

SRA BOARD

21 October 2015

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2015 Regulatory Standards Self Assessment Submission to the Legal Services Board

Purpose

- 1 To provide the Board with our draft self assessment submission against the Legal Services Board's (LSB) Regulatory Standards as part of the LSB's 2015/16 assessment of us against those standards.

Recommendations

- 2 The Board is asked to:
 - a) discuss and comment on our draft submission provided in Annex 1; and
 - b) approve the document for signature by the Chair and the Senior Independent Director in readiness for our submission to the LSB by 31 October 2015.

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

This paper is confidential because it contains sensitive information

SRA BOARD

21 October 2015

CLASSIFICATION – PUBLIC



2015 Regulatory Standards Self Assessment Submission to the Legal Services Board

Background

- 3 In May, the LSB commenced the 2015/16 Regulatory Standards self assessment. For this assessment exercise, they have taken a new two staged approach, with a data request and survey for external stakeholders, followed by a targeted self assessment template for us to complete.
- 4 We submitted our response to the data request in June with a short context report setting out key achievements and progress. Following this, and based on the other information the LSB has collected, they then issued a self assessment template in which they ask targeted questions against each of the five Regulatory Standards, along with some more general questions that cut across all the Standards. In addition to these questions, they also ask us to provide a general rating of our progress against each Standard with rationale to support that rating.
- 5 The LSB's five Regulatory Standards are:
 - **Outcomes Focused Regulation** - do regulators deliver an outcomes based approach to regulation that creates benefits for consumers?
 - **Risk Assessment** - do regulators have a robust understanding of the risks to consumers presented by the market?
 - **Supervision** - do regulators supervise the regulated community at an individual and an entity level to mitigate risks?
 - **Enforcement** - do regulators have compliance and enforcement processes that deter and punish appropriately?
 - **Capacity and Capability** - regulators must demonstrate that they have the capability and capacity to deliver regulatory outcomes
- 6 The ratings we are asked to use when assessing our progress against each Standard are:
 - **Good** - all indicators (please see pages 44 to 48 in Annex 1) are embedded appropriately in the organisation and inform day to day working practices
 - **Satisfactory** – significant progress is being made to embed indicators and use them in day to day working practices

SRA BOARD

21 October 2015

CLASSIFICATION – PUBLIC

- **Undertaking improvement and work is well underway** – indicators have been introduced but are not yet embedded appropriately in the organisation and do not yet inform day to day working practices
 - **Needs improvement and work has started recently**
 - **Recognises this needs to be done but work has not yet started**
- 7 The first Regulatory Standards assessment took place in 2012/13 and the Board may recall that we had to provide an update to the 2012/13 self assessment in October 2014. Given the change in leadership in the organisation in 2014, we took the opportunity through this update to inform the LSB of our changing priorities and the plans in place to deliver them. Given this, our 2014 submission was less of an update and more about setting a benchmark from which to measure future progress. We did downgrade our rating for the Supervision Standard to 'needs improvement and work has started recently' given the change in approach and the work we had just begun in improving our processes. For all the other Regulatory Standards, we assessed ourselves to be 'undertaking improvement and work is well underway'. The LSB's subsequent report was largely positive of the improvements already made and our overall direction of travel.
- 8 Whilst our previous self assessments are not published, the LSB's reports are., These set out its views of our progress and areas for improvement and can be found at the links below. We will be happy to provide copies of previous self assessments on request:
- 2014 Update:
http://www.legalservicesboard.org.uk/news_publications/LSB_news/PDF/2015/20150225_Regulatory_Standards_FINAL.pdf
 - 2012-13 Assessment:
http://www.legalservicesboard.org.uk/Projects/pdf/20130226_regulatory_standards_SRA_final.pdf

2015/16 Self Assessment Exercise

- 9 Attached at Annex 1 is the draft self assessment submission for 2015. Its structure follows the template prescribed by the LSB. The document provides a summary of how we rated ourselves in the 2012 and 2014 self assessment and the LSB's comments on our areas for improvement. The LSB has also asked us not to repeat information that we have provided them previously and to avoid duplication within the document by cross-referencing paragraphs and previous self-assessment submissions.
- 10 The process for completing this year's exercise has involved discussions with individual Executive Directors and Directors to collate the information needed to respond to the specific questions and also to inform the general assessment we

SRA BOARD
21 October 2015

CLASSIFICATION – PUBLIC



have to complete. Progress updates have then been provided to the Senior Management Team (SMT) and our self assessment ratings discussed. As a result of these discussions, we have rated ourselves as: undertaking improvement and work is well underway for each of the five Standards. This recognises the improvements we have made in Supervision over the last 12 months and our progress with the Regulatory Reform Programme and organisational change work. We know there is still more to do and we have also set ourselves higher standards; our assessment reflects this and also sets out the plans we have in place to achieve these ambitions. The SMT formally considered the draft submission the on 2 October.

- 11 We circulated the draft document to the Board in advance of the meeting to provide extra time for Board members to ask questions, challenge and comment on our provisional ratings. Following formal consideration at the Board meeting, the Chair and Senior Independent Director will be asked to sign the document prior to submission to the LSB on 31 October 2015.

Independent Scrutiny

- 12 I informed the Board in my Chief Executive's report at the last meeting of our decision not to have our self assessment submission independently reviewed. Following the Board meeting, I wrote to the LSB to explain our decision and approach. I attach that letter at Annex 2 for information.

Recommendations: The Board is asked to:

- a) **discuss and comment on our draft submission provided in Annex 1; and**
- b) **approve the document for signature by the Chair and the Senior Independent Director in readiness for our submission to the LSB by 31 October 2015.**

SRA BOARD
21 October 2015

CLASSIFICATION – PUBLIC



Supporting information

Links to the Strategic Plan and / or Business Plan

- 13 The self assessment provides an overall assessment of our progress. Whilst it is structured in a format prescribed by the LSB against its Regulatory Standards, it also provides us with the opportunity to reflect on our progress against the Corporate Strategy, the activities we committed to delivering in our Business Plan and our plans for next year.

How the action will be evaluated

- 14 The LSB will publish a report setting out its assessment of our progress against its Regulatory Standards. We expect this to be early in 2016.

What engagement approach has been used to inform the work (and what further communication and engagement is needed)

- 15 Please see paragraphs 10 and 11.

What equality and diversity considerations relate to this issue

- 16 There are no specific equality and diversity issues arising from this report. The report provides an overview of SRA activity since October 2014. Progress made against the E,D&I Strategy and plans for next year are reported in Annex 1 and these have been taken into account in assessing our progress against the Regulatory Standards as part of our overall submission to the LSB.

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Date 30 September 2015

Annexes

Annex 1 Draft 2015 SRA Self Assessment Submission to the LSB
Annex 2 Letter to LSB regarding Independent Scrutiny



Guidance on the self-assessment template

Introduction

The purpose of producing a self-assessment template, is to provide a structure that will help to ensure that we receive evidence from all the regulators in a consistent format. This will help with our analysis of the responses and hopefully reduce the number of questions we have to ask regulators following receipt of the self-assessment template. It should also help us to focus our analysis on any real concerns, any areas of best practice or any forthcoming/developmental issues in legal services regulation.

In line with our change of approach in the Regulatory Standards review for 2015/16, the template provides both an opportunity for each regulator to self-assess its performance against the standards and to provide a short evidence based rationale for its grading; and for the LSB to ask tailored and targeted questions of each regulator based on the evidence we already hold.

We consider that the regulator's self-assessment still forms an important part of our evidence base. We would like each regulator to self-assess against the five regulatory standards and to provide a short evidence based summary of the rationale for their grading. We expect the regulator to be candid when completing the self-assessment but we do not expect a lot of commentary under each grading, nor for regulators to repeat evidence which it has previously provided (please just cross refer to documentation). We just need to be able to understand the regulator's rationale for its assessment.

Following the regulator's self-assessment, we have (where necessary) set out our targeted questions which focus on either our areas of potential concern or gaps in our knowledge. We note that we have asked questions which will require both the overseeing Board's input as well as the Executive's input.

We have not included indicative gradings within the template because we have not yet gathered or analysed all the evidence we will use to reach a view on performance. We therefore consider that there was the potential for any indicative gradings to be misleading and counter-productive to the exercise.

Format of the template

The template is divided into two sections:

Overview

In this section we have set out the evidence we have considered when preparing the targeted self-assessment template so that the basis of our questions is clear. We have also set out some general questions that relate to more than one standard. To avoid unnecessary duplication of questions under each standard we have included these all under the heading of general questions.

Standards

In this section, we have firstly put together from the 2012/13 and 2014/15 exercises a short summary of the gradings, key findings and the priorities we identified for the regulators to act as an aide memoire. We have given the regulators an opportunity to grade themselves and to provide a short evidence based rationale for that grading. We have also set down the specific questions we have identified as a result of our analysis so far of the evidence we hold. Finally we have provided space for the regulator to provide any additional information it considers we need to know in order to reach our judgement including any areas of its performance which it considers to represent best practice.

Information governance

We do not intend to publish the completed self-assessment. However, as we are subject to the Freedom of Information Act and the Data Protection Act, it is possible that we could receive a request for the document. We would need to consider any such requests for the documentation on a case by case basis.

Formatting of the document

- * For ease of reference please can you add page numbers and paragraph numbers
- * To avoid unnecessary duplication we recommend that evidence relevant to more than one question is not repeated. Instead, please could you cross reference the evidence instead (for example, 'please see paragraphs 7-10 in the Enforcement section'). Equally, please cross refer to any evidence you have previously provided to the LSB rather than submit it again.
- * To avoid large submissions which may be difficult to send electronically, please can you use footnotes to link to hyperlinked documents. If hard copies of documents have to be provided, please can you provide an indexed bundle of these documents
- * To enable a consistent approach to grading, please can you ensure that you use the following gradings:
 - Good- all indicators embedded appropriately in the organisation and inform day to day working practices

SRA's self-assessment

- Satisfactory – significant progress is being made to embed indicators and use them in day to day working practices
- Undertaking improvement and work is well underway– indicators have been introduced but are not yet embedded appropriately in the organisation and do not yet inform day to day working practices
- Needs improvement and work has started recently

Please also refer to the list of factors (included at the end of this template) when completing the self-assessment.



INTRODUCTION

We have reviewed the Solicitors Regulation Authority's (SRA) performance against the regulatory standards using the following material:

- SRA's October 2014 update report against its 2012/13 self-assessment action plan
- LSB's February 2015 report, *Regulatory Standards 2014/15, An update report on the performance of legal services regulators*
- SRA's response to the LSB data request (received 22 June 2015)
- Information gathered from responses to our survey of users of legal services regulators conducted between 14 May and 30 July 2015
- A review of publicly available information about the SRA up to 23 July 2015, for example Board papers, consultation papers and press releases.

Based on our review, we have some general questions about your approach to regulation and some specific questions about your performance against each regulatory standard. We also ask you to self-assess the SRA's performance against each standard using our established grading system and to provide an evidence based rationale for your assessment.

If there is further information that you think we should consider in relation to how you would assess your performance against a particular standard, please include this in the relevant section. We are keen to hear about where you consider your performance against a standard has changed, improved, declined or where you consider your performance represents best practice.

GENERAL QUESTIONS

The questions set out in this section of the template relate to more than one Standard.

Q1 The SRA is more likely to regulate individuals that are also regulated by other regulators. As such we would like to know what arrangements are in place to exchange pertinent information with other regulators about matters which may affect their regulated community/approach to regulation? If information has been exchanged, what have been the outcomes of this? (RIS06/07, SUP03/07/08 and Enforcement)

SRA's response:

1. We have 14 Memorandum of Understandings (MoUs) in place, which provide a framework for the information we will share and how we will work with other organisations, with a further 11 proposed MoUs being discussed and developed. The Framework MoU that we have in place with all the approved regulators and with other regulators that might regulate individuals within an ABS regulated by us is currently being reviewed. The aim of this MoU is to facilitate the lawful disclosure of information between regulators, avoid duplication of regulation/conflicts in regulation and where conflicts arise to help overcome them.
2. Our approach to MoUs has recently been updated and we have a MoU Oversight Group in place to oversee and review all existing and proposed MoUs and to review the processes, guidance and criteria in place for MoUs to ensure they are consistent, effective and robust. This was agreed by the Senior Management Team in June 2015.
3. The Handbook Review project will include discussions with all the regulators about our new approach to regulation (particularly greater freedom about where solicitors can practice and the impacts of this) and we will cover information sharing with them as part of these discussions.
4. In addition, we are currently chairing the Joint Regulators Forum and have raised awareness of anti-money laundering and cybercrime through the forum, as well as wider discussions around professional standards. Our disproportionality seminar in April also provided an opportunity to discuss common experiences of disproportionality for some groups in professional regulation, share best practice and consider future challenges. Academics and regulators from the legal, medical and financial sector attended the event and a number of common themes emerged.
5. At an operational level, information is shared with other regulators on a case by case basis and can be related to individuals and firms that are subject to dual regulation, not subject to any regulation or have links to individuals or firms regulated by the respective organisations. The information sharing could be related to requests for authorisation by another regulator or where information

has been received that an individual or firm is acting in breach of regulatory requirements. To support this work, we have quarterly meetings with regulators to review the information sharing arrangements and to discuss ongoing complex investigations.

6. Where there is dual regulation or a common interest, we discuss with the appropriate body the best way to utilise the available resources in order to best protect the public and achieve our respective aims. Two recent examples include: a case where a solicitor had been prosecuted by the Financial Conduct Authority and was also referred to the Solicitor Disciplinary Tribunal and ordered to be struck off the Roll of Solicitors; and a former solicitor who was prosecuted by the Office of the Immigration Services Commissioner (OISC) for continuing to provide immigration services whilst not authorised - we referred this case to OISC initially and assisted them in gathering evidence for the criminal case.
7. We know that we need to work more closely with other regulators given we are increasingly seeing individuals that we authorise working in entities from other legal regulators and individuals regulated by others working in SRA authorised firms. This is a positive feature of a dynamic legal market and one that we have to both facilitate and respond to. Only a small proportion of those we regulate are also regulated by other regulators, although we do recognise that while small, it is a higher proportion than other regulators.
8. Given this, we have recently emailed other regulators emphasising the need to work more effectively together in areas such as investigations, enforcement and post enforcement. We have invited regulators to a roundtable event to explore what we currently do and might do to improve cooperation where individuals and entities cut across our traditional boundaries.
9. In this email, we also raised the need for data sharing and matching and working more effectively to ensure that we have a better understanding of where individuals are in terms of entities regulated by each other. We recognise we could do that as individual regulators through a data collection exercise but that would involve us each replicating data that others already hold. If other regulators agree, our plan is to explore what we can achieve by matching, combining and comparing data.
10. Given the international nature of the legal market, we are developing a new SRA website to host and share research and to act as a hub for international regulators. This website will cultivate an international community of legal regulators, providing a secure, private forum for members to share and review concepts, plus a public venue in which to showcase insight and accounts of best practice. The technical build of the site is currently taking place.

Q2 How does the SRA assure itself that there is an aligned approach between its authorisation, supervision, enforcement and risk workstreams given the recent changes in the organisation? (RIS06/07, SUP07/08 and Enforcement)

SRA's response:

11. Our overall approach is to ensure the whole organisation is aligned (not just operational areas) and this is evident through our Corporate Strategy, organisational change work and leadership approach. We have undertaken significant engagement with staff to help them to understand our regulatory philosophy and reform programme - what we are doing and why. We have used a variety of fora to do this, including Leadership Team meetings, line manager and all staff events, individual team meetings and through various other internal communications. All staff have also have the opportunity to take part in the development of our professional standards framework prior to the launch of the external facing [Question of Trust campaign](#).
12. We have brought together operational areas (authorisation, risk assessment, supervision and enforcement) under the Leadership of one Executive Director, Robert Loughlin. This will help to ensure consistency and greater alignment across our operational areas.
13. In August 2015, David Middleton became Executive Director for Legal Case Direction, with ultimate responsibility for case-specific decisions and litigation across all operational areas. Directors are accountable to David for the quality of cases and case direction decisions. Alongside this new role, we are developing a new approach to case management. This involves streaming cases by seriousness to assist prioritisation and to ensure that the right expertise is applied to a case, developing the use of investigation plans, regular case direction meetings, referral of difficult decisions to the appropriate level, focusing on local technical experts to develop and maintain quality and liaising on wider issues to ensure consistent tone and exercise of discretion.
14. In our 2014 update to our original submission, we informed the LSB of our Operational Performance Group, a Group of operational Directors who meet monthly to discuss issues, including our Tactical Risk Report, and also our Major Investigation Group. These groups continue to support greater alignment across operational areas. We also have our Ethics Liaison Group in place to ensure guidance is produced in a coordinated and consistent way across the organisation.
15. The review of our decision-making framework will also support a more consistent approach across the organisation by ensuring that our guidance is accessible to the whole organisation and that a consistent approach is being taken in all teams to key issues.

Q3 Has the SRA now established a quality assurance team? If so, how has the work of this team improved the SRA's performance across its workstreams? (OFR06, RIS03, SUP01, ENF06 and C&C07)

SRA's response:

16. Our Quality Assurance Team is due to be in place from November 2015. This Team will take forward the development of our approach to quality assurance and a number of other related work programmes, such as technical training, performance management and continuous improvement as part of an overall Quality Management System. This will also include the development of documented procedures and a clear document control process for all operational processes, the development of enhanced operational management reporting for each operational area to support performance improvement and a suite of workforce planning tools (please see paragraph 147). This along with our focus on timeliness, quality and customer service will deliver further improvements to our operational performance over the next 12 months.

Q4 How does the SRA's Board assure itself that it is receiving sufficient information of an adequate quality to effectively oversee the performance of the organisation? (Applicable to all Standards and C&C07/09)

SRA's response:

17. In our 2014 update to our original self assessment, we informed the LSB of the Board's approach to monitoring our operational performance and its oversight of the development of the KPI pack. This pack has gone from being detailed (the level of detail received by the Executive) to focusing on key KPIs with a commentary on exceptions. This reflects the growing confidence of the Board in the performance information it receives, through the KPIs and the Chief Executive's report, to effectively hold the executive to account.

18. The Board now has oversight of key staff data (turnover, absence etc) following concerns over data quality that we identified last year. Detailed scrutiny of this data takes place at the Finance and Resources Committee.

19. The Board has also requested that we report regularly on the progress, outcomes and impact of our organisational change work. Updates are provided at every Board meeting through the Chief Executive's report and we have developed a dashboard that we will be reporting to the Board twice a year. A monthly review of top level engagement, events, press activity and social media metrics is also circulated to the Board in a digestible format.

20. A second Board Effectiveness Review is in progress, focusing on our Committee structure and making sure it adequately supports the Board to fulfil its role in holding the executive to account. It will also ensure that terms of reference, powers and delegated authorities are appropriate and clear, making it clearer where accountability lies between committees, the Board and the Executive. The outcomes of the Review will be reported to the Board in January 2016.

Areas of Best Practise

21. Below we set out two pieces of work that we would like to put forward as areas of best practise. This is based on our assessment that they are innovative ideas that represent a different approach in legal services regulation. They also cut across all of the Regulatory Standards and show alignment across the organisation.

Best Practise: Support for Small Firms

We would like to highlight the overall package we now have in place to support small firms as an area of best practise. It cuts across a number of the Regulatory Standards and is referred to throughout our submission. The work resulted from our May Policy Statement and developed following significant engagement with small firms. Our work has included:

- Publication of a [discussion paper](#) that prompted engagement on our proposals and further suggestions for how we could better support small firms.
- Development of a [small firms section of our website](#), which provides advice and guidance, a starter pack for new firms as well as contact numbers to call for dedicated support.
- A small firms virtual reference group is in place, alongside our engagement through the Sole Practitioners Group.
- Launch of the email and call back service for small firms which will be available to all regulated firms, but is initially focussed on small firms.
- 'Virtual' small firms team in place in Supervision to provide advice to small firms on compliance issues.
- Implemented changes to help reduce regulatory burdens for small (and other) firms, based on their feedback to us:
<http://www.sra.org.uk/sra/news/press/regulation-changes.page>.
- At the beginning of September we went live with a new section within the consumer facing Legal Choices web-site (that we run on behalf of all of the legal services approved regulators) to help Small and Medium sized Enterprises (SMEs) better choose and use legal services. This site was built using focus groups to tailor content to meet SME's needs. The Department for Business, Innovation and Skills is looking for opportunities for Ministers to champion the site and has agreed to help direct SMEs towards the it.
- Targeting social media engagement to small firms. For example, in September, a two-week Facebook campaign targeted at small business owners reached 105,000 users and generated more than 2,500 engagements (like, shares, clicks, etc).

Best Practise: Question of Trust

As the LSB is aware we have started our professional standards project, the outcome of which will be a framework that we can use internally and publish externally that sets out thresholds for how seriously we will take different issues as a regulator. This framework will underpin consistency of regulatory decision making and provide opportunity for engagement with those we regulate and consumers to inform this work.

We launched our 'Question of Trust' campaign in September (<http://www.sra.org.uk/sra/news/press/question-trust-survey-launch-september.page>) to gather a views from a variety of stakeholders and to ask them questions about issues of trust, professional standards and effective regulation. It will run until the end of January 2016. We are using alternative engagement approaches and engaging with a wide variety of stakeholders from consumers to those we regulate. The campaign includes:

- A clear and straightforward consultation document available in hard and soft copy.
- Targeted survey of 10,000 solicitors and a plain English survey with associated activity to promote to the public, and postcards for the public to use to provide us with their views.
- We have held or have planned sessions with different groups to discuss various scenarios and to give them the opportunity to vote on how serious they think it is. For example, at the Citizen's Advice conference in September, over 200 scenario post cards were completed by participants.
- 12 consumer events, including reaching out to hard to reach groups such as the travelling community (with whom we have an event) and the users of women's refuges.
- Fringe events at both Labour and Conservative party conference focused on this campaign with party delegates, most of whom are local councillors and support consumers.
- Internal events with our Board and with staff, including all line managers and sessions for all staff to attend and vote on the different scenarios.

The data gathered through our engagement will then inform the final framework that will be approved by our Board. We expect to publish the outcomes of this work in summer 2016.

REGULATORY STANDARDS: OUTCOMES FOCUSED REGULATION

The gradings and observations recorded in 2012/13
SRA's grading: Undertaking improvement and work is well underway
LSB's grading: Undertaking improvement and work is well underway
LSB's comments: <i>"There is senior executive commitment and recent evidence of a deeper embedding of OFR into the SRA but this needs to feed through more consistently to all aspects of regulation across the whole of the SRA at all levels. The SRA Board should also ensure it has clear understanding of the measurement and progress made during this operational and cultural change programme. More work needs to be undertaken to engage and understand the needs of consumers and understand whether the outcomes delivered by the SRA support the regulatory objectives."</i>
SRA's grading in 2014 Update of 2012 self assessment: Undertaking improvement and work is well underway
LSB's observations 2014/15
<p>Areas of achievement:</p> <ul style="list-style-type: none"> • The SRA has developed and published an approach to consumer engagement. • We welcome the SRA's recent statement that <i>the continuation of any existing regulatory intervention needs to be justified, rather than one of focusing on justifying its removal.</i> <p>Areas for improvement:</p> <ul style="list-style-type: none"> • There is a commitment to improve evidence of consumer needs, ensuring consumers are considered in all SRA activities and processes. However, it was unclear how effectively (or if at all) the information that is collected on consumers is being used to assess whether the existing regulatory arrangements are based on the outcomes that consumers need). • Research published in this period has focused on solicitors and not consumers.
Priority areas
<p>Priority areas applicable to all regulators:</p> <ul style="list-style-type: none"> • The collection of high quality up to date evidence about how all groups of consumers need and use the legal services they regulate. • The collection of evidence to understand the impact of the rules they impose and whether those rules are delivering the outcomes consumers expect.

SRA's self-assessment:

What is your assessment of the SRA's performance against this standard? Please provide an evidence based rationale for the grading given and links to supporting evidence.

The assessment should also include an update on progress against the areas of improvement and priority areas highlighted above and noted by LSB in its 2014/15 update report.

Grading:

GRADING	PLEASE MARK HERE
<i>Good</i>	
<i>Satisfactory</i>	
<i>Undertaking improvement and work is well underway</i>	
<i>Needs improvement and work has started recently</i>	
<i>Recognises this needs to be done but work has not yet started</i>	

Rationale:

22. Our grading and rationale remains the same as our 2014 update to the LSB. The LSB is aware that we have an ambitious programme of regulatory reform underway following the publication of our Policy Statement in May 2014. We have already made significant progress and work is well underway.
23. We have updated our Policy Statement as our reform programme develops in response to a changing legal market. This was approved by our Board in September following discussions at Board away days in April. It is due to be published alongside a discussion paper on the review of the Handbook in November. The revised Statement sets out clearly 'what' and 'who' we regulate.
24. Our reform programme has three aims:
- *Remove unnecessary regulatory barriers and restrictions and enable increased competition, innovation and growth to better serve the consumers of legal services;*
 - *Reduce unnecessary regulatory burdens and cost on regulated firms;*
 - *Ensure that regulation is properly targeted and proportionate for all solicitors and regulated businesses, particularly small businesses.*

Below we highlight our key achievements and plans to achieve these.

25. Following the implementation of our new approach to Multi-Disciplinary Practices, we have reviewed our approach to the Separate Business Rule. This was approved by our Board in June 2015.

26. In September 2015, our Board agreed a diverse range of proposals aimed at reducing unnecessary burdens on regulated firms and ensuring proportionate and targeted regulation, including in relation to the authorising of firms and individuals. Please see the following link: <http://www.sra.org.uk/sra/how-we-work/board/public-meetings/archive/meeting-archive.page>.
27. At its meeting in July 2015 the Board agreed rule changes to come into force on 1 November 2015 to harmonise and simplify the regulatory arrangements for sole practitioners.
28. We have made further changes to reporting accountant requirements following those agreed in 2014. These included extending the categories of lower risk firms exempt from the requirement to obtain an accountant's report to include those who, during the relevant accounting year, have had an average client account balance of £10,000 or less and a maximum client account balance of £250,000 or less.
29. We have worked closely with the Financial Conduct Authority regarding the regulation of solicitors carrying out consumer credit activities. After detailed and lengthy negotiation, we were able to achieve agreement on a proportionate regulatory approach for SRA authorised firms.
30. Our [Competence Statement](#) for solicitors, which defines the standards required for admission as a solicitor and for continuing competence, was published in March 2015.
31. Following our application, the Department of Business, Innovation and Skills has approved three apprenticeships in law that will allow individuals to qualify as paralegals, legal executives and solicitors. There has been significant interest from law firms and other employers in the development of this work and the first apprenticeship starts will be from September 2016 with the apprenticeship leading to qualification as a solicitor taking 5 or 6 years to complete. Individuals who qualify as a solicitor through this route will have to demonstrate the competences in the Competence Statement, through an assessment which we specify. This will be available from September 2018.
32. As at 19 August 2015, we had granted 40 applications for qualification through equivalent means since the new regulations came into force in July 2014 with a further 75 applications being considered.
33. At its December 2014 meeting, the Board agreed to make a number of amendments to the SRA's regulatory arrangements which would implement changes proposed in the Red Tape 3 Consultation. Please see the following link for more information: <http://www.sra.org.uk/sra/how-we-work/board/public-meetings/archive/meeting-archive.page>.
34. A package of measures has been introduced to reduce regulatory burdens on small firms and to increase the level of support to such firms from within the SRA. This has included dedicated web pages (<http://www.sra.org.uk/solicitors/small-firms.page>), a starter pack for new firms,

development of guidance, dedicated support via the Ethics Guidance Helpline, small firms email alert, small firms reference group and an email and call back service for small firms, which will be available to all regulated firms but is initially focussed on small firms.

35. We have started the review of our Handbook (more information is set out in paragraphs 50-53). Included in this will be a review of our entire Practice Framework Rules, which will also encompass rule 4 with the aim of making changes to the way in which in-house solicitors are regulated to remove the current complicated system of rules and provide a clearer less restrictive framework. Alongside this and with similar timescales, we will also be reviewing the Solicitors Accounts Rules.
36. Work continues as planned to evaluate a new Assessment Framework for admission, and in particular, the possibility of a new Common Professional Assessment. We have and continue to undertake extensive engagement with stakeholders as we develop our approach. The draft consultation is due to be considered by our Board in December.
37. We published a discussion paper over the summer that sets out and seeks views on a number of possible options for reforming our Professional Indemnity Insurance (PII) arrangements and for the Compensation Fund (<http://www.sra.org.uk/sra/consultations/discussion-papers/index.page>). This builds on the work in 2014. For PII, the aim is to make changes to the arrangements for compulsory PII for regulated entities to ensure that the minimum requirements set for firms are proportionate whilst maintaining protection for the public, particularly individuals and small businesses. For the Compensation Fund, the aim is to ensure changes to compensation arrangements are targeted at consumers requiring regulatory protection and to ensure that the overall cost of the arrangements is proportionate and affordable. Our next steps are to review the comments made alongside the research and data that we are collecting with a view to publishing proposals for consultation in 2016.
38. We have made it easier and quicker for firms to apply for a change in status by cutting form filling by a third (<http://www.sra.org.uk/sra/news/press/new-fba-forms-2015.page>). New slim line application forms have been introduced for firms that need to apply for authorisation for a change of legal entity, or for LDPs electing to be licensed. Applicants now have less detail to complete, and decision-making will be much quicker. Unnecessary or duplicate questions have been taken out, without reducing the public protection provided by the process, and the text is as concise as possible.
39. We have recently started a project to provide dedicated support for organisations wishing to offer innovative legal services and products to the market. This would be open to all existing and prospective authorised solicitors and firms. The objectives of the project, currently named SRA Innovate, are to:
 - encourage new services and service delivery methods to benefit consumers

- enhance the reputation of the SRA
- formalise and expand existing initiatives, for example, working with new firms wishing to be authorised

Plans for the project are currently being developed. Some of the features we are looking to include are: dedicated web-pages, assistance in preparing and making applications for authorisation, ongoing support from supervision, links to research and a virtual reference group. We already do a lot to support innovation and this project will repackage that work and bring it into the open, based on the Financial Conduct Authority's innovation hub. We are planning to do a soft launch of this work in early November.

40. A mid year review of the 2014/15 Equality, Diversity and Inclusion action plan highlighted a number of actions which need to be revised. This has now been completed and can be viewed at the following link:
<http://www.sra.org.uk/sra/equality-diversity/strategy/edi-action-plan.page>.
Completed actions can also be viewed at the link. We are in the process of developing an action plan for 2015/16, which will be published before the end of the year alongside a report of our key achievements from 2014/15. We also have a virtual reference group in place for diversity and inclusion and have undertaken a number of activities to demonstrate our commitment to diversity in support the delivery of our Equality, Diversity and Inclusion action plan.
41. We have done more to encourage diversity in the profession, for example, we have:
- Developed a webpage where we outline the case for a more diverse and representative legal profession and show how law firms can make use of the diversity data they collect - <http://www.sra.org.uk/solicitors/diversity-toolkit/diversity-toolkit.page>.
 - Launched our new law firm diversity toolkit that allows law firms to compare the diversity of their firm with other similar groups of firms. This could help law firms review their approach to recruitment, retention and progression. It can be viewed at the link above.
 - Increased our awareness raising activity, for example, we held a fringe at the Liberal Democrat Conference on 'equal in the eyes of the Law - Diversity in the legal sector' . For the first time, we also had a float at Birmingham Pride Parade and a walking presence at the London parade, both of which were organised by a staff team and attracted considerable staff and sector support. We also promoted our support for the LGBT community through Diva and Attitude, the leading LGBT magazines. All this activity is amplified by associated social media outreach. We are also sponsoring a Guardian online recruitment special, promoting a diverse legal workforce.
42. Since our update in 2014, we have published the following research reports (<http://www.sra.org.uk/sra/how-we-work/reports.page>):

- Education and Training: A report on authorisation and monitoring activity - The purpose of this report was to tell our stakeholders about the outcomes of our quality assurance activity in relation to education and training. It captures authorisation of training providers, including firms and higher education providers. The report covers the period 1 September 2013 to 31 August 2014.
 - Innovation in legal services: joint research with the LSB on innovation in the legal services sector using a large-scale survey.
43. Before the end of the year, we will also be publishing research on how lawyer-client relationships in large firms impact independence, risk transfer and access to representation and on the experiences of consumers of asylum legal services. The programme for research is also under development and is being informed by consumer outcomes. This will be set out in our 2015/16 Business Plan due to be published in November. We are discussing our plans with the LSB Research Strategy Group.

Our questions:

Having reviewed the information available to us, we had the following specific questions about your approach to outcomes focused regulation:

OFR Q1: How is the SRA using the information it has collected through its stakeholder engagement in (a) its day to day activities and (b) to assess whether its regulatory arrangements are based on the outcomes consumers need? (OFR05)

SRA's response:

44. Stakeholder engagement plays a key role in policy development and continuing improvement work. We also undertake significant engagement activity to support stakeholders understand regulation, our work and how it applies to them (those we regulate) and is relevant to them (consumers). A significant programme of engagement with external stakeholders is underway to help us understand the impact of and to inform our developing proposals and regulatory arrangements.
45. We have formalised our approach to engagement through our Communications and Engagement Strategy (an internal document). The Strategy has been fully costed and was approved by our Board in January 2015. The Board also receives regular updates and is involved in its implementation (for example, please see paragraph 46n). The objectives in the Strategy are as follows:
- develop and deliver an appropriate and consistent tone of voice across all our communication

- develop our role in thought leadership, driving the debate on professional regulation and what can be expected of a solicitor or firm regulated by the SRA
- develop our profile and presence in print, broadcast and digital media;
- support our work and those who work with us, through engaging effectively with all of our stakeholders in a planned and customer focused way;
- develop and sustain effective high quality internal communications, defining a clear corporate culture and supporting our aims.

Objective 4 above sets out our commitment to support our work and those who work with us through engaging effectively with all stakeholders. The profession and members of the public are highlighted as key areas of focus for this objective in the Strategy.

46. Practical examples of where engagement has or will inform our work include:

- a) We have designed and delivered our first stakeholder tracking survey during 2015. We expect to receive the results by the end of the year. This is intended to be a regular survey of stakeholder views of the SRA and our work and impact, including views of those we regulate, complainants, and the general public. The outcomes of this will inform improvements to our work.
- b) All our public consultations include stakeholder engagement activity throughout, in line with our [newly published approach to consultations](#), and provide more opportunities for stakeholders to feed in their views.
- c) Workshops have taken place with different types of providers at the earliest stage of policy development to inform thinking. For example, feedback from engagement on the Handbook as part of our review has already influenced the development of our proposals and will continue to do so.
- d) We have external reference groups in place to support our work, such as our Small Firms Group and Equality and Diversity Group. Our small firm virtual reference group has informed the development of our dedicated support package for small firms and the proposal in our recent improving regulation proposals to reduce unnecessary regulation. External reference groups are also in place to support individual projects, such as the Group we have established to support our review of the accounts rules and inform the development of our proposals.
- e) We have a continuous programme of engagement with organisations in place, inviting them to tell us where we can improve and remove regulatory burdens. For example our recent proposals on improving regulation came directly from stakeholders (<http://www.sra.org.uk/sra/news/press/regulation-changes.page>). This will continue as we develop 'SRA Innovate', a project to encourage legal

services providers to engage with us about how we can support them to innovate (please see paragraph 39).

- f) Our Question of Trust campaign is a good example of how we are using alternative engagement approaches and engaging with a wide variety of stakeholders from consumers to those we regulate to inform our work on professional standards. The results from the voting on different scenarios will be amalgamated and will inform the professional standards framework we develop (please see paragraph 66 and the following link: <http://www.sra.org.uk/sra/news/press/question-trust-survey-launch-september.page>). This campaign includes 12 consumer events, a clear and straightforward consultation document available in hard and soft copy, a plain English survey with associated activity to promote to the public, and postcards for the public to use to provide us with their views. We have also reached out to hard to reach groups such as the travelling community (with whom we have an event) and the users of women's refuges. Fringe events at both Labour and Conservative party conference focused on this campaign with party delegates, most of whom are local councillors and support consumers.
- g) We have undertaken research into areas where we have previously identified concerns with regards to consumers outcomes. Our research on advice given in asylum cases has resulted in a thematic review in Supervision and working with other regulators to address some of the outcomes of the research. We have gathered intelligence from Government, consumer and provider groups, from published intelligence (such as court judgements and other research), which will feed into the asylum thematic review that will scrutinise whether our arrangements and regulatory action are delivering outcomes for consumers.
- h) Our regular survey of those that have been through the Authorisation process has resulted to an improvement in forms (we informed the LSB of these changes our letter dated 22 September 2015).
- i) At the beginning of September we went live with a new section within the consumer facing Legal Choices web-site (that we run on behalf of all of the legal services approved regulators) to help Small and Medium sized Enterprises (SMEs) better choose and use legal services. This site has been built using focus groups to tailor content to meet SME's needs.
- j) Feedback was taken from various sources during the development of the proposals for changes to the Separate Business Rule, including the Legal Services Consumer Panel, to form guidance for providers and also a tool for consumers. This is now being developed further to support consumers understand what this means for them via consumer focus groups.
- k) Webinars on our proposals for the regulation of consumer credit activities invited feedback from the regulated community and influenced our final agreed approach.
- l) We have pro-actively engaged with government bodies, insurers, representative bodies, consumers of legal services, the NHS Litigation

Authority, service providers e.g. Medco (the medical report portal) to gather intelligence to inform our work on PII to ensure the right consumer protection is in place.

- m) We are also using the Regulators Forum that we are currently chairing to ensure a focus on regulators pooling experience around consumer engagement, particularly client care letters.
 - n) Our programme of local law society road-shows, delivered by Board members and the Senior Management Team, started earlier in the year and have provided an opportunity to engage with the profession on a broad range of issues related to our current programme of work.
 - o) We are using the day to day interactions we have with consumers and other stakeholders to inform our work. For example, as a result of learning from consumer complaints and our correspondence with complainants, we launched our Tone of Voice work (please see paragraph 129 for more information).
47. As is evident from the above, we have increased our consumer facing engagement over the past 12 months. In addition, the launch of our new consumer facing Facebook and Pinterest social media platforms have proved successful as was our stand at the Citizens Advice Annual Conference, which provided a means of reaching out to consumer advocates and was highly interactive and very well attended, with excellent feedback from the conference organisers. Our stakeholder tracking survey referred to above includes interviews with some 440 complainants and enquirers and we are using questions in an omnibus survey to capture the views of 2000 members of the general public.
48. We provide the support for the joint regulators consumer facing Legal Choices website and our investment in social media promotion resulted in visits to the site increasing by 300% in the last quarter from a year earlier to 8,500. Average daily likes of the Legal Choices Facebook page rose to 15, from zero a year earlier, and the total reach of Legal Choices Facebook posts topped 1.4 million, up from figures too low for native Facebook Analytics to report a year earlier. In September, a two-week paid Facebook campaign targeted at small business owners also reached 105,000 users and generated more than 2,500 engagements (like, shares, clicks, etc). Our Facebook piece for 13-17 year olds in England and Wales (please see below), generated 1,788 engagements from 88,048 impressions (2% engagement rate).



49. To serve consumers in Wales better, we have increased accessibility through adding more material in Welsh to our website. And our Tone of Voice project will increase accessibility overall.

OFR Q2: Please provide an update on the SRA's review of its handbook and a description of what it expects to achieve over the next 12 months. (OFR01/08)

SRA's response:

50. The objectives of our review are to deliver a Handbook that is:

- clear about which requirements apply to whom and in what situations
- flexible enough to accommodate changing business models and facilitate innovation and growth
- easily accessible for the range of users

51. The anticipated benefits from the review are:

- greater clarity for solicitors and regulated entities about their obligations
- more freedom for entities and individuals to innovate
- better support from us through toolkits and other resources
- less need for constant updating of the Handbook
- potential for more efficient and robust decision making

52. The review will be taken forward in two phases. Phase one will be implemented in April 2017 at the earliest and will include a review of the Principles, Code of Conduct and Practice Framework Rules. The review of the accounts rules will run alongside the review of the Handbook. Phase two will cover the rest of the Handbook.

53. We will publish a position statement, setting out our plans for the review in November 2015 alongside the update to the May 2014 Policy Statement. Our plan is to aim to issue a formal consultation in the first half of 2016 with significant stakeholder engagement to support this work.

OFR Q2: How does the SRA monitor, or plan to monitor, whether the anticipated outcomes of regulatory reform programme are being met? (OFR01)

SRA's response:

54. Establishing causality between what we are delivering and the wider changes to the legal services market is difficult. We are aware that the LSB is also grappling with this particular issue. Our plan is to continue to monitor developments in the market and to develop our approach accordingly. We do also consider anticipated outcomes as part of the development of each individual part of the reform programme, with details provided in public documents and rule change applications submitted to the LSB.
55. We have tools in place and initiatives under development to help inform us as to whether anticipated outcomes are being achieved. For example, we launched our first stakeholder tracking survey earlier in the year (please see paragraph 46a).
56. One key work stream in the Handbook Review Project is to develop a central consumer and market evidence base, which will include the consolidation of all data and information currently held by the SRA. This will form the basis of the impact assessments for the review and a standing resource for assessing impacts of the reform programme as a whole going forward.
57. Part of long list for research in the next year is to undertake work to develop a baseline and methodology for assessing the impact of regulatory reform. This was presented to the last LSB Research Strategy Group.
58. We are also working with the Department of Business Innovation and Skills to develop the methodology for the government's de-regulatory business impact target. From next year it is likely that the SRA (and other legal regulators) will have to report the business impact of all regulatory changes to the Government.

OFR Q3: As the SRA relies on external consumer needs and demands research (as noted in its response to the data request) how has it satisfied itself that it has the right information it needs to make informed decisions on its work? (OFR05)

SRA's response:

59. The external research we use on consumer demand in the legal market is well regarded, widely cited and provides important context for much of our work. For example, we use world wide and UK legal needs surveys and also research on particular groups, such as the legal needs of small businesses.

60. However, in those circumstances where we have more particular concerns about specific elements of the market, including consumer groups, we undertake further research to fill these information gaps and improve our awareness so that we can make informed decisions. Our recent research into asylum is an example of this, as are our considerations for research in 2016. Undertaking this targeted research, working with external agencies with appropriate specialist knowledge, has several advantages and avoids duplication.
61. We are also collecting consumer information through our Question of Trust Campaign, which will help us to understand what consumers expect. Claims data has also been collected from insurers to support our work on the financial protection regime.
62. Furthermore, our involvement in research groups and our collaborative work helps us to ensure that we are involved in and alert to other consumer related research that takes place.

OFR Q4: What steps have been/are being taken to improve the regulated community's understanding of outcomes focused regulation? What evidence does the SRA hold on the impact of its work? (OFR03)

SRA's response:

63. Our approach is to focus engagement with the regulated community on our regulatory requirements, with the aim to encourage their understanding and enable them to operate and innovate, whilst ensuring appropriate consumer protection is in place. We have taken the decision to stop using the term 'outcomes focused regulation' and are using the terms 'proportionate' and 'targeted' instead. We have moved away from discussing regulatory theory as a result of what our regulated community has told us through previous surveys and our engagement activities. The focus is instead on ensuring they know what we want to achieve through our regulatory arrangements and ensuring they understand our priorities by using language that is easier to understand and engage with.
64. The LSB is aware from our previous submissions of the detail behind our approach to managing risks in the market, both proactive and reactive (please see our 2014 update submission, Risk Assessment section). We continue to publish our Risk Outlook and relevant papers for Firms and other stakeholders to support the proactive management of risk (please see paragraphs 74 to 77). This work also helps us to understand the changes in the market and to develop our approach accordingly.
65. We discuss the arrangements we have in place to monitor the impact of our work in paragraph 46 (engagement activity), paragraphs 54 to 58 (impact of regulatory reform programme) and paragraphs 135 to 138 (Complaints).

OFR Q5: What progress has been made on the SRA's project on professional standards and thresholds for regulatory action, as well as the work on reviewing the SRA's decision-making framework (as noted in data request cover sheet) (OFR01/03 and C&C07)

SRA's response:

66. We have undertaken a targeted survey of 10,000 solicitors as part of our professional standards project. A further survey is open to all on our website. We have held or have planned sessions with different groups to discuss various scenarios and to give them the opportunity to vote on how serious they think it is. For example, at the Citizen's Advice conference in September, over 200 scenario post cards were completed by participants. The formal launch of the Question of Trust campaign was at the end of September (please see paragraph 46f).
67. The outcomes of the professional standards work will influence the development of our decision-making framework. The review of this framework has recently started and aims to improve the quality and consistency of how the SRA's operational teams make decisions by reviewing and updating guidance. We have a phased approach linked to business priorities. The key work streams are:
- Reviewing the overarching guidance which deals with cross-departmental issues.
 - Consideration of decisions which form part of the Supervision/Disciplinary process.
 - Consideration of decisions which form part of the Authorisation process.
 - Review of other decisions we make (for example, Client Protection).

We expect the review work to be completed by June 2016 with implementation and training taking place in parallel throughout the review period, with the aim of publishing the full suite of revised guidance on our website.

Additional information:

Any additional information that you want to provide about the SRA's performance against the outcomes focused regulation standard, including any areas of performance which you consider to represent best practice, should be set out below:

SRA's response:

68. Following the decision by the Supreme Court to dismiss the case against the LSB decision to approve the Quality Assurance Scheme for Advocates related rule changes, we have been working on a timetable for its re-introduction. Our intention is to re-open registration for solicitor advocates by April or May 2016. Before then, there will be a short consultation on the minor changes to the scheme suggested by the Divisional Court. We have also been undertaking some detailed analysis of our IT options for registering solicitor advocates and

processing assessments through the Scheme to ensure we hit the re-launch date.

69. We have responded to the LSB's observations in 2014/15 in our rationale behind our assessment and in response to the specific questions.

REGULATORY STANDARDS: RISK ASSESSMENT

The gradings and observations recorded in 2012/13
SRA's grading: Undertaking improvement and work is well underway
LSB's grading: Undertaking improvement and work is well underway
LSB's comments: <i>"Despite progress which has clearly been made, there are significant improvements to be made before the SRA can consider itself to be "satisfactory" in this area. Specifically, there are significant delays and IT issues that need to be resolved in order to deliver risk management in a systematic manner that works across the SRA" s various teams and processes. The current interim approach appears to work sufficiently but certainly suffers from its reliance on key people and new/temporary systems."</i>
SRA's grading in 2014 Update of 2012 self assessment: Undertaking improvement and work is well underway
LSB's observations 2014/15
Areas of achievement:
<ul style="list-style-type: none"> • Work on risk outlook document. There has been good work on identifying and communicating current and future risks trends. • There has also been significant engagement activity to ensure all SRA Board and staff members understand and can apply the approach to risk.
Areas for improvement:
<ul style="list-style-type: none"> • There has been slippage in the delivery of information technology solutions and there is still a reliance on a number of spreadsheets. This approach has the risk of inconsistency and incoherence in decisions on risk matters.
Priority areas
Priority areas applicable to all regulators:
<ul style="list-style-type: none"> • The building of a usable evidence base to identify the risks faced by consumers that use regulated legal services. • The development of learning programmes and tools to ensure that a consistent evidence based assessment of risk informs all regulatory processes.

SRA's self-assessment:

What is your assessment of the SRA's performance against this standard? Please provide an evidence based rationale for the grading given and links to supporting evidence.

The assessment should also include an update on progress against the areas for improvement and priority areas highlighted above and noted by LSB in its 2014/15 update report.

Grading:

GRADING	PLEASE MARK HERE
<i>Good</i>	
<i>Satisfactory</i>	
<i>Undertaking improvement and work is well underway</i>	
<i>Needs improvement and work has started recently</i>	
<i>Recognises this needs to be done but work has not yet started</i>	

Rationale:

- 70. Our grading remains the same as our 2014 update to the LSB. We have made progress in this area, but our ambitions and standards have increased following our change in Leadership in 2014. We continue to make improvements and work is well underway.
- 71. The LSB has already acknowledged the improvements in Authorisation, particularly with regards to the application process for ABS authorisation and removed the section 55 notice earlier in the year. We continue to keep the LSB updated on actions to improve this process - please see paragraph 46h for more information.
- 72. We have set ourselves a new target for assessing reports coming into the organisation about solicitors - 100% of all events to be assessed in 5 days of receipt. In the last 6 months we have achieved 99%.
- 73. We have already discussed the professional standards work (paragraph 66), which will help inform the development of a model for seriousness thresholds and risk appetite for our risk assessment process. This, along with the review of our decision making framework, will support the greater consistency and quality of decisions made, supported by the development of our Quality Assurance Unit.
- 74. We continue to publish our Risk Outlook with supporting papers. This was recognised by the LSB as best practise following our 2014/15 self assessment update. We published our third annual Risk Outlook on 21 July, which offers an overview of the key risks likely to impact the legal profession and the market conditions behind them. This launch was supported by a webinar in July that gave an outline of the new Risk Outlook
<http://www.sra.org.uk/sra/news/events/webinar-2015-07-23-risk-outlook-2015->

[16.page http://www.sra.org.uk/risk/risk-outlook.page](http://www.sra.org.uk/risk/risk-outlook.page)). This webinar had 58 live joiners and has since been viewed 334 times.

75. To accompany the report in July, we launched an [interactive online tool](#) which provides snapshots of our priority risks, is easily navigable and includes 29 case studies. Since the launch, different pages of the online tool have been tweeted in accordance with the communications plan. As at the start of September, we had 5,156 views of the Risk Outlook and 2,333 views of the online tool.

76. To support the Risk Outlook, we have also published the following documents:

- Walking the line: the balancing of duties in litigation, March 2015 - this report discusses the differing duties in litigation, and examines the ways in which misconduct can arise. By bringing together examples of the challenges solicitors face when balancing these duties, it should provide a useful resource for firms and individual practitioners.
- Cleaning up: Law firms and the risk of money laundering, November 2014 - this report brings together and summarises information from other sources that can be used as a starting point when considering the risk of money laundering.
- In the shadows: Risks associated with bogus firms, November 2014 - this paper highlights the risks posed by individuals that operate through bogus law firms or by illegally presenting themselves as solicitors.

These documents can be viewed at the following link:

<http://www.sra.org.uk/risk/risk-resources.page>

77. The topic papers have proved popular, with 60 per cent of the firms taking part in our cost of regulation survey saying they use them to manage risk in their business. To accompany the update to the online tool, we plan to produce two topic papers in the Autumn following consideration of current SRA priorities: one on innovation and growth and one on regulating small firms.

78. Within the organisation, we have taken the decision to move away from the technical language associated with risk theory to make our approach to risk more accessible and easy to understand for staff. We have also made structural changes to better embed our risk assessment and analysis work within the organisation. The Risk Assessment Team is now part of our Supervision Directorate because of the links through from risk assessment to case management in Supervision. The Risk Analysis and Research Team are now part of the Policy Directorate so our policy development is informed by the outcomes of our research activity and is focused on key risks, market developments and the outcomes for consumers.

79. Our Board has also acknowledged its increasing confidence in how we are systematically addressing regulatory risks, given the maturity of our risk modelling and the embedding of risk into operational areas. This was noted at

the Regulatory Risk Committee meeting on 7 October, at which the Committee reviewed our progress.

80. There has been further slippage in the delivery of IT solutions to support our operational work. More information is provided in paragraphs 131 to 134.

Our question:

Having reviewed the information available to us, we had the following specific question about your approach to risk assessment:

RA Q1: From the SRA's update submission (October 2014), we are aware that risk protocols were being developed to provide a practical evidence base for staff to use in their day to day activities and decision-making? Have these been developed? If so, what effect does the SRA consider they have had? (RIS05)

SRA's response:

81. The Risk Guides (formerly Risk Protocols) were released in December 2014. They are a prominent part of our internal knowledge sharing platform (sra.share) and were one of the flagship products that accompanied the platform's launch. The content was produced from contributions across the organisation and has been designed for practical use across the SRA, to assist consistent, risk-based decision making. The guides cover each of the risks in our Risk Index and the content includes trends, indicators that may show the risk is arising, links to specific rules, regulations and laws, controls that can be employed, associated research and a bank of case studies.
82. The guides are integral to the Firm Based Authorisation tool used to make decisions and they are also used by Supervision during investigations. They are continually updated, and are regularly used in internal training.

Additional information:

Any additional information that you want to provide about the SRA's performance against the risk assessment standard including any areas of performance which you consider to represent best practice, should be set out below:

SRA's response:

83. No additional information, this is covered in the rationale for our decision and in our response to the specific questions.

REGULATORY STANDARDS: SUPERVISION

The gradings and observations recorded in 2012/13
SRA's grading: Undertaking improvement and work is well underway
LSB's grading: Undertaking improvement and work is well underway
LSB's comments: <i>"The SRA submission suggests that it has a realistic view of the challenge of this aspect of regulation. However, the submission did not entirely reflect the challenge and impact of the SRA taking time to reach full headcount during such an important year. For the SRA to be able to consider itself as satisfactory at a future assessment it will have to successfully specify, deliver and embed the "r-view" IT project and show that it has delivered the required improvements in risk assessment as well as organisational efficiency and culture. Careful project management and Board scrutiny, particularly but not exclusively on IT issues, will be needed to ensure this process is a success."</i>
SRA's grading in 2014 Update of 2012 self assessment: needs improvement and work has started recently
LSB's observations 2014/15
<p>Areas for improvement:</p> <ul style="list-style-type: none"> • The SRA's supervision department has a significant workload and this has increased. • The SRA has failed to deliver the integrated customer relationship management and risk systems, which has probably contributed to a lack of consistency in supervision approaches. • The SRA needs to ensure that this increased workload has the appropriate level of management and Board scrutiny.
Priority areas
<p>Priority areas applicable to all regulators:</p> <ul style="list-style-type: none"> • The publication of proactive supervision policies that are informed by evidence and risk. • Monitoring and reporting on the effectiveness, proportionality and value for money of supervision approaches.

SRA's self-assessment:

What is your assessment of the SRA's performance against this standard? Please provide an evidence based rationale for the grading given and links to supporting evidence.

The assessment should also include an update on progress against the areas for improvement and priority areas highlighted above and noted by LSB in its 2014/15 update report.

Grading:

GRADING	PLEASE MARK HERE
<i>Good</i>	
<i>Satisfactory</i>	
<i>Undertaking improvement and work is well underway</i>	
<i>Needs improvement and work has started recently</i>	
<i>Recognises this needs to be done but work has not yet started</i>	

Rationale:

- 84. We have rated ourselves as undertaking improvement and work is well underway. This is an improvement on the rating of 'needs improvement and work has started recently' that we gave ourselves in the 2014 update to our original self assessment (which followed from a review of the organisation by the new Chief Executive in 2014).

- 85. This improvement is a result of the work that has taken place this year following a review of the Supervision Directorate and the re-focusing of the Directorate on case management. This was set out, alongside the improvements in KPIs, in the document we sent to the LSB that accompanied our data submission in June 2015. The Board has been kept informed of progress through its Regulatory Risk Committee and through regular updates via the Chief Executive's report.

- 86. In addition to improvements in timeliness to progress investigations, other achievements include:
 - a) An updated operating manual to support the new structure of the Directorate and change in approach. This will be enhanced by the projects already discussed on professional standards and the review of the decision-making framework.

 - b) Work is underway to assess the technical competencies of the Supervision team, which will help to inform resource planning decisions and performance management activities, as well as identify training requirements across the team.

 - c) We have also now launched the email and call back service for small firms which will be available to all regulated firms but is initially focussed on small

firms. We now have 'virtual' small firms team in place in Supervision to provide advice to small firms on compliance issues.

- d) In July, we submitted our Annual Report to the Financial Conduct Authority for 2014/2015. This sets out how we have met our responsibilities as a Designated Professional Body. The Report highlighted a number of our activities including: a thematic review of the financial services activities of 150 firms; a high profile Anti-Money Laundering thematic exercise involving over 300 firms; a proactive review of all areas of concern highlighted in last year's report and a review of a number of ongoing and recent notifications related to Financial Services complaints.
- e) The thematic review into Anti Money Laundering (AML) has now concluded and a detailed report is being prepared for publication in mid October. We anticipate the report will be hugely informative for the profession and encourage them to continuously review their AML policies and procedures, the role of the Money Laundering Reporting Officers and their training and awareness programmes.
- f) We informed the LSB in our 2014 update submission of our new approach to keeping those that report information to us up to date (please see 2014 submission, Outcomes Focused Regulation, Additional Information section). This approach has been welcomed and we continue to improve the tone of our communications with these stakeholders. For example, we have revised key template letters and staff in Supervision will undertake training to improve the quality of correspondence. This is also in line with our organisation wide tone of voice work - please see paragraph 129.

Our questions:

Having reviewed the information available to us, we had the following specific questions about your approach to supervision:

Sup Q1: It appears from the figures provided in the data request that over 25 percent of the caseload opened in 2014/15 remained so at the end of the year. What is the age and risk breakdown of the SRA's supervision caseload? (SUP05)

SRA's response:

87. Supervision's performance at the end of August against its KPIs was:

- 92% of event files (received 12 months ago) were concluded within 12 months against a target of 90% (cumulative 12 month figure).
- 75% of high risk matters were concluded within 6 months against a target of 60% (cumulative figure).

- 87% of low risk matters were concluded within 9 months against a target of 70% (cumulative figure).

88. As at 24 September 2015, the number of open matters stands at 1601, this compares to 2400 prior to the review of Supervision and is lower than the average for the last 12 months. The age profile shows that 281 cases have been open for over 12 months – reducing this cohort of files is a current priority. Of the 1601, 13% are classed as low risk, 47% medium and 37% high risk (the other 3% are not classified - this is normally where a matter has not been linked to an assessment file and therefore could not be assigned a risk rating).

Sup Q2: What has the SRA learnt from its recent supervisory work which benefits it as an organisation? (How will this learning be addressed? (SUP04/07 and C&C07)

SRA's response:

89. The re-structure of Supervision has taken place and Regulatory Management now forms a separate directorate with the Supervision function concentrating on case work. This was informed by learning and review by the new Senior Management Team in 2014. Communications on the new approach to Regulatory Management went out to the affected Firms in October.
90. We are seeing benefits from the introduction of two more specialised teams within Supervision (investigation and engagement) and the earlier input of legal and enforcement. This is demonstrated in terms of clearer case direction at the outset, quicker commissioning of accounts inspections and a reduction in open files. A regular schedule of case reviews and case direction meetings has been introduced, this includes senior representatives from other functions. Aside from the benefits of closer operational collaboration with Legal and Enforcement and others, we now have a clearer operating manual in supervision, which is helping consistency.
91. Our approach to induction has changed. New starters are now concentrated in single teams and this has allowed us to concentrate on intensive training and support. The early feedback is that this approach has gone well.
92. We have found from our supervisory activity that we have investigated several firms because of their Personal Injury referral activity. However, the wording of the legislation is such that the ban is not being breached and there is no clear consumer detriment that indicates a breach of principles or code of conduct. In response to this information, we are currently planning work to better understand the impact of this activity on consumers. This will include a thematic review, using internal data to get a better picture of whether there are bad practices by firms, identify them if there are and take whatever regulatory action is necessary. We will also undertake research (we are currently finalising the scope of this research) to better understand what is happening in the market and the consumer impact. We will need to review the outcomes of this work and the impacts for our regulatory arrangements. We expect the first part of this work to be concluded this year.

Additional information:

Any additional information that you want to provide about the SRA's performance against the supervision standard, including any areas of performance which you consider to represent best practice, should be set out below:

SRA's response:

93. The areas for improvement highlighted by the LSB have been covered in the rationale behind our assessment and in our responses to the LSB's questions.

REGULATORY STANDARDS: ENFORCEMENT

The gradings and observations recorded in 2012/13
SRA's grading: Undertaking improvement and work is well underway
LSB's grading: Needs improvement and work has started recently
LSB's comments: <i>"The LSB considers that this section was the weakest of the self-assessment. This is because it did not contain the levels of self-reflection and detail present in the other sections. Much of the evidence provided was simply links to documents on the SRA's website. These documents, although relevant, did not provide evidence as to how the SRA is assuring itself that it is delivering the required indicators and delivering an effective enforcement process. A number of statements did not have evidence to support them. It is also not clear how the enforcement work links with the other sections of the SRA and whether those links are effective. It is not clear whether the KPIs that the SRA has set itself are comprehensive enough to drive efficiencies in the overall process and inform the Board about potential problems."</i>
SRA's grading in 2014 Update of 2012 self assessment: Undertaking improvement and work is well underway
LSB's observations 2014/15
<p>Areas of achievement:</p> <ul style="list-style-type: none"> • The SRA is changing its approach to how it communicates with consumers who report misconduct. The previous policy of not keeping those who informed the regulator about potential cases of misconduct up to date with case progress led to dissatisfaction which could have undermined confidence in the SRA. The SRA's new approach is to be more proactive and transparent in its communications on how investigations are progressing. • There has been an investment in improving the skills and resources of the team which has led to more cases being handled in-house. • The SRA is now measuring and publishing data starting from receipt of the information that leads to an investigation to the issuing of proceedings at the SDT. <p>Areas for improvement:</p> <ul style="list-style-type: none"> • We have concerns about the time it takes for potential misconduct to be investigated. • We continue to encourage the SRA and the SDT to work together to better align KPIs.
Priority areas
<p>Priority areas applicable to all regulators:</p> <ul style="list-style-type: none"> • Improving the timeliness and transparency of enforcement processes (this includes end-to-end reporting, procedures in plain language and easily searchable records of determinations). • Ensuring that the process for notifying a regulator of potential misconduct of a regulated person is accessible and user friendly, and works effectively alongside the Legal Ombudsmen complaints scheme.

SRA's self-assessment:

What is your assessment of the SRA's performance against this standard? Please provide an evidence based rationale for the grading given and links to supporting evidence.

The assessment should also include an update on progress against the areas for improvement and priority areas highlighted above and noted by LSB in its 2014/15 update report.

Grading:

GRADING	PLEASE MARK HERE
<i>Good</i>	
<i>Satisfactory</i>	
<i>Undertaking improvement and work is well underway</i>	
<i>Needs improvement and work has started recently</i>	
<i>Recognises this needs to be done but work has not yet started</i>	

Rationale:

- 94. We believe that we have made improvements in this area and this is reflected in our end to end KPIs. However, we recognise there is more to do and we are starting work as part of the drive to improve our operational performance through continuous improvement. This will be led by Executive Director Operations and Quality who took over responsibility for the Enforcement Directorate in August (please see paragraph 12).
- 95. Enforcement is pervasive at the SRA, and the new Executive Director role with responsibility for legal case direction reflects this and will strengthen our overall approach to the management of cases end to end (please see paragraph 13).
- 96. A revised Enforcement Strategy will be published in the Autumn to reflect the revised approach to Supervision and Regulatory Management. A more fundamental review of this Strategy will follow the work on Professional Standards and the review of the Decision Making Framework.

Our questions:

Having reviewed the information available to us, we had the following specific questions about your approach to enforcement:

ENF Q1: What progress has been made by the SRA on reducing the time taken from a case being passed to the Legal and Enforcement Team to the case being issued to the SDT? What is the number of unissued cases held by the Legal and Enforcement Team and what is the age and risk breakdown of this caseload? (ENF03/06)

SRA's response:

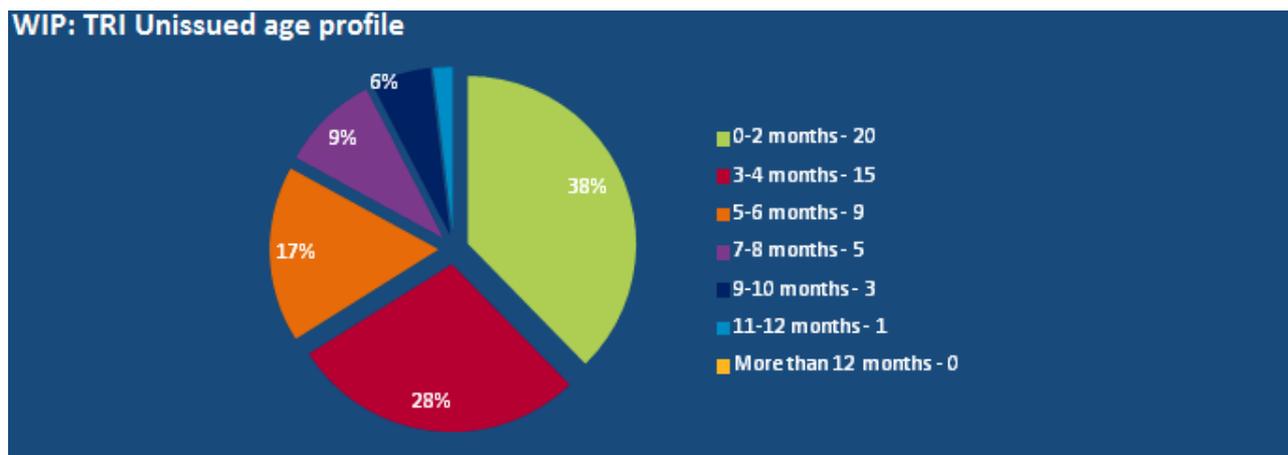
97. A number of different measures have been implemented to ensure timeliness in the prosecution of cases before the SDT. These include improved monitoring and reporting on the progress of individual matters, regular reviews of individual matters through 1-2-1 meetings with line managers and regular case file review meetings with Executive Directors for Operations and Quality and Legal Case Direction and the relevant Case Managers. We are also in the process of reviewing and updating all documented procedures and guidance, with a focus on improving technical skills within the team and on improving the process itself.

98. In November 2014 we began reporting on our end to end performance at our public Board meetings. This includes information on the time taken to conclude all matters received (from Initial Assessment to Closure), measured against a 90% target, and the time taken from Initial Assessment to the issuing of proceedings to the SDT. We appear to be performing well against both targets and expect further improvements in the year ahead as we improve both technical skills within the team and our processes and procedures for managing work.

99. The table below shows a summary of the new performance figures that have been reported to the Board:

	Jan	Feb	Mar	Apr	May	June	July
90% of closures within 12 months of receipt (cumulative total)	89%	90%	90%	91%	91%	91%	92%
Average days from Assessment to SDT proceedings issued	598	594	603	616	593	589	567

At the end of August 2015, there were 53 unissued cases being progressed by the Legal and Enforcement team. The age profile is displayed in the chart below:



ENF Q2: We note that despite a decrease in allegations upheld there has been an increase in the number of cases referred to the SDT. What do the SRA consider are the drivers behind this? What effect does the SRA consider this has, if any, on its performance in supervision and investigation? (ENF03/06)

SRA's response:

100. We do not believe there has been an increase in the number of referrals to the SDT, and this is not reflected in comments made by the SDT. The number of referrals to the SDT has averaged around 12 per month over the last six months. The changes in our approach to Supervision in both direction and leadership over the last 12 months have resulted in more emphasis on drawing a line under unsuccessful attempts to engage with regulated individuals and a move towards more prompt and robust enforcement steps being taken within a shorter space of time.
101. We continue to monitor all judgements of the SDT. As a regulator acting in the public interest, we are often faced with difficult decisions of whether we should take a matter to the SDT. The SDT is, of course, an independent body and as such can disagree with the level of seriousness or risk posed in some cases. However, it should also be noted that even where allegations have not been proven to the requisite standard, the Tribunal have usually agreed that the SRA was right to bring the prosecution and have awarded costs in our favour.
102. Where allegations are not proven before the SDT, we are always mindful of the need to complete and review any lessons learned feedback. We act on these reviews and ensure that lessons learned are applied to the future investigation and prosecution of cases.
103. As outlined above, sometimes we do not agree with the SDT on the seriousness of allegations. We have seen recent examples including stamp duty land tax schemes, convictions for driving with excess alcohol and serious allegations including dishonesty that have not been upheld. However, there are strong

arguments to say that we should not shy away from these difficult cases and prosecute when it is in the public interest to do so.

ENF Q3: What is the outcome of the SRA's review of the enforcement strategy (due to be completed by July 2015)? (ENF01)

SRA's response:

104. We have reviewed our Enforcement Strategy and will publish a revised version in the Autumn. The revised strategy will emphasise the new approaches in our Supervision Directorate, including our approach to Small Firms. It will not include any major changes in Policy.
105. A full review of our Enforcement Strategy will take place after the completion of the following projects given the impact of these on our approach to enforcement:
 - a. the development of a professional standards framework
 - b. the review of our decision-making guidance

ENF Q4: We noted the recent case of John David Arnott (113958) where a regulatory settlement agreement was used. The individual agreed to remove his name from the Roll of Solicitors and that he would not apply to have his name restored to the register at any time. This implied that the case was serious enough to be referred to the SDT. Please describe the approach taken to this case and how it aligns with the SRA's enforcement strategy. (ENF01)

SRA's response:

106. Our Enforcement Strategy is clear that the prosecution of a regulated individual before the SDT is only one of the range of enforcement tools available to us. Outcomes we seek to achieve by enforcement include credible deterrence, encouragement and facilitation of compliance with core principles, control of firms that represent a risk to the public, and removal of those who represent a serious risk to the public. The use of Regulatory Settlement Agreements (RSA's) drafted in accordance with our published policy and in appropriate cases meets all of these outcomes.
107. RSA's have developed alongside our determination to modernise regulatory and disciplinary decisions. They are proportionate and targeted enforcement tools that are robust and enable proportionate outcomes to be reached efficiently and often more quickly than formal proceedings, at a reasonable cost and in the interests of the public. They are published and improve transparency of process and outcome for the public and the regulated person.
108. The Solicitors (Keeping of the Roll) Regulations 1999 provide in effect that we may refuse to remove a name of a solicitor from the Roll who is subject to an outstanding complaint and that we shall not remove a solicitor from the Roll who

is subject of disciplinary proceedings before the SDT. However, in some circumstances, it may be in the interests of the public, save costs and reduce the time often taken for formal proceedings that we consent to an application for removal from the Roll by a regulated person against whom disciplinary proceedings are likely to be taken. This would be in circumstances where the solicitor admits the allegations of misconduct and the supporting facts, acknowledges the seriousness of the misconduct and agrees that the RSA will be published.

109. Notably, RSA's can also be effectively used to achieve outcomes that a prosecution before the SDT cannot. For example, part of the agreement could include an undertaking from the regulated individual that they would take steps to trace and repay former clients, where we have established there have been undisclosed profits made.
110. Only specific role holders across the business are authorised to enter into an RSA on behalf of the SRA. This means that there is careful scrutiny of all agreements prior to settlement. All cases are decided on their own merit and whilst most can be resolved prior to referral to the SDT, there can be occasions where relevant information, mitigation or evidence comes to light after the decision to refer to the tribunal has been made. Our choice of which enforcement tool to use at the appropriate time is therefore a question of how we use our resources efficiently and how we ensure the public is protected. Published RSA's with significant consequence and sanction for the authorised individual is consistent with our Enforcement Strategy.

Additional information:

Any additional information that you want to provide about the SRA's performance against the enforcement standard, including any areas of performance which you consider to represent best practice, should be set out below:

SRA's response:

111. In our data request submission we highlighted that we have explored the issue of better aligning KPIs with the SDT. We raised this at the SDT User Group in May, at which the LSB was in attendance and is aware of the outcome.
112. We have reviewed and implemented revised criteria and decision making powers for the recovery of costs owed to us as a result of regulatory action. This has improved the consistency of our approach and allowed us to be more explicit about how we will recover costs. We have published our criteria so that we are seen to be clear and transparent - www.sra.org.uk/costrecovery.
113. We also have a new approach to operational decision making in cost recovery. Previously, decisions relating to the recovery of money were considered to be the same as, and therefore within, the Law Society Group's Delegated Financial Authorities. However, there are very significant differences between decisions

relating to payments from the Group's budget and decisions relating to the steps that should, or should not, be taken to recover costs owed to us as a result of regulatory action. Our new approach addresses the inefficiencies with the previous process and allows for decision making, where appropriate, at lower levels in the organisation. Decision makers under the new arrangements will be subject to robust controls and appropriate quality assurance arrangements to ensure that they are only being used in appropriate circumstances with regular reports on decisions made to the Senior Management Team and the Finance and Resources Committee.

REGULATORY STANDARDS: CAPACITY AND CAPABILITY

The gradings and observations recorded in 2012/13
SRA's grading: Undertaking improvement and work is well underway
LSB's grading: Needs improvement and work has started
LSB's comments: <i>"The self-assessment provided little information on the operation of the SRA Board and in particular on how it focuses on setting strategic direction and holding the executive to account on the various change programmes and operational performance. The development of more intelligent and detailed management information will assist in this, but the Board will also need to continue to shift its focus from policy consideration to a deeper scrutiny of SRA activity and the outcomes it achieves. At executive level the SRA needs to continue to build capacity and capability quickly to embed the change that it has been driving in recent years. The SRA has invested in greater consumer engagement and this is welcome. More generally the SRA is undertaking significant change and has planned a number of appropriate activities for such a change and with some significant successes. However, some projects and areas have experienced significant budgetary and delivery issues and the controls across the entire Law Society group have been criticised."</i>
SRA's grading in 2014 Update of 2012 self assessment: Undertaking improvement and work is well underway
LSB's observations 2014/15
<p>Areas of achievement:</p> <ul style="list-style-type: none"> • Actions taken by the SRA have been successful at reducing the average decision time taken for firm based authorisations. • A board effectiveness review has been completed which led to a number of governance changes, including the appointment of a senior independent director. In addition, a KPI pack had been developed for the Board with the information it needs to provide effective oversight of the executive. • Investment in staff capacity and capability. <p>Areas for improvement:</p> <ul style="list-style-type: none"> • Organisational changes envisaged by the SRA and the ambitions of their reform programme represent significant challenges, which still requires effort and investment at all level.
Priority areas
<p>Priority areas applicable to all regulators:</p> <ul style="list-style-type: none"> • Ensuring that management and governance processes are capable of scrutinising the performance of the regulator and holding it to account. • Improving the transparency of all of the regulator's activities, specifically decision making and how boards hold executive staff to account (this would include board minutes, papers, annual reports and planning documents). <p>SRA's priorities:</p> <ul style="list-style-type: none"> • Report on the implementation of new IT systems and the extent to which new systems and processes are improving the consistency of risk assessment and supervision. • Maintain work to hold executive to account for regulatory performance. • Increase transparency of the SRA's performance and the accessibility of information on the activity of the SRA Board (including a reduction of board papers being discussed in private).

SRA's self-assessment:

What is your assessment of the SRA's performance against this Standard? Please provide an evidence based rationale for the grading given and links to supporting evidence.

The assessment should also include an update on progress against the areas for improvement and priority areas highlighted above and noted by LSB in its 2014/15 update report.

Grading:

GRADING	PLEASE MARK HERE
<i>Good</i>	
<i>Satisfactory</i>	
<i>Undertaking improvement and work is well underway</i>	
<i>Needs improvement and work has started recently</i>	
<i>Recognises this needs to be done but work has not yet started</i>	

Rationale:

114. We are rating ourselves as 'undertaking improvement and work is well underway'. We have made progress as a result of our organisational change work, but there is still much more that we need to do and we have plans in place to achieve our ambitions in this area. Changing the culture of an organisation takes time and we will continue to build on the progress made to date.
115. Our rationale is supported by the responses to the questions below, particularly the detail provided in response to question 1 with additional information is provided at the end of this section.

Our questions:

Having reviewed the information available to us, we had the following specific questions about your approach to capacity and capability:

C&C Q1: Please provide an update on the progress and any outcomes of the SRA's operational change programme.

SRA's response:

116. The operational change programme is progressing well. We updated our Board in July on key achievements as part of its confidential session. Changing organisational culture requires a holistic approach that touches everything that goes on, both inside and outside the organisation. For the SRA that means:
- our approach to regulation;

- the philosophy and quality of our decision making;
- our operational process and systems;
- our stakeholder relationships, both internal & external;
- our reputation in the communities we are involved with; and
- the motivation and capability of our leaders, managers and staff.

In this section, we focus on the work we are doing internally with leaders, managers and staff to bring about cultural change. We have covered the other areas in the other sections of this self assessment.

117. Our main areas of focus are:

- Leadership – to ensure leaders are role modelling the change required
- Involving and engaging managers and staff around the change
- Building the skills and capabilities to take on the new ways of working
- Ensuring our processes and systems are supporting and reinforcing the changes being made.

Leadership and Engaging Staff

118. The LSB is already aware of the changes to our Senior Management Team, with the portfolios of some of the Executives changing recently to accommodate the need for Richard Collins to concentrate on the review of Corporate Solutions. These changes have been smoothly assimilated by both the SMT and the wider organisation.
119. We held four 'Meet the Board' sessions with staff in September, led by Board members Enid Rowlands, David Willis and Graham Chisnall. These sessions provided the opportunity for the Board to discuss their role and its priorities with staff. The sessions were well attended, by around 170 staff in total, and the feedback was very positive with 97% of staff saying that the sessions had given them a better understanding of the work of our Board. We will look to arrange further sessions next spring.
120. The Leadership Team continues to meet regularly. The purpose of the team is to involve and engage our managers and staff around our change agenda and to ensure clear messages on the organisational direction of travel. Membership of this team has undergone significant change over the past year.
121. The Leadership Team has voiced their approval at being 'invested in' and requested that the same opportunity be afforded to others in the organisation, particularly their direct reports. Given this, we have created six Leadership Learning Groups - each sponsored by one of the Executive Directors and comprising three or four members of the Leadership Team and twelve to fourteen line managers. We also continue to run quarterly sessions with this group that have focussed on building the capability of line managers
122. Future plans on the leadership agenda include:

- a) an inclusive leadership/inclusive working programme for everyone in the organisation supporting the Equality, Diversity and Inclusion agenda.
- b) a leadership and management development programme at three levels - potential managers, existing managers and developing leaders.
- c) a talent management and succession planning programme to identify and nurture future talent and to ensure critical roles have potential successors identified.

Building Skills & Capabilities

123. A Business Improvement and Quality Assurance Unit is being established to grow capability (please see paragraph 16). Our knowledge management repository, sra.share, was successfully launched at the end of 2014. This provides a facility for staff to capture, develop, share and effectively utilise organisational knowledge and information.
124. Our new Values (Independent, Professional, Fair, Progressive and Inclusive), developed by a working group of staff, are now well established in the language of the organisation. These, along with the behavioural competencies, set the standards for 'how' staff are expected to work. Our staff steering group continues to promote and embed our values in all that we do.
125. The Strength Deployment Inventory (SDI) has been introduced and will be rolled-out to all teams over the next six to nine months. The SDI is a self assessment tool that helps people understand what motivates them and what's important to them when relating to others. We have introduced this as part of our Equality, Diversity and Inclusion (ED&I) plan to improve individual and team working relationships for all our managers and staff. A group of staff has been trained as internal facilitators and will be supporting the roll out.

Reinforcing Processes & Systems

126. A revised Performance Management Review (PDR) framework was launched in January 2015, supported by training and engagement with managers in managing performance through leadership and line manager events.
127. Our continuous improvement work continues. Following work that has taken place in Supervision, we will shortly be looking at Intelligence and Investigations and Legal and Enforcement.
128. During 2014, we began to focus on the need to improve awareness and compliance with internal controls across the organisation. A workstream was established to ensure policies are up-to-date and easy to access, and that everyone is both aware of them and clear about their individual responsibilities. Compliance is being monitored via a quarterly Self-Certification survey recently rolled-out to all line managers. Survey results are showing good compliance with policies and we agree actions at SMT each quarter to address any issues

identified. Additionally, all staff are engaging in a Policy Engagement Programme launched in June to ensure familiarity and compliance with the policies.

129. We have completed a review of our Tone of Voice that will address our standard communications to ensure that we have a consistent and appropriate tone of voice across all of our core external operational communications. An external agency has been appointed to support us in this work and we are engaging with staff to develop and deliver our agreed approach.

Monitoring Progress

130. Our Board tasked us with developing a method to assess the progress of our change agenda. To this end we have developed a draft Culture Change Dashboard, which pulls together a range of ways, both qualitative and quantitative, to demonstrate and assess progress. Taken together they show where progress has been made and where there is still room for improvement. The individual elements of the Culture Change Dashboard are:

- Performance KPIs
- Financial information
- The quarterly Control Environment Survey which was rolled out to all line managers
- Staff data (turnover, absence etc)
- Measuring internal engagement through regular staff surveys and 'cultural change continuum' developed from our behavioural competencies. The cultural change continuum displays the views from the Leadership Team, line managers and staff on the progress we are making on culture change. Results showed a compelling view that we are moving in a positive direction.
- Modern Regulators Improvement Tool (MRIT) - this tool allows us to identify our strengths and areas for improvement against the twelve attributes of a modern regulator (we have already shared this tool with the LSB). We are in the process of trialling this with the SMT and Leadership Team to see if it gives us another way to assess progress on our change journey. Results show that the Leadership Team feels the largest gains have been made in the attributes of culture and leadership focus and stakeholder and community engagement. Although progress has been made, we still have more to do on all areas, particularly in the areas of performance reporting, quality assurance, training and procedures and problem solving. Plans exist to work on all of these areas and are covered throughout this submission.

CC Q2: We note that there has been a further delay with the implementation of the SRA's new IT system. How is the SRA managing any risks related to this in terms of its work on risk and supervision (ie an over-reliance on a number of spreadsheets in the intervening period)? (RIS03 and SUP05)

SRA's response:

131. As the LSB is aware, we are currently reviewing the provision of shared services across the Law Society Group and have an agreed plan in place with The Law Society. As part of this, a specific review was commissioned into IT. We will be considering the outcomes of this during October.
132. Whilst we expect the proposed new IT system to improve the efficiency and effectiveness of the operation and provide additional reporting functionality that is more flexible to process changes, we do have processes in place to manage cases, working with the current IT system in place.
133. Supervision is working closely with our Management Information team to produce the reports required to maintain the necessary oversight of cases, as well as team and individual performance. This approach has involved amending some aspects of the way we work with data in Supervision on a day to day basis, and making some amendments to the IT systems themselves.
134. We've also modified the team structure (establishing two distinct teams within the Supervision Directorate – one focusing on matters that require a formal investigation and the other focused on matters that are likely to be resolved through engagement) and our processes to ensure that risks are channelled to the correct team. We've also developed additional functionality in the current system to support the management of risk, including additional profiling information that is available to Supervisors and our initial Assessment team. This way of working provides sufficient functionality to allow the team to effectively manage risk.

C&C Q3: We note that the SRA received over 1000 complaints about itself in 2014/15. What was the breakdown of these complaints in terms of subject matter (ie. did many of them relate to the collection of the PCF)? How is the SRA using information gained from complaints about itself to inform its approach to regulation and to operational improvement?

SRA's response:

135. Most complaints (47%) relate to supervision, and the majority of those complaints relate to concerns from consumers that we are not investigating their complaint about a solicitor. 12% of complaints relate to Client Protection (who deal with

compensation fund claims; statutory trust matters; intervention archives and interventions). The majority of complaints received about this unit concern a consumer's disappointment with the outcome of a compensation fund claim (67%) or concerns about the whereabouts of documents following intervention (20%).

136. The third largest area of complaint is authorisation that represents 10% of all complaints received. In 2014 we had 39 complaints raised in relation to PC renewal with only one matter escalated to stage 2 of our complaints procedure with the rest being dealt with and corrected quickly. The complaints involved either difficulties navigating the system, some concerns about the tone of our correspondence or one off complaints and frustration such as incorrect advice being given.
137. Having reviewed complaint types in more detail, we found that many complaints related to the tone of our communications, disappointment with a decision; and general customer service such as a failure to manage expectations or respond as quickly as customers would like. Complaints information is analysed on an ongoing basis for trends, and learning points/actions are identified and form the basis of some incremental operational improvements and staff communications. Our tone of voice work (paragraph 129) and our revised approach to dealing with complaints about solicitors have also resulted and been informed by our learning from complaints.
138. We received the 2014 Annual Report of the Independent Complaints Resolution Service (ICRS) in April. The main findings in the report were that the number of complaints dealt with by ICRS had reduced in 2014 from 2013 which indicated that the SRA had been more successful in resolving complaints internally. The report also congratulated us on improvements in the way we communicate with complainants, in particular providing feedback on how a complaint was being addressed. The report can be found at the following link (11 March 2015 Public Board papers): <http://www.sra.org.uk/sra/how-we-work/board/public-meetings/archive/meeting-archive.page>.

C&C Q4: What was the outcome of the review of Board Committees, their terms of reference and the role of external committee members? (C&C05)

SRA's response:

139. We have appointed external consultants to undertake a second phase corporate governance review, which will focus on what committees we need and for what purpose, the role of external members of committees and the confidential/public split of business. The Board will consider the findings of the review at its meeting in January 2016.

C&C Q5: Has the SRA considered how it will assess impact on market segments and on economic growth in the legal and wider community when reviewing or developing its regulatory arrangements, policies and processes? If so, what was the outcome of this consideration? (OFR09/10 and C&C08)

SRA's response:

140. Our assessment is set out in our [Policy Statement](#) (published in May 2014) and this led to us to embark on our Regulatory Reform Programme to promote growth and innovation within the market and to remove unnecessary regulation.
141. It is difficult to establish causality between our regulatory arrangements and how the market is changing / growing. Please see paragraphs 54 to 58 and paragraph 65) for more information and some of the tools we have in place that help give an understanding of our impact.

Additional information:

Any additional information that you want to provide about the SRA's performance against the capacity and capability standard, including any areas of performance which you consider to represent best practice, should be set out below:

SRA's response:

142. We are currently mapping all our change projects and business as usual activity to create an overarching plan, which will allow us to fully assess the level of change the organisation is going through. As part of the mapping we are analysing the impact of the whole programme on different teams as well as risk to delivery of our business as usual activities and high peaks of activity. This information currently exists in various formats and in different places and the intention is to bring it all together to assist with strategic decision making.
143. We intend to develop this approach further with more detailed plans, specifying timeliness and milestones, identifying resource needs and mitigating risks to the delivery of the whole change programme. This is a live document which will be updated regularly and managed through our Change Authority with regular reports to the SMT.
144. A big part of this project is staff engagement, which we started earlier this year with a workshop involving all managers. We are going to take this engagement further workshops with managers followed by sessions with all staff. The intention is for this overarching plan to be easily accessible and well understood by the whole organisation and published at the high level on our knowledge platform sra.share.
145. Our costs have continued to decrease, as noted by the LSB in its letter of 12 August 2015 regarding Practising Certificate Fees. As part of our commitment to improved efficiency and value for money, we have agreed with our Board to continue this downwards trend over the next few years. We are developing a

three year financial plan to support our business plans and our aims for an overall downward trajectory in expenditure and headcount.

146. As referred to in paragraph 131, we have an agreed plan in place with The Law Society to review the provision of shared services across the Group. The outcomes of the review will be reported towards the end of October, with the aims being to ensure that services meet the business requirements of both bodies, ensure value for money and ensure that the Chief Executives of both bodies are able to exercise responsibility for the delivery of services.
147. We have previously informed the LSB of the roll-out of the Operational Performance Management workstream to support capacity and capability planning (please see 2014 update self assessment - Capability and Capacity, additional activities relevant to the self assessment, 'improving operational capability and capacity'). This has now been rolled out to all operational areas and will become business as usual from October 2015. Individual Directors will become responsible for this work, supported by the Business Change Team and the new Business Improvement and Quality Insurance Team.
148. We refer to our E, D & I Strategy in paragraph 40. To support the implementation of that Strategy within the organisation, we have a programme of events planned, which have been well attended, such as our recent Eid celebrations and several staff raising money for our corporate charity, Birmingham and Solihull Women's Aid, by holding a one day fast alongside colleagues during Ramadan. Five staff networks are also now in place: Christian, Disability, Black, Asian and Minority Ethnic, Women and Lesbian, Gay, Bisexual and Transgender (LGBT). We have also used themed weeks, for example, International Women's Week, to bring in external speakers to share thinking with staff about diversity in the sector. Our approach to Corporate Social Responsibility has also been reviewed to ensure that we are supporting a range of community interests.

SELF-ASSESSMENT CERTIFICATION

In order to assure the LSB of the accuracy of the self-assessment we require the following to certify the contents of the template and any accompanying documents:

- A member of the regulatory board, preferably lay, who has been involved in the completion of the assessment;
- The Chair or equivalent of the regulatory board on behalf of the entire regulatory board;
- The independent scrutiniser (where used) or alternatively the member of the regulatory board, preferably lay, who has been involved in the completion of the assessment must confirm the reasons for not seeking independent scrutiny.

Regulatory Board Member: On behalf of the SRA's Board, I, member of said Board, certify that I have taken reasonable steps to satisfy myself that the information contained within this self-assessment and accompanying documents are accurate, that the procedures followed to make the assessment provided a reasonable basis to reach a judgement and each ranking represents a fair and reasonable assessment.

Signature of the member of the SRA Board	Full name and date
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Regulatory Board: On behalf of the SRA's Board, I certify that the Board has reviewed this completed self-assessment and has come to a reasonable opinion, after having made due and careful enquiry, that the information and judgements contained within this assessment are made on a reasonable basis.

Signature of the chairperson/equivalent of the SRA Board	Full name and date
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INDEPENDENT SCRUTINY

The LSB requires that each regulator subjects their self-assessment to independent scrutiny or explains why they chose not to do so. Independent scrutiny can be provided by an appropriate professional, expert or consultant and can include individuals sitting on other legal services regulatory boards. They cannot be current or previous members of the SRA.

If the self-assessment was not independently reviewed:

On behalf of the SRA's Board, I member of said Board declare that the Board decided against seeking independent scrutiny of the completed self-assessment for the following reasons:

Insert reasons for the SRA not seeking independent scrutiny of the self-assessment

The reasons for not seeking independent scrutiny are set out in a letter sent to Richard Moriarty on 23 September 2015. A copy is attached with our submission.

Signature of the chairperson/equivalent of the SRA Board	Full name and date
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If the self-assessment was independently reviewed:

I confirm that I as an independent scrutiniser of this self-assessment, have taken reasonable steps to satisfy myself that the SRA Board and its executive have followed appropriate procedures which provide a reasonable basis for them to make the judgements contained within this self-assessment and in any other documents submitted alongside this self-assessment:

Signature of the independent scrutiniser	Full name and date
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Job title/profession	Business name and address
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The Legal Services Board's Regulatory Standards¹

Positive code	Factors that indicate that the Approved Regulator(AR) /Licensing Authority (LA) is towards top of the scale:	Negative code	Factors that indicate that the AR/LA is towards bottom of the scale:
Outcomes focused regulation			
<i>To what extent does the AR/LA have regulatory arrangements based on the outcomes that consumers need?</i>			
OFR1	Regulatory arrangements deliver the outcomes that consumers need;	OFR-1	Predominately rule based regulation.
OFR2	There is clear evidence and analysis to justify any detailed rules;	OFR-2	High levels of prescription with no clear evidence base.
OFR3	Those regulated understand and accept approach to regulation;	OFR-3	Some resistance to moving to consumer-based outcomes by Board and/or those regulated.
OFR4	All members of staff and Board understand the organisation's approach to focusing regulation on the consumer and public interest	OFR-4	Little or no up to date evidence about consumers.
OFR5	High quality, up to date, reliable evidence from a range of sources about how all groups of consumers need and use the legal services the AR/LA regulates	OFR-5	Decisions often based on lawyers' needs/views.
OFR6	Evidence about whether outcomes are being achieved		
OFR7	Consumers have confidence in regulation.		
OFR8	Regularly reviews and updates its regulatory arrangements based on that evidence.		
OFR9	Regulation only imposed where evidence and analysis suggests that alternative approaches would not deliver		

¹ This list incorporates new factors to reflect the LSB's quality indicators, the updated regulators' code and the deregulation bill's growth duty.

	required outcome.		
OFR10	Regulators use evidence and analysis to consider impact on market segments.		
OFR11	Regulatory arrangements, policies and processes are designed, and regularly reviewed, to ensure that they support or enable economic growth in the legal services sector and wider economy.		
OFR12	The provision and transparency of performance information to allow a greater understanding of where issues in relation to quality exist.		
OFR13	Regulatory interventions which drive an improvement in quality standards without hindering innovation.		

Risk assessment

To what extent does the AR/LA have a formal risk assessment processes at key stages of its regulatory decision making processes?

RIS1	Formal, structured, transparent and evidence-based approach to identification and mitigation of risks across the whole range of entities and individuals that the AR/LA regulates.	RIS-1	Some understanding of the main areas of risk but little evidence on which to base its approach.
RIS2	Risk analysis focuses predominantly on consumer detriment, including those in vulnerable circumstances.	RIS-2	Relatively static approach, often or predominantly retrospective.
RIS3	Evidence that approach to risk works in practice.	RIS-3	No clear link between view of risk and other activities.
RIS4	Approach to evidence gathering for risk assessment enables the identification of future trends as well as current issues.		
RIS5	Relevant staff and Board understand the reasons for risk assessment, how it informs other aspects of the AR/LAs activities.		

RIS6	Staff share best practice and lessons learned in a structured and effective way.		
RIS7	Evidenced based assessment of risk informs all regulatory processes.		
RIS8	Development of improved assessment and segmentation of risks to quality in legal services through greater evidence based analysis.		
Supervision			
<i>To what extent does the AR/LA have supervisory processes that are consistent with the principles of better regulation?</i>			
SUP1	Supervisory activity is underpinned by an evidence-based understanding of different market segments and providers that the AR/LA regulates.	SUP-1	Supervisory activity is predominately reactive.
SUP2	Supervisory activity is determined by reference to identified risks.	SUP-2	Little co-ordination of experience and best practice development.
SUP3	Supervisory activity is informed by all relevant data available to the regulator including data from the legal ombudsman, other regulators and other relevant sources.	SUP-3	Few incentives to improve effectiveness or value for money.
SUP4	Supervisory activity facilitates innovation, change and commercial freedom.		
SUP5	Supervisory activity is adequately resourced (including the use of fit for purpose technology) to provide good quality, consistent decisions without backlogs.		
SUP6	Clear and structured feedback loops between supervisory activity, risk assessment, staff learning and best practice.		
SUP7	Regular senior management and Board monitoring of effectiveness and value for money of supervisory activity leads to improved processes.		

SUP8	Regulators consider cost, operational impact and alternatives before seeking additional information from authorised persons.		
Enforcement			
<i>To what extent does the AR/LA have enforcement processes that are consistent with the principles of better regulation?</i>			
ENF1	Published policies and guidelines are written in plain language that enables others to understand the criteria for deciding to take action.	ENF-1	Little or no evidence of structured approach to enforcement activity.
ENF2	Appeal processes follow best practice.	ENF-2	Lack of appropriate levels of expertise amongst staff.
ENF3	A wide range of effective, proportionate enforcement tools that can be deployed quickly by staff who have appropriate levels of experience and are well trained.	ENF-3	Narrow range of enforcement powers.
ENF4	Enforcement powers provide appropriate incentives for compliance.	ENF-4	Powers tend to be inflexible.
ENF5	Enforcement penalties punish as well as deter.	ENF-5	Appeal processes that are time consuming and expensive with little control over costs.
ENF6	Regular senior management and Board monitoring of effectiveness and value for money of enforcement activity feeds back to improved processes and reduced costs.		
ENF7	Decisions to take (and not to take) enforcement action are evidence based and use reliable sources.		
Capacity and capability			
<i>To what extent does the AR/LA have the necessary Board and staff capacity and capability to deliver the regulatory objectives?</i>			

C&C1	Clear and consistent leadership at Board and senior management level that ensures that the whole organisation has strong consumer engagement and consumer focus.	C&C-1	Consumer interest not yet embedded at all levels across Board or staff, or in regulatory arrangements;
C&C2	Consumers are confident that regulation is independent;	C&C-2	Budget/staffing levels/structure that inhibit regulatory capacity;
C&C3	Appropriate levels of budget and staffing linked to the nature of the market(s), entities and individuals regulated;	C&C-3	Board members heavily involved in many aspects of day to day work;
C&C4	Required skill sets are defined and linked to the key challenges facing the organisation, to the regulatory objectives and to the AR/LA's regulatory outcomes – which are achieved in practice.	C&C-4	Little focus on LSA requirements;
C&C5	Organisation's structure enables effective decision making by appropriate delegation of powers to staff;	C&C-5	Little management information about those regulated;
C&C6	Evidence-based understanding of the market(s) it regulates and the commercial realities of operating in it.	C&C-6	Little or no analysis or understanding of the market(s) they operate in.
C&C7	High levels of knowledge management and analytical skill at all levels in the organisation drives culture of transparency, continuous improvement and embeds best regulatory practice from legal regulation and other industries.		
C&C8	Board and staff are aware of, act on and embed the requirements of the Act, the regulators code, the growth duty and other regulatory developments appearing to it to represent best regulatory practice.		
C&C9	Regulators have service standards for dealing with consumers and those they regulate. They publish up-to-date performance figures against those standards. These standards and performance figures are easily accessible.		

From the Chief Executive

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23 September 2015

Dear Richard,

Regulatory Standards Self Assessment - Independent Scrutiny

In advance of the submission of our self assessment against the Regulatory Standards in October, I wanted to update you regarding our position on independent scrutiny. The Board considered this at its recent meeting and decided that we would not be obtaining an external assessor to validate our self assessment.

The rationale behind our decision is as follows:

- We are already committed to a robust self assessment process and our assessment will be rigorous. You have seen some of the work that we are undertaking using the Modern Regulators Improvement Tool, Strength Deployment Inventory, reform of our regulatory model and redesign of our operational approach. The latter two flow from our assessment of current performance: if we were satisfied we would not be undertaking such major change.
- The self assessment will be tested by the Executive Team ahead of further testing by the Senior Independent Director and the Chair (both lay) and formal agreement by the Board. Prior to this final stage, Board members will be given the opportunity to individually ask us questions about the submission and review evidence.
- The Board has an ongoing role in testing our performance. It is concerned with our capability and capacity to deliver change alongside the key performance indicators that we have set and is challenging the Executive in a way that was unthinkable just two years ago.
- We have reviewed the process we went through in 2012 when we did have our submission independently scrutinised. We do have some concerns of the value that bringing in an external individual with limited insight into the organisation, for a short one off exercise, will add to our self assessment given that it will have SRA Board

and LSB scrutiny. Despite independent scrutiny in 2012, we still rated ourselves quite high and the LSB subsequently made the decision to downgrade our rating based on its own assessment. Our own self assessment since then has been more robust still. A useful validation would cost substantial amounts that we do not think can be justified as proportionate and targeted.

- We have other projects in hand that will provide external validation of our assessment including the stakeholder tracking survey that we launched earlier in the year.

You will see in our self assessment that we have set ourselves ambitious standards of performance and are realistic about how close we are to them at this stage in reform cycle. If after considering our self assessment, you want to raise any particular concerns where you think that we have not properly self assessed and think that a short external validation exercise would have identified this then I will happily discuss how we can learn from that assessment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Philip', enclosed in a thin red rectangular border.

Paul Philip

**Chief Executive
Solicitors Regulation Authority**