

# SRA Business Plan

## November 2013 to October 2014

Published 5 December 2013

### Introduction

- 1.1

This Business Plan sets out details of the activities that the SRA will undertake in 2013/14, the resources it will use and the outcomes it will achieve. It is supported within the SRA by detailed Directorate Delivery Plans which form the primary internal management framework for the assurance of delivery and management of resources.

- 1.2

2013/14 is the second year of the three year period covered by its Strategic Plan 2013/15. This Plan set out the strategic direction and objectives of the organisation given its regulatory remit, the development of the organisation and the external factors in the market it regulates. The Strategic Objectives set for the three-year period are set out below.

**Strategic Objective One** - Ensure the SRA has the capability and capacity to deliver risk-based, outcomes-focused regulation effectively and efficiently and to meet future challenges in a rapidly changing legal services market

**Strategic Objective Two** - Deliver risk-based outcomes-focused regulation so as to achieve positive outcomes for consumers in the public interest and do so in a way that is justifiable to all our stakeholders

**Strategic Objective Three** - Develop the SRA regulatory arrangements and tools to better meet the regulatory objectives and the principles of better regulation and to mitigate emerging risks and anticipate changes in the external environment

**Strategic Objective Four** - Ensure effective operational delivery, the effective operation of the new systems and processes already implemented so as to realise the financial efficiencies they were designed to deliver, and address the control weaknesses pertinent to the SRA identified by the Law Society Group external auditors

- 1.3



During 2013 there has been a change to the planning, budgeting and reporting period with the Law Society Group as a whole. In previous years this period has run from 1 January to 31 December. However, this has now changed to run from 1 November to 31 October. This means that the 2013 "year" comprised only the ten months from 1 January 2013 to 31 October 2013 to enable the change to the new planning, budgeting and reporting cycle.

- 1.4

This Business Plan covers the period 1 November 2013 to 31 October 2014.

## **2013 Overview**

- 2.1

A full account of the outcomes achieved by the organisation in the period up to 31 October 2013 will be set out in the SRA's 2013 Annual Report which will be published in 2014. However, the SRA's delivery in 2013 provides the context for the work that needs to be undertaken in the new plan period. Therefore, set out below is a summary of delivery against the key 2013 priorities identified in the 2013/15 Strategic Plan.

### **Strategic Objective One**

- 2.2

The major initiative identified in the Strategic Plan to meet this Objective is the R-view Programme. R-view is a three-year programme with interlinked projects covering people, processes, information systems and the regulatory arrangements. Its successful completion at the end of 2015 will enable the organisation to deliver, to its fullest extent, proactive risk-based outcomes-focused regulation in the public interest; regulation that is effective, efficient, targeted, proportionate and transparent.

- 2.3

In 2013 the SRA successfully delivered the first phase of the R-view Programme. This work included a number of key deliverables, such as the publication of the organisations first Regulatory Risk Outlook in July and the development of the SRA's key Regulatory Outcomes. In addition, the phase completed the detailed analysis of the current regulatory processes across the organisation as the foundation for the design of the future processes. In October 2013 the Business Case for the remaining two years of the Programme was approved by the SRA Board.



## Strategic Objective Two

- 2.4

During 2013 a large part of the SRA's supervisory activity has been focused on addressing the risks arising from financial instability in firms. The risk of a significant number of firm failures was identified in 2012 and began to crystallise early in the year. For the first time the market has seen medium and large size firms move into administration and insolvency. Our primary objective in our supervision of failing firms has been to protect clients from the consequences of disorderly collapse and from any financial loss consequent on poor financial management by the firms concerned or from misuse of client assets.

- 2.5

A significant amount of resource has had to be applied to firms unwilling or unable to recognise and accept that their current business model and management approach is unsustainable and to require them to take the steps necessary to address the situation they are in. The SRA's approach and activities have seen numerous successes with a number of firms addressing their weaknesses and surviving and others achieving an orderly wind-down (with a number being bought out of administration). However, there have had to be a number of interventions into insolvent firms in order to protect client interests.

- 2.6

As a result of this, the number of interventions undertaken in 2013 has been higher than originally forecast (39 compared to 30). Furthermore, the size and cost of a number of these interventions has been significantly larger than the historical average. As a result, during 2013, the SRA took steps to enable the additional cost of these interventions to be borne by the Compensation Fund in order to manage this bulge in the long-term intervention cost trend (which has been trending down in recent years).

- 2.7

Work on financial instability will be a major driver of work in the SRA's supervision, investigations and interventions teams in 2013/14. In addition, the SRA has found a consistent pattern of poor management, conduct issues and other significant regulatory breaches in a large proportion of the firms that have failed financially in 2013. This will necessarily drive a significant proportion of investigation and enforcement activity in 2013/14 as the issues identified are serious.



- 2.8

Consistent with the commitments made in the Strategic Plan, the SRA also:

- implemented the Quality Assurance Scheme for Advocates (QASA);
- undertook its review of the first year of ABS licensing and as a result implemented an improved authorisation process which is more risk based and simpler;
- implemented new Overseas Practice Rules in October 2013 following significant engagement and collaborative working with major firms with overseas practices and the City of London Law Society;
- implemented the final stage of its reforms of the compulsory PII arrangements by closing the Assigned Risks Pool in October 2013;
- continued to engage with firms to increase their understanding of risk-based outcomes-focused regulation and develop their capacity to identify and manage their own risks. During the year the SRA completed the approvals process for compliance officers and held its first annual national conference for compliance officers - attended by some 500 compliance officers;
- successfully completed the 2013 PC renewals process in a six-week period, meeting all of the performance criteria set for the process. This included significantly improved support to those we regulate through the Contact Centre.

### **Strategic Objective Three**

- 2.9

During 2013 the independent research from the Legal Education and Training Review (LETR) was published. This had been jointly commissioned with the Bar Standards Board and Ilex Professional Services. The research report was published later than planned. However, the SRA responded quickly to the research with the publication of its policy statement, Training For Tomorrow, in which it set out its programme for the future reform of its approach to the education, training and continuing competence of solicitors.

- 2.10

In April 2013 the SRA implemented the statutory ban on the payment and receipt of referral fees for personal injury cases.

- 2.11



Throughout the year considerable work was undertaken on the review of the regulatory provisions applying to in-house solicitors and the preparation for the licensing of special bodies. These were linked initiatives as the majority of bodies which would become licensed as special bodies under the 2007 Act currently operate under the SRA's regulations covering in-house practice. However, during 2013 the LSB and Government announced that the exemption from licensing provided to special bodies under the 2007 Act was to be extended indefinitely. As a result, work on the project was halted and the work on in-house solicitors has had to be recast as a stand-alone project and will be continued into 2014.

- 2.12

In 2013 the SRA launched its red tape initiative – seeking views from solicitors, firms and others on regulations that added little or no value yet caused work and cost for firms and for the SRA. The programme has continued throughout 2013 and there have been three rounds of regulatory changes as a result.

## **Strategic Objective Four**

- 2.13

In 2013 the SRA implemented the new Law Society Group processes to enhance control of the delivery of key programmes and projects. All major projects covered by this process, including the annual practising certificate renewals process have been delivered to the major parameters of quality, cost and time and, overall, under budget.

- 2.14

The SRA's operational delivery has also been achieved under the level of the budget set for 2013. This has enabled the underspend to be utilised to make provision for a number of exceptional legal enforcement cases (that would normally fall outside the SRA's normal operating budget); and to cover a significant proportion of the additional costs arising from the exceptionally large individual interventions that have had to be undertaken during the year (see paragraph 2.6 above). As a result the additional costs for interventions in 2013 that will be met by the Compensation Fund will be limited to some £2m.

## **Priorities for 2014**

- 3.1

Set out below, aligned with the four Strategic Objectives, are SRA's key priorities for 2013/14.



## **Strategic Plan Objective One**

Ensure the SRA has the capability and capacity to deliver risk-based, outcomes-focused regulation effectively and efficiently and to meet future challenges in a rapidly changing legal services market.

### **Delivery of R-view in accordance with the Business Case**

- 3.2

R-view will be delivered during 2013 in accordance with the Business Case approved by the Project Review Committee and the SRA Board in October 2013. From November 2013 to May 2014 it will be in its design phase. In May 2014 an updated Business Case will be produced for approval to proceed to the next phase and release funding for that phase.

### **Implementation of One-View as a replacement for REGIS**

- 3.3

In 2013 the SRA will be implementing a new Microsoft Dynamics based CRM, One-View, as a replacement for the REGIS system. The project is a part of Corporate Solutions portfolio of projects which are rationalising and modernising the Group's core IT infrastructure. The SRA is working closely with the project team to ensure that the new system is implemented successfully without a negative, short-term, impact on regulatory operations.

- 3.4

The successful implementation of One-View, to time, is a key dependency for the R-view Programme as core elements of the information systems workstream within R-view comprise further incremental development of the One-View system.

### **Improvement of firm authorisation processes**

- 3.5

At the beginning of 2013 the SRA implemented changes to the processes for approving new regulated entities. This included creating a single team to undertake all entity authorisation (both ABS and traditionally structured firms) and improving the process for approving ABS applications by making it more streamlined and risk-based. During 2013/2014 it is a priority for the SRA to continue to make improvements in this area; importantly by further reducing the time taken to approve applications.



## **Improvement of Contact Centre performance**

- 3.6

During 2012 and the first half of 2013, the operational performance of the SRA's Contact Centre declined: calls increasingly took too long to be answered, the number of blocked and abandoned calls increased and average call lengths increased. Primarily this was due to the introduction of mySRA (leading to an increase in calls about the operation of the system and seeking help in using it) and the move to central Birmingham which led to an increased turnover in experienced staff.

- 3.7

The decline in performance was arrested in the Autumn of 2013 with significant reductions in blocked calls, an increase in the number of calls answered, reducing call lengths and reducing time-taken to answer calls. During the PC renewals period the Centre achieved the level of performance set to support the process.

- 3.8

During this plan period it is a priority for the SRA to continue this improvement. This will be enabled by the implementation, by February 2014 of a new workforce management tool to ensure the effective deployment of staff to meet demand and the resolution of upstream operational issues that have the effect of increasing, unnecessarily, levels of demand; for example, log-in procedures to mySRA.

## **Strategic Plan Objective Two**

Deliver risk-based outcomes-focused regulation so as to achieve positive outcomes for consumers in the public interest and do so in a way that is justifiable to all our stakeholders

### **Delivery in accordance with organisational Key Performance Indicators**

- 3.9

The organisation's KPIs are set out at [Annex A \[#annex-A\]](#). The organisation will deliver its operational regulatory activities in accordance with these KPIs. It is a priority during 2013/14 to further improve these KPIs so that they better provide an overall measure of the organisation's performance. In specific areas (for example in relation to the Contact Centre and Authorisation they will be amended to reflect the improved levels of performance that will flow



from the improvement activity referred to in paragraphs 3.5 to 3.8 above). However, so as to ensure a clear line of sight in performance the SRA will, at the conclusion of the year, report its performance both against amended or additional KPIs and against the set contained in this Business Plan.

- 3.10

In paragraph 2.3, above, reference was made to the delivery, during the 2013 phase of R-view of new Regulatory Outcomes for the SRA. The definition of these Outcomes is critical to the development of the SRA as a risk-based outcomes-focused regulator. The Outcomes set out what the SRA is aiming to achieve through its regulation in a way that it intends to measure and track over time. During 2013/14 the SRA will be working to integrate its performance measurement approach to provide a clear line of sight down from the Regulatory Outcomes to its operational KPIs.

### **Financial Stability Project**

- 3.11

The operational delivery of the financial stability project will, in 2013/14, remain the organisation's highest operational priority given the level of risk posed by the financial instability of a significant number of high and medium impact firms. Disorderly closure as a result of financial failure is a significant risk to clients and, if this occurs in such a way as to require intervention to protect client interests and assets, has a secondary impact on the market and consumers as a result of the high cost of interventions which is borne by all regulated firms.

- 3.12

In addition, the work that has been undertaken in 2013 has shown a high correlation between financial failure and conduct issues in failing firms, up to and including suspected dishonesty. This increases the risks to clients from these firms. The project will continue the work commenced in 2013 and will be undertaken through cross-functional teams; primarily from the SRA's supervision, investigations, legal and enforcement and client protection teams.

### **Supervision and enforcement of personal injury referral fee ban**

- 3.13

During 2013 the SRA has undertaken significant levels of engagement with firms regarding the ban on referral fees in personal injury cases. Primarily this has been focused on providing





information, advice and guidance to assist firms in changing their business approach so as to comply with the statutory requirements. At the end of 2013 the SRA commenced thematic supervision work in this area. This will be a priority for the supervision function to continue in 2013/14 in order to assess levels of compliance, identify any non-compliance and then take supervisory (and if required enforcement) action to ensure compliance.

### **Progress investigation and enforcement of major investigations and conduct issues**

- 3.14

During 2013/14 it will be a priority for the investigations and legal and enforcement teams to progress a number of exceptionally large investigations which are highly likely to lead to major enforcement action in relation to a number of serious misconduct cases. These include cases in respect of a major offshore investment fund with multiple firms involved, a multi-firm conveyancing fraud, suspected money-laundering activity and a range of issues identified in the SRA's investigations into the financial failure of firms. In the latter respect, in a high proportion of firms that have failed financially the SRA has identified significant conduct issues. This programme of essential activity will place significant pressure on the teams concerned, particularly when combined with activity that will be necessary in the financial stability project in respect of further firms that are likely to fail in 2013/14.

### **Supervision/enforcement/intervention activity in respect of failure to renew PCs/entity fees, failure to appoint compliance officers, failure to obtain PII**

- 3.15

It will be a priority activity for the supervision, enforcement and client protection functions to address a range of circumstances that may lead to the closure of firms in 2013/14. In each individual case, given the size of the firms concerned, the issue may be identified as relatively low risk. However, collectively it is critical that the necessary steps are taken in respect of each firm to ensure compliance with key client protection requirements. For example, at the commencement of the plan period, over 150 firms had indicated that they had failed to obtain the necessary professional indemnity insurance and had therefore entered the defined 60 day period within which they had to close. It will be a priority activity to ensure that all of these firms (apart from those obtaining insurance cover) do, in fact, close.

## **Ensuring fair, transparent and proportionate regulatory decisions**

- 3.16

As a part of the organisation's commitment to fair, transparent and proportionate decision making, and as part of its commitment to identifying and addressing the causes of any disproportionality in its decision making, the SRA commissioned an independent comparative case review in 2013. Early in 2013/14 the report of that review will be published and the SRA will consider any lessons arising from the review with a view to incorporating any improvements as part of the R-view programme.

## **Improving outcomes for consumers**

- 3.17

In 2012 the SRA examined a range of issues affecting vulnerable consumers in accessing and purchasing legal services. The findings from this work led to the inclusion of "poor standard of service or legal advice, particularly where this involves vulnerable consumers", as an emerging risk in the Risk Index 2013. The SRA has since undertaken further work to prioritise client groups for further research to inform future policy making and regulatory risk management in this area. As a result of this the SRA will be undertaking research in 2014 on asylum seekers' use of legal services.

- 3.18

The SRA will launch the legal services public network, "Legal Choices" by 1 February 2014. The aim of the service is to enable consumers to be more aware of their rights when they use legal services and more able to play an active role in identifying and reporting the risks that they may face in the legal services market.

## **Strategic Plan Objective Three**

Develop the SRA regulatory arrangements and tools to better meet the regulatory objectives and the principles of better regulation and to mitigate emerging risks and anticipate changes in the external environment

## **Delivery of R-view in accordance with the Business Case**

- 3.19



The overall delivery of R-view, in accordance with its approved business case, has been referred to above. One of the R-view workstreams covers the further reform of the SRA's regulatory arrangements to ensure that they are fully aligned with the Risk Framework and address only those areas which require regulatory intervention and where the most appropriate means of effecting that regulatory intervention is through the application of regulatory requirements. During 2013/14, further development of the regulatory arrangements will take place as a part of the R-view programme.

### **Delivery of the Training for Tomorrow Programme**

- 3.20

In October 2013 the SRA published Training for Tomorrow, its policy response to the Legal Education and Training Review research report. In 2013/14 the SRA will form the Programme necessary to deliver the transformation of its approach to education and training and begin the development and delivery of the changes necessary to meet the vision set out in Training for Tomorrow. This will include the early delivery of changes to the training regulations regarding student enrolment.

### **Compensation arrangements review**

- 3.21

The SRA will continue work on its fundamental review of its compensation arrangements so it can be in a position to implement changes in 2015.

### **Fees and charges review**

- 3.22

The SRA will continue its review of regulatory fees and charges. This work is being undertaken in two phases. The first is examining and reforming the charges made in respect of specific regulatory activities, for example the charges made to authorise a new entity. It is planned to consult on changes proposed as a result of this phase of work in the first half of 2014. The second phase is examining the basis for the charging of annual entity and practising certificate fees. The objective is for this phase of work to progress so that any changes can be implemented in the 2015 renewals exercise.

### **Red Tape Initiative**



- 3.23

In 2013 the SRA launched its Red Tape Initiative designed to engage with firms to identify regulatory requirements and processes that could be safely removed and so reduce any unnecessary regulatory burden. During the year the SRA consulted on and implemented three phases of change as a result. The initiative will continue in 2013/14 and its ethos will be taken forward in a number of other reforms that will be implemented during the year. For example, the first implementation phase of change in the Training for Tomorrow Programme (the removal of a range of requirements in the current training regulations) has its roots as much in the Red Tape Initiative as in the development of the reform of the approach to education and training. The SRA's approach will be to ensure that the need to reduce unnecessary regulation will be considered in all regulatory change programmes.

## **Strategic Plan Objective Four**

Ensure effective operational delivery, the effective operation of the new systems and processes already implemented so as to realise the financial efficiencies they were designed to deliver, and address the control weaknesses pertinent to the SRA identified by the Law Society Group external auditors

### **Improvements to the control environment**

- 3.24

Early in 2013/14 the SRA (along with all parts of the Law Society group) will implement the new Enterprise Resource Planning (ERP) information system which will replace a range of outdated and inadequate financial and resource planning information systems within the Group. ERP is being developed and delivered to the whole group by Corporate Solutions as part of its wider programme of information system modernisation. ERP will deliver benefits to the SRA and better enable the effective management control of SRA budgets and headcount. It will also enable significant improvements in the group's control environment to address concerns raised by the group's external auditors over a number of years. In addition, the SRA will be undertaking a programme of activity, led by the group Chief Operating Officer, to address the wider control issues present within the group so as to achieve the necessary external audit rating.

### **Budget and headcount**

- 3.25



During 2013 the SRA implemented new budget management procedures to improve control and reduce cost. These controls enabled the SRA to drive down cost and deliver its operations within its budget during a period that saw the level of regulatory activity required increase due to the financial stability project. The budget for 2013/14 is set out at Annex B. It is a priority for the SRA to meet all of its 2013/14 priorities within this budget. At Annex C, the headcount, by function, associated with this budget is also set out.

## **Control of change**

- 3.26

In 2013 the SRA implemented new change management processes as a part of the group's implementation of a new Programme and Project Management approach for all major programmes and projects: including all of those with cross-group impact and those involving information systems capital expenditure. This new approach has been a significant success. During 2013/14 there will be a significant programme of change to manage within the SRA. The organisation has two major programmes in flight (R-view and Training for Tomorrow), will be implementing significant Corporate Solutions led information systems change and has a number of other, smaller, change projects underway. In addition, there are a number of key operational areas (for example the Contact Centre and firm-based authorisations) where the organisation is committed to delivering better performance through continuous, business-led, improvement activity.

- 3.27

As a result of these factors, the SRA will be implementing a revised approach to change management which will cover all aspects of change from continuous, business-led, improvement up to, and meshing with, the major change programmes that are already controlled through the Group PPMO process. The new processes will be in place by April 2014.

## **Complaints**

- 3.28

The SRA commissions an annual independent external report from ICRS on its performance in handling complaints. The 2013 report demonstrated a high standard of complaint handling across the organisation. The organisation will undertake a further external review in 2014 and publish the outcome. The SRA will use the information provided from all complaints to improve its systems and performance.

## Annex A: SRA core service key performance indicators

Unit	KPI Name
<b>Contact Centre</b>	70% of calls answered within 60 seconds
	Calls abandoned do not exceed 5%
	90% of letters/emails actioned in 5 working days
<b>Professional Ethics</b>	90% of calls to helpline answered within 45 seconds
	No more than 2% of calls abandoned throughout 2013
<b>Administration</b>	95% of correspondence answered within 10 (working) days
	To action and progress 95% of CPD applications and related enquiries within 6 weeks of receipt
<b>Risk</b>	Age of oldest un-assessed file (in working days). Target = 14 days by December 2013
	80% of High Risk Assessments completed within 2 days of receipt
<b>Authorisation</b>	A decision made for 90% of low risk applications within 30 days
	A decision made for 90% of medium/high risk applications within 3 months
<b>Supervision</b>	95 % of high risk events assigned to a Supervisor / RM within 5 working days
	90% of urgent walk in cases requiring an immediate visit, allocated within a working day
	90% of urgent walk in cases requiring an immediate visit started the first available working day and no later than 3 working days from allocation
<b>Intelligence &amp; Investigation</b>	90% of 72 hour time reports submitted to Supervision within the agreed timescale of an investigation commencing
	90% of urgent cases allocated within 3 days of receipt
	90% of urgent cases started within 7 days of allocation
<b>Adjudication</b>	80% of cases closed within 180 days
	80% of single adjudicator decisions made within 28 working days
	100% of panel decisions made within 42 working days



	60% of SDT prosecutions issued within 6 months of receipt
<b>Legal &amp; Enforcement</b>	90% of prosecutions issued within 12 months of receipt
	Interventions: 100% of interventions effected within 3 working days
	Compensation Fund Claims: To close the 185 Mortgage Fraud claims open as at 1st June 2013, by 31st December 2013 (% of pot still open)
<b>Client Protection</b>	Compensation Fund Claims: Less than 15% of open Non Mortgage Fraud claims > 25 months old
	Statutory Trust: Less than 15% of balances > than 25 months old (Current STA balance)
	90% of stage 1 complaints dealt with within 10 working days of acknowledgement
	90% of stage 2 complaints dealt with within 20 working days of acknowledgement
<b>Inclusion</b>	Equality and Diversity: 100% compliance and achievement by the business at level 1 by 31/09/2013
	Equality and Diversity: 50% of the business to have achieved level 2 by 31/12/2013

## Annex B: SRA 2013/14 budget summary

### SRA income & recoveries

<b>SRA income summary (£000)</b>	<b>2014 Budget</b>
SRA regulatory income	5,384
Compensation Fund recoveries	1,735
Compensation Fund recovery: interventions only	12,302
Legal fee recoveries	2,500
<b>SRA income</b>	<b>21,921</b>
Practising certificate and entity fees	30,891
<b>Total SRA income</b>	<b>52,812</b>

### SRA expenditure

<b>SRA expenditure (£000)</b>	<b>2014 Budget</b>
Total staff expenditure	26,657
Total non-staff expenditure	12,349
Total intervention costs (including VAT)	12,302
Total irrecoverable VAT	1,504

<b>Total SRA expenditure</b>	<b>52,812</b>
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NB – 2014 Intervention costs are estimated, lower costs incurred will therefore result in a lower recovery from the Compensation Fund.

## Annex C: Headcount summary by function (as at 31 October 2014)

Function	Oct 2014 Budget FTE
<b>CEO / Executive Director</b>	<b>5</b>
<b>Operational</b>	<b>531.65</b>
Adjudication	8
Authorisation	142.47
Client Protection	56.7
Contact Centre	52.44
Ethics	17.13
Intelligence & Investigation	56.4
Legal & Enforcement	41.51
Risk	39.99
Supervision	117.02
<b>Policy</b>	<b>31.06</b>
Education & Training	16.66
Policy	14.4
<b>Support</b>	<b>79.44</b>
Administration	20.66
Business Change	10
Communications	11
Executive Support	17.12
Inclusion	12.91
R-view	7.75
<b>Grand Total</b>	<b>647.15</b>