

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### **Section 3: Publications and Engagement Activity**

#### ***Committee on Standards in Public Life (CSPL)***

- 27 At its meeting on 18 January 2017, the Board discussed the CSPL report 'Striking the Balance: Upholding the Seven Principles of Public Life in Regulation'. We noted at the time that the CSPL would be sending out a survey inviting us to report on any action taken as a result of the Report and we responded to that survey on 21 March 2017, reflecting the points made in the January paper.

#### ***Women in Law Event***

- 28 We held a successful event on 21 March 2017 for women in law, partnering with the Association of Women Solicitors and BLP. 100 people attended the event, with a further 250 watching online.

#### ***Family Law Research***

- 29 We have published independent research exploring the experiences of potentially vulnerable people using family law services (<http://www.sra.org.uk/sra/how-we-work/reports/vulnerable-consumers.page>). Among those surveyed, most solicitors appeared to be providing services in line with expected standards. There were also areas for improvement highlighted. For instance, the research showed that it is difficult for those who need family law services to access information on costs and a solicitor's experience. This makes it difficult for them to compare different legal service providers and make informed choices.

#### ***Solicitors Qualifying Examination (SQE) and Diversity in the Profession***

- 30 An independent study that considered our plans for the SQE and the impact it could have on diversity in the profession has been published by the Bridge Group. The Study highlights that our proposals could lead to improved diversity and increased social mobility by increasing the number and range of training providers in the market and by provoking new models of training, including online provision. The report has been published online - <http://www.sra.org.uk/sra/policy/training-for-tomorrow/resources.page#maximising-diversity-report>.

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