

CLASSIFICATION – PUBLIC

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 to:
 - a) consider the Chief Executive's report
 - b) delegate to the Chair the approval of the restricting fees for some claims management services consultation.

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

CLASSIFICATION – PUBLIC**Chief Executive's Report****Update against priorities / key developments*****Solicitors Qualifying Exam (SQE) update***

- 3 The second round of SQE1 assessments took place on 21 and 25 July 2022. Over 2,000 candidates took the exams in 152 test centres across 37 countries.
- 4 Unfortunately, there was an IT failure at one test centre in London on 21 July, which meant that about 100 candidates were unable to take the Functioning Legal Knowledge (FLK) 1 exam. This was of course disappointing and frustrating for all those affected. As a precaution, Kaplan did not use that centre for the FLK2 assessment so both exams were rescheduled.
- 5 The affected candidates were given the opportunity to take the FLK1 on 4 August and the FLK2 on 8 August at an alternative London site. The rearranged assessments were delivered without incident and candidates will receive their results on the same day as the candidates who completed the assessments in July. Candidate fees and expenses are being fully refunded and Kaplan is also making a goodwill payment to each candidate of £250. The response from candidates has been broadly positive.
- 6 We liaised with Kaplan to manage communications to candidates and media responses – including [my article](#) on the incident in the Law Society Gazette. We are working with Kaplan to learn lessons from the incident and are reviewing the contingency arrangements in place and the speed with which they could be implemented if required in future.
- 7 The first SQE2 results were released on 25 August 2022. 726 candidates took the assessments, with a pass rate of 77%. We [published](#) a report on the assessment on results day, together with a report from the Independent Reviewer. We will now move to an annual reporting cycle.

SQE evaluation

- 8 As part of our SQE evaluation plan, in October we will survey candidates, training providers and legal services providers about their initial perceptions of the SQE, and their initial perceptions and experiences of qualifying work experience. We will repeat the survey over the course of our ten-year evaluation of the SQE to track how perceptions and experiences change and how they vary between groups or for specific elements of our reforms. The survey will also help identify what aspects of our reforms are working well, any barriers to their success and any actions we can take in response.
- 9 We will publish our findings early next year alongside other reports about the SQE, including our first annual quality assurance report. We will start to evaluate

CLASSIFICATION – PUBLIC

the market impacts of the SQE in 2024, and the first full evaluation of our reforms will happen between 2026 and 2028.

SQE Transitional rules – group waiver

- 10 We have approved a group waiver under the SQE transitional rules (regulation 11.4 of the SRA Authorisation of Individuals Regulations). It is for candidates making an application for admission on the basis of having successfully passed both the Multiple Choice Test (before 1 September 2021) and the April 2022 sitting of the Objective Structured Clinical Examination (OSCE) of the Qualified Lawyers Transfer Scheme assessments.
- 11 The waiver extends the deadline for these individuals to apply for admission as a solicitor from 1 September 2022 to 31 January 2023. The reason for the waiver is so these individuals have the same amount of time between the release of results and the date by which they must apply to be admitted as those candidates who passed the November 2021 sitting of the OSCE.

Continuing competence update

- 12 Following a consultation earlier this year, the Legal Services Board (LSB) has now published a [statement of policy for ongoing competence](#) and a [response to its consultation](#).
- 13 The final statement broadly reflects the approach the LSB consulted on. However, the LSB has clarified timings and expectations for meeting the outcomes set out in the statement. We were pleased to see that the final statement of policy reflects many of the comments we made in our response. For example, it is clearer that the LSB does not expect all regulators to carry out formal post-qualification assessments of all those authorised.
- 14 We have been taking forward a programme of work to ensure that we are able to meet the LSB's outcomes within its timeframe. We plan to update the Board on our proposed action plan and progress report for the LSB before submitting it in January 2023. From 2023, the LSB will monitor progress against our action plan through its revised regulatory performance framework.

Anti-Money Laundering (AML)

- 15 On 24 June 2022 HM Treasury (HMT) [published](#) a response to its consultation reviewing AML supervision and regulations. The response sets out that there will be a further consultation on minimal changes to the Money Laundering Regulations that will consider clarifying regulations around high risk third countries, domestic politically exposed persons and the standard of due diligence that must be applied to pooled client accounts.
- 16 The response also set out options for the future of AML supervision and a further consultation will be published on the following four options:

CLASSIFICATION – PUBLIC

- a) minimal changes to the current system, but greater powers for our oversight supervisor, Office for Professional Body Anti Money Laundering Supervision (OPBAS), including the power to levy fines
- b) consolidation of professional body supervision, meaning that there would be a single legal sector supervisor either for the UK or for each of England and Wales, Scotland and Northern Ireland. The same model would be put in place for the supervision of accountants
- c) remove professional body supervision, meaning that all lawyers and accountants would be supervised by a new organisation
- d) move all current AML supervision to a new body. This would include financial services, gambling, estate agency, legal and all other regulated sectors being supervised by the new body.

17 We had anticipated that the consultation would be published immediately, but because of political changes this is likely to be delayed for some time. In the meantime, the uncertainty around security of jobs, combined with high AML salaries being offered in the private sector, is creating challenges for retaining staff in the AML team.

18 Our AML function will be assessed by OPBAS in early October 2022. We anticipate that the audit will take place during the week of 10 October, partially onsite at the Birmingham office and will cover an assessment of our risk-based approach, information sharing and enforcement.

Strategic Litigation against Public Participation (SLAPPs)

19 On 18 May 2022 we made a submission to the government's call for evidence on SLAPPs. The government's response, published on 20 July, adopts a key recommendation we made in our submission: to introduce legislation enabling the early identification and strike out of SLAPPs. Our submission also confirmed that we were planning a thematic review of a targeted sample of firms. This work is currently in development, as well as 26 open investigations into alleged SLAPPs. We are also drafting a warning notice to address further specific issues in relation to SLAPPs. Our submission to government is available on request.

Practising fees and Compensation Fund contributions

20 The LSB has approved practising fee levels and Compensation Fund contributions for 2022/23. This follows discussion at the Board in July 2022. Our share of the practising fee will rise slightly from £145 to £151. Compensation Fund contributions for individuals will be reduced from £40 in 2021/22, to £30 for 2022/23. Firm contributions to the Compensation Fund will also fall from £760 to £690.

21 Planning for PCRE 2022 is well advanced and we are expecting the customer experience to be similar to last year given our approach this year of minimal

CLASSIFICATION – PUBLIC

change to the process. We have recruited additional resource into the Contact Centre to support the process. We have also continued with our proactive engagement with key firms setting out the support that will be available for them throughout the PCRE period.

- 22 PCRE will take place from 1 October to 31 October. We are expecting to process over 46,000 renewal applications, which includes 12,000 bulk firm renewals, and collect income of over £124m. Our Contact Centre alone will be handling around 23,000 customer calls and over 10,000 emails during this period.

Innovation and technology

- 23 The Department for Business, Energy and Industrial Strategy (BEIS) has announced the third round of the Regulators' Pioneer Fund, with the largest ever fund (£12m), with individual projects of up to £1m in size. We are currently developing our proposals ready for submission by the 29 September 2022 deadline.
- 24 At the start of July, we held two SRA Innovate events in Brighton and Swansea. The events brought together law firms, providers and consumer group representatives to discuss challenges, opportunities and practical advice on how law firms can make greater use of technology and innovation. Seventy people and 11 speakers attended the events in person, with recordings of sessions viewed more than 300 times since.

Claims management services, Police Station Representative Accreditation Scheme, and Standards and Regulations consultations

- 25 The Financial Guidance and Claims Act 2018 provides a duty on us to make rules to provide an "appropriate degree of protection for consumers against excessive charges" from law firms when they provide claims management activities relating to certain financial products and services. The Financial Conduct Authority (FCA) shares the duty in respect of claims management companies (CMCs). The Board has previously discussed how we should take forward meeting this obligation, advising that we should use the FCA's fees restrictions model as a benchmark for our approach and that we should issue a discussion document to seek evidence on the impact of this approach on solicitors. Following the completion of that exercise, we prepared our position for consultation based on the evidence we found about the type of work undertaken by the law firms we regulate.
- 26 In June 2022, the Board decided that we should pause that consultation in light of an application for judicial review against the FCA so that we may better understand the basis of this challenge and how it may impact our options. We have taken steps to assure ourselves that our proposals are legally sound and the judicial review against the FCA has now been refused permission to proceed. Therefore, we now propose that we should proceed to consultation and ask that finalising the detail of that consultation is delegated to the Chair.

CLASSIFICATION – PUBLIC

Recommendation: the Board is asked to delegate to the Chair the approval of the restricting fees for some claims management services consultation.

- 27 The Police Station Representative Accreditation Scheme (PSRAS) is a qualification for solicitors and non-solicitors who advise at the police station. We plan to consult on proposals to make minor and technical changes to our regulatory arrangements for the PSRAS in response to recommendations from our independent PSRAS External Examiner. We plan to consult for eight weeks, starting in September with a view to bringing our consultation response to the Board in spring 2023.
- 28 We also are planning to consult on some amendments to our Standards and Regulations (StaRs) that are minor, non-contentious and technical in nature. The proposed amendments respond to a ‘snag list’ of issues that have been identified through our regular engagement our regulated community, advice agencies and consumer groups, together with issues identified through our formal one-year evaluation of our StaRs reforms.

Research and Analysis

- 29 We are making good progress with our research provider, the University of Exeter, on our project looking at the attainment gap for minority ethnic candidates in professional services qualifications. They have completed the first project stage - an initial literature review. This unsurprisingly identifies a complex issue with incomplete data. The initial review has been shared with the project’s external reference group - including representatives from academia, regulation and the profession. The literature review, along with any feedback stemming from it, will inform the University of Exeter’s empirical research starting later this year.
- 30 We have announced the appointment of a research consortium consisting of the universities of York, Cardiff and Lancaster to examine the overrepresentation of Black, Asian and minority ethnic backgrounds in reports made to us about solicitors and our enforcement processes. We are setting up an external reference group to reflect the views of key stakeholders.

Keeping of the roll exercise

- 31 Following the Board’s approval to progress with reintroduction of an annual Keeping of the roll exercise from 2023, we have launched an extensive direct communication programme to non-practising solicitors. The purpose of this activity, delivered initially via direct emails, letters and through the press, is to make sure all non-practising solicitors are aware of the coming exercise, and have checked/updated their contact details within mySRA ahead of it taking place.

Firm diversity data

- 32 We are continuing to work on improving the diversity data we collect from the profession. Engagement with law firms which did not report their data in 2021 has

CLASSIFICATION – PUBLIC

meant we have been able to increase the coverage of our diversity profile of law firms from 90% to 99.73%. This is being collated and added to the published firm diversity data.

- 33 We have also continued to highlight topical equality, diversity and inclusion (EDI) issues to the legal sector, [publishing a report](#) on the impact of pregnancy and maternity in the workplace, holding a webinar to discuss non-binary inclusion in the legal sector and joining with legal regulators and law firms support for LGBTQ+ inclusion through attendance at Pride parades in London and Cardiff (and Birmingham, later in September).

SRA Law Society (TLS) collaborative working protocol

- 34 There are three areas listed in the protocol that we have agreed to work collaboratively with TLS on in particular: technology, AML and EDI.
- 35 We continue to liaise closely with TLS on anti-money laundering and in particular on potential changes to financial sanctions requirements and the new economic crime plan that is being developed by the Home Office. The Director of AML will speak at TLS' AML conference in September 2022.
- 36 On technology, we have been working with TLS and other stakeholders as we develop potential ideas for collaborative projects for the third round of the Regulators' Pioneer Fund.
- 37 On EDI, we are continuing to work closely with TLS to support the work of the Social Mobility Taskforce, with baseline survey results covering the financial and professional services sector [published in August](#) highlighting there is more to do to promote socio-economic diversity in the sector. The report published acknowledged the SRA's work in building a good data set on key socio-economic indicators.

Tender for legal services

- 38 Since 2016, Capsticks Solicitors LLP (Capsticks) has been engaged as a sole provider of legal services for our enforcement work. The contract has successfully delivered improved value for money through fixed costs per case and greater financial certainty as to spend with the annual budget.
- 39 The market for legal services is highly competitive with a strong supplier market base. However, professional regulatory work is a niche area, and the market has changed significantly since 2016. There are strong business and commercial reasons to go out to market and ensure that we are still receiving value for money and a high-quality service. It will also provide us with an opportunity to re-scope the services being provided and look for other ways to improve the services delivered, increase value for money and encourage healthy competition in our tender process.

CLASSIFICATION – PUBLIC

- 40 Given the time passed since Capsticks was first engaged and market changes, we have reached out to the market in a more proactive way ahead of the formal tender process. This is to ensure that bidders have sufficient information to understand our needs, but equally, that we can be satisfied that we properly understand the market and how we might achieve value for money.

Corporate reporting

- 41 In June, we [published](#) our suite of corporate reporting for 2020/21 in English and Welsh. The five reports cover areas including education and training, approval of new firms and solicitors, and the activity of the Compensation Fund. Our Upholding Professional Standards report covers our enforcement work and includes a review of the diversity characteristics of solicitors involved, alongside a supporting report setting out the detail. We also published a [document](#) highlighting the key figures from each report.

Our Values

- 42 At a Board workshop session in April 2022, based on engagement with staff to date, the Board agreed that in future there should only be four values. After discussion, it agreed three of these - Accountable, Customer focused and Inclusive. The Board agreed that the fourth value should be either Agile or Proactive, depending on which was received more positively by staff. During our all-staff forums in June, the agreed values were launched to staff, and they were asked to vote for the final value. The vote for both events was consistently in favour of Proactive, which will therefore complete the set. In addition, during these events, staff were asked to identify associated behaviours and a strapline for each of the new values. This piece of work is due to be finalised at the Senior Management Team meeting later this month.

Legal Services Board (LSB) regulatory performance assessment

- 43 In June, we responded to the LSB's consultation on its proposals for a new regulatory performance assessment. The proposals, which we have welcomed, include revised standards and characteristics, supported by policies and guidance in a sourcebook, a revised approach to assessment with a new rating system and the integration of equality, diversity and inclusion performance monitoring into the wider framework. Compliance with the Internal Governance Rules would be removed from the performance assessment and monitored separately.

Our work in Wales

- 44 We have continued to develop our relationship with the Law Council of Wales. We had a constructive meeting with Lord Lloyd Jones, Chair of the Law Council of Wales, where we discussed opportunities for engagement with the Council. Subsequent meetings have been held with key members of the Law Council of Wales.



SRA BOARD
13 September 2022

CLASSIFICATION – PUBLIC

- 45 Wider work in Wales has included contributing to research Qualifications Wales (the regulator of qualifications, other than degrees, in Wales) is undertaking into vocational training in Wales including the provision of this through the medium of Welsh. We have also been involved in discussions around the possibility of a Pro Bono Committee for Wales, which has now been agreed.

- 46 We have entered into a 12-month managed service agreement to secure an office location in central Cardiff. We are currently setting up the office to enable members of staff to work from September/October 2022. A more formal opening will be arranged before the end of this year. Cardiff provides us with a new market for recruitment and to benefit from this we will include it as a location for new roles wherever possible.

Author Paul Philip, Chief Executive

Date 6 September 2022