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This paper will be published

Chief Executive's Report

Purpose

- 1 This report provides an update to the Board on our priorities and any key developments that it needs to be aware of. It also provides information on important external developments and our engagement activity with key stakeholders.

Recommendations

- 2 The Board is asked:
 - a) to consider the Chief Executive's report
 - b) to agree the two new fees required to support the process changes to the route for qualification resulting from the introduction of the Solicitors Qualifying Examination regulations.

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

CLASSIFICATION – PUBLIC

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Update against priorities / key developments

Covid-19

- 3 Following the Government's announcement of the national lockdown on 4 January, staff continue to work from home, with our office at The Cube open three days a week for a few essential business needs. We are making arrangements for a very small number of additional people to come into the office from January who have personal circumstances that make it particularly problematic for them to work from home.
- 4 We recognise the latest restrictions will have an impact on staff – both in terms of mental wellbeing but also practically, for example, those with additional childcare responsibilities. We continue to communicate with staff to offer support, information and flexibility. For example, we encourage anyone who is affected by the pandemic to talk to their line manager, to discuss any difficulties and to help people to find a way to balance their work and caring commitments. We remind staff of the types of support available including HR, our Mental Health First Aiders, our wellbeing community and our Employee Assistance Programme. We are also keeping a careful watch on staff sickness levels as a result of Covid-19 and those staff that may be struggling at home.
- 5 We are seeing an impact on casework as a result of firms either not responding to us in a timely manner due to Covid-19 related issues or because we are unable to carry out on-site visits. It is early days and we are monitoring the situation very closely.
- 6 In accordance with the latest UK Government guidelines, the Solicitors Disciplinary Tribunal's offices at Gate House remain closed until further notice. Hearings will continue to be held remotely and to date these have worked well. Only one case will possibly be affected by the latest lockdown and this may be managed differently, rather than further delayed.

Qualified Lawyers Transfer Scheme (QLTS) – January exam

- 7 A sitting of the QLTS Multiple Choice Test (MCT) was held on 13 January 2021. This assessment takes place in Pearson VUE test centres in London, elsewhere in the UK and internationally.
- 8 Kaplan has been running QLTS examinations during 2020 on a socially distanced basis. We decided to proceed with the January examination in those locations where it was lawful notwithstanding Covid-19 restrictions, and provided it was safe to do so with appropriate protections in place. We offered full refunds to any candidate who cancelled as a result of the current restrictions.
- 9 Of about 1,800 candidates who had registered for the sitting, about 1,300 attended, making this the largest ever sitting of the QLTS MCT. The examination

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proceeded smoothly. The final sitting of the QLTS MCT before the introduction of the Solicitors Qualifying Examination (SQE) will be held in July. We are looking at whether an additional sitting might be needed or possible.

Fees for new routes to qualification

- 10 As a result of introducing the SQE regulations, new fees are required to support the process changes to the route for qualification. There are two new SRA fees which require the approval of the Board.
- 11 Our approach to fees (which may change as a result of the upcoming fees review) is to recover the full cost of an application where possible. Or, where this may be difficult to ascertain or would lead to a fee which was too detached from existing fees, to at least recover the marginal cost of processing the application.
- 12 The first fee relates to applicants who have qualified as lawyers in other jurisdictions and as a result of which may be able to claim an exemption from part of the SQE. The cost of this application is proposed at £265 reflecting the full cost of the application. The closest equivalent application is currently charged at £400.
- 13 The second application relates to the entry requirements for the SQE. The fee relates to applicants who have work experience or qualifications equivalent to a degree and require us to confirm that this is an acceptable alternative to our requirement for a degree. The cost of this application is proposed at £160 reflecting the marginal cost of the application as the expected number of applications is very low (less than 20 per annum) and the full cost would be significantly in excess of current comparable applications. The closest equivalent application is currently charged at £55 which is not reflective of the cost to process.
- 14 For completeness, there is an additional fee which relates to the validation of an individual's degree or qualification. This is not an SRA fee. This will be completed by a third party and the cost (which they will charge candidates directly) will be a fixed fee of £21 for the UK and Ireland. For degrees outside the UK and Ireland there may be additional fees to confirm the qualification is equivalent to a UK undergraduate degree standard, as well as charges by the educational institution for confirming the validity of a qualification.

Recommendation: the Board is asked to agree the two new fees required to support the process changes to the route for qualification resulting from the introduction of the Solicitors Qualifying Examination regulations.

SQE Conference

- 15 We held our annual SQE conference virtually on 15 December. 466 delegates registered to attend, more than three times the number who registered last year. Combining the live audience and those who have watched our recordings since, more than 2,500 people have so far viewed sessions from the event. Feedback and interaction from delegates have been positive with 95% rating it as useful or

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very useful, 100% saying they would attend a future event and more than 100 questions submitted during live Q&A sessions on the day.

Higher Rights of Audience assessment

- 16 In line with the programme of work the Board agreed last year following our 2019 consultation on Advocacy Standards, we have made an application to the Legal Services Board (LSB) to ensure that only admitted solicitors can attempt the Higher Rights of Audience assessment. While solicitors cannot exercise rights to practise in the higher courts until after admission, they can currently acquire their Higher Rights qualification when they are still trainees. Preventing candidates from acquiring the Higher Rights qualification before they have been admitted as solicitors means they build on their basic advocacy assessment (in future through the SQE) and have a greater opportunity to gain exposure to court room advocacy before they gain their higher rights. The change only affects a small number of individuals, but it will contribute to increased confidence in standards of solicitor advocacy.

Compensation Fund reforms

- 17 We have made good progress with our business readiness and implementation work for the Compensation Fund reforms that the Board agreed in the summer, with a target implementation date of Spring 2021.
- 18 We have been engaging with the LSB and submitted our formal application for approval of the changes earlier this month. The application includes some additional information that the LSB requested, after receiving our draft application in December 2020. The LSB has indicated that it is likely to take 90 days to make a decision on the application.
- 19 We have been able to include within the application some details of the development work that we have been doing since July. This includes new supporting information, web-content and draft application forms that we are developing for Compensation Fund applicants. We are now focused on testing the information and new web content with consumers through focus groups, and on developing a test web environment. We have also been developing our internal processes to reflect the reforms, including a more customer-friendly approach to processing applications and related processes to support new features such as the capping mechanism for connected claims. We have developed a training programme for all relevant staff to be rolled out before implementation.

The UK – EU Trade and Cooperation Agreement

- 20 On 24 December, the UK and EU agreed a comprehensive free trade agreement - the Trade and Cooperation Agreement. The Agreement does not cover in detail professional services but does include chapters (770—774) setting out a high-level framework on the Recognition of Professional Qualifications. This covers all professions, including the legal sector.

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- 21 Our understanding following initial discussions with the Department for Business, Energy and Industrial Strategy (BEIS) is that this allows us to proceed as currently planned under the existing version of the updated 2015 Mutual Recognition of Professional Qualifications Regulations. However, we anticipate further conversations with the Ministry of Justice (MoJ) regarding any further agreements, either on a collective, or bilateral, basis, in due course.
- 22 BEIS has confirmed as a priority, the mutual recognition arrangements in place with Ireland in accordance with the Common Travel Area (CTA) arrangements. The CTA is an agreement between UK and Ireland that pre-dates the EU, and BEIS has asked that regulators aim to ensure that bilateral arrangements are in place to facilitate the CTA and has asked for a report as to progress by the end of April 2021.
- 23 We will continue to work closely with BEIS and the MoJ on their approach to these issues. These are likely to be significant work streams for us over the coming months. We will in particular be addressing any implications for the SQE. We will update the Board in more detail in due course.
- 24 We will also build on our close working relationship with The Law Society's (TLS) international team, to ensure collaboration and joined-up working, particularly with reference to the position of English and Welsh solicitors working in EU27 countries, and the challenges they face, where TLS has been undertaking a lot of work. As before, we will continue to work together on guidance and frequently asked questions.

Operational changes for the end of the transitional period

- 25 The necessary operational changes were implemented in time for the 31 December 2020 deadline, including:
- Changes to the Standards and Regulations under the delegation given to the Chair at the last Board meeting. These included changes to the QLTS to permit applicants worldwide to seek exemptions as previously consulted upon and those necessary to bring the Registered European lawyer regime (REL) to an end other than for Swiss lawyers. The changes also ease any changes in practise rights for RELs seeking admission under the Establishment Directive. The rules are attached at annex 1.
 - Passporting of former RELs to Registered Foreign Lawyers (RFLs) is progressing well. We are writing individually to all exempt European lawyers, RELs and RFLs to advise them once the changes have been made. We will deal with any pending applications for admission by RELs as efficiently as possible and are working to minimise any disruption to their practise as far as possible.

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Office for Professional Body AML Supervision Visit

- 26 We had our second supervisory visit from our oversight regulator for anti-money laundering (AML), the Office for Professional Body AML Supervision (OPBAS), in the week beginning 11 January 2021. Our first visit took place in June 2018 and we received four recommendations from OPBAS as a result. The likely outcome from this visit is recommendations on any learning points, and in line with OPBAS' policy during the previous visit, we do not anticipate getting feedback on any areas in which we are doing well.

Solicitors Indemnity Fund

- 27 Board members will recall that the Board decided in June to extend the Solicitors Indemnity Fund's (SIF) role in providing cover for post-six year run off claims, from 30 September 2020 to 30 September 2021. This was a limited extension, based on an assessment of actuarial advice regarding affordability, for the purpose of enabling the insurance market further time to decide whether and how to develop products that could offer post six year run off cover for those who need it.
- 28 Following the June decision, Solicitors Indemnity Fund Limited (SIFL) has been continuing to hold discussions with the market to explore the options for bringing the SIF to an end following that date, and to arrange cover for any residual liabilities. We have held regular working group meetings to ensure that we work closely with SIFL and TLS to prepare for the wind up of the Fund. We anticipate being in a position to bring more detail back to the Board in March.

Annual reports

- 29 We [published our full suite of operational reporting for 2018/19](#) on 14 December. This included our latest Upholding Professional Standards report, which included the diversity profile of solicitors in our enforcement processes during the year.
- 30 Our publication of the reports generally, and diversity data in particular, attracted extensive coverage across the legal media, with the Law Society Gazette also publishing an opinion piece authored by the Chair. The LSB issued a statement welcoming "the openness and leadership" shown by the SRA in publishing the data. We have discussed the findings directly with a wide range of interest groups. Next steps include commissioning independent research into the overrepresentation of Black, Asian and minority ethnic (BAME) solicitors in the concerns raised with us, reviewing our own decision making at point of assessment, a campaign to improve our diversity data and annual reporting of the diversity profile of those in our processes.

Diversity Research – next steps

- 31 Our 2020/21 business plan sets out our commitment to commissioning substantial research into two complex and sensitive areas - the underlying reasons for the attainment gap for some communities in professional

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assessments, and the factors driving the overrepresentation of BAME solicitors in our enforcement work.

- 32 In December 2020, as noted above, we published the profile of solicitors in our enforcement processes, as part of our Upholding Professional Standards report for 2018/19, alongside a report on our work in relation to the recommendations of the 2014 Independent Comparative Case Review. The profile again showed, as anticipated, an overrepresentation of BAME solicitors in both the concerns raised with us and the cases that were investigated, when compared to the diversity of the profession as a whole. We expect to see the same pattern in our operational reporting for 2019/20, which we plan to publish in spring this year.
- 33 We are now starting the formal procurement process to secure independent and credible researchers to undertake the work. Once we have completed the process, we will work with the researchers to develop the scope of the research and the milestones for each project, including reporting to the Board on progress. Importantly, the research will be supported by input from an external reference group. We anticipate that the key deliverables will include the publication of the research reports, with a range of accessible supporting materials. We will also develop and publish our corporate responses to the reports and any recommendations they make.

Practising Certificate Renewal Exercise (PCRE) - update

- 34 At the time of writing, 43,580 applications had been submitted, which exceeds the total volume of expected applications by 1.7%. £115.2m invoices had been raised with £111.3m cash received. This compares with expected income of £115.7m (£101.2m for Practising Certificate Fees and £14.5m Compensation Fund contributions). Remediation continues throughout January for the small number of applications still progressing through the system, with the aim of starting the formal revocation process in February. We usually collect a further c.£1m after the end of PCRE throughout the year, so we expect PC fee income to slightly exceed the full year budgeted total.

Modernising IT Programme - update on new casework system (RegOps2)

- 35 As the Board is aware, in December we successfully went live with RegOps2 (the next significant project under our Modernising IT programme). This gives us a modern casework system that replaces our old systems and integrates with RegOps1 (our new authorisation system), bringing our information together in one place and making it easier for our staff to do their jobs. It also completed the move away from our old legacy software and databases. This project was completed on time and to budget.
- 36 A huge effort to transition to the new system has been completed across the business. This has included the development of detailed guidance, training and manual cut-over activities. We are also providing ongoing support to staff as they get used to the new system and responding quickly to any early teething issues.

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- 37 On 31 December 2020, we formally served notice on our datacentre and commenced the process of decommissioning and exit, with the intention of closing the centre by the end of January 2021 as originally planned. This will deliver significant financial savings, as well as reducing our legacy technology risks. This project formally marks the end of our Modernising IT Programme allowing us to focus on other key priorities such as the ICT aspects of SQE and our continuous improvement programme, which will build on the solid foundations of the RegOps systems.

External Developments and Engagement Activity***Legal Services Board***

- 38 The LSB has written to us to confirm that it now considers us to have met all of its regulatory performance outcomes. The Board will recall there were two outcomes where we have previously been assessed as ‘not met, action being taken’. The LSB has now published its Regulatory Performance Assessment 2020 report, which can be viewed at the following link: [Performance assessments | The Legal Services Board](#).

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Annexes

Annex 1 Changes to the Standards and Regulations as a result of Brexit