

SRA BOARD  
6 March 2019



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### **Chief Executive's Report**

#### **Purpose**

- 1 This report sets out progress against our strategic objectives and provides an update on operational performance.
  - Section 1: reports on our priorities and progress against the 2018/19 Business Plan.
  - Section 2: provides an update on operational performance.
  - Section 3: provides details on publication and engagement activity.

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

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## **Chief Executive's Report**

### **Section 1: Priorities for 2018/19**

- 2 This section provides an update to the Board on our key priorities, starting with an overview of any key developments, followed by an update against our 2018/19 Business Plan.

#### ***Contact Centre – Institute of Customer Service (ICS)***

- 3 In January, the Contact Centre was awarded the Service Mark accreditation from the Institute of Customer Service following the completion of an external assessment in December. This is a national standard which recognises an organisation's commitment to, and achievement in customer service. The process includes an external customer satisfaction survey, an assessment of employee engagement with their customer service strategy and a visit by an external assessor.
- 4 The team received an extremely positive report from the assessor who commented that "throughout my visit with the SRA I saw the dedication and passion for great customer service from all members of the Contact Centre. I was also particularly impressed by the level of honesty and openness with which the leadership team started the journey. The commitment to achieving a real culture shift, one that created true engagement from their people, is noteworthy. This was reflected in the action plans – not just the fact that they are 'live' and regularly updated, but also how on the mark they are".

#### ***Solicitors Indemnity Fund Limited (SIFL) – Appointment of a new SRA member***

- 5 The Solicitors Indemnity Fund (SIF) (the legacy of the system under which, until 2000, Professional Indemnity Insurance for law firms was provided by the Law Society) is now being run off, and the balance of contributions collected prior to 2000 together with investment income is being used to fund the handling, defence and settlement of claims which fall to be dealt with by SIF. SIF Limited (SIFL) is a company limited by guarantee which was set up by the Law Society in 1987 for the purpose of managing and administering the SIF. The Law Society Council has the power to appoint new directors and has delegated that power to the SRA Board on the basis that SIFL is fulfilling mainly regulatory functions. The members of the company are the Law Society and the solicitor directors on the Board of the company.
- 6 In January 2014, the SRA Board approved an amended structure of the SIFL Board so that it consisted of four directors: an independent Chair; one nominee from the Law Society and one from the SRA. Richard Collins has been the SRA's member since 2014. Richard has now left the organisation and we need to appoint a replacement SRA member to the SIFL Board. We would like to ask the Board to delegate this decision to the Chair with a view to it being reported back at the next Board meeting.

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**Recommendation: the Board is asked to delegate to the Chair the appointment of the SRA’s member of the Board of the Solicitors Indemnity Fund Limited.**

**Progress against our 2017/18 Business Plan**

- 7 We are making good progress to achieve the objectives set in our 2018/19 Business Plan. Below I highlight key areas of development to note against each Business Plan objective.

<p><b>Objective 1: We will set and apply consistently high professional standards for the individuals and firms we regulate and make sure they are appropriate to meet the challenges of today and the future</b></p>	<p><b>On track</b></p>
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- 8 We are on track to deliver this objective.

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

- 9 Preparation for the SQE 1 pilot continues. The SQE 1 pilot is due to run from 20 – 22 March and the key findings from the pilot will be reported to us in the summer. The design of SQE 2 has also started.
- 10 We have appointed Geoff Coombe to be the SQE independent reviewer. Geoff Coombe was Executive Director of AQA until April 2018, one of the national examination boards. The role of the independent reviewer is to report on the development and delivery of the SQE. Pre-implementation, he will report to us on the pilots and whether the final design of the SQE is valid, reliable, fair, manageable and cost-effective. Post-implementation he will provide high-level oversight of Kaplan's SQE delivery and of our standard setting processes.
- 11 We continue to meet a wide range of organisations and individuals about the SQE, including local and City of London firms and the Government Legal Service. We are developing a joint Stakeholder Engagement plan with Kaplan and as part of that we will be meeting with our SQE Reference Group in March to review the SQE Assessment Specification.

***Annual Authorisation and Monitoring Report***

- 12 In January we published our [Annual Authorisation and Monitoring Report](#) for the education courses we regulate, for the academic year 2016-17. Key findings are that, overall, rates of successful completion for the Legal Practice Course (LPC) and Common Professional Examination/Graduate Diploma in Law (CPE) remain reasonably constant. This means that the historical differences in the successful completion rates between providers persist. In 2016-17, LPC pass rates varied from 37% to 100%, and on the CPE from 38% to 92%. In addition, there are significant differences between providers in the proportion of students who achieve pass, commendation or distinction grades. Data indicates that students from ethnic groups other than white students are less likely to successfully

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complete the CPE and the LPC. Male and female students appear to perform equally well on both.

<p><b>Objective 2: We will make sure our regulatory requirements are proportionate, providing solicitors and firms with the flexibility to innovate and better meet the needs of members of the public and businesses, while maintaining appropriate levels of public protection</b></p>	<p>On track</p>
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13 We are on track to deliver this objective.

**Standards and Regulations**

14 On 7 February, we published our updated [Enforcement Strategy](#), our [Enforcement in Practice](#) (a series of guides on topical issues), [our response to the reporting concerns consultation](#), and a pdf of [our new Standards and Regulations](#).

**Regulators Pioneer Fund**

15 In October 2018, we were awarded £700,000 from the Government’s RPF, which is intended to support UK regulators to address the challenges that new technology brings to regulation. Our award is to run a project in partnership with Nesta, a charitable foundation dedicated to promoting innovation. Nesta will design and run an open competition to advance the development of technological solutions to access to justice problems. The project will run until March 2020 and we are aiming to go live with the competition in the Spring.

16 We are making good progress with the project and are nearing the end of the research and design phase, which aims to map AI and other data-driven technologies in legal services to identify areas that hold promise to widen access to justice, identify barriers and design the criteria for the competition. This has involved engaging with a wide range of stakeholders including: tech firms, tech experts, law firms, The Law Society, charities, law centres and academics.

17 Our aim with the project is to accelerate advances in specific access to justice situations that demonstrate the potential for progress, build a community with a shared interest in tackling this challenge and use what is learnt to adapt our regulatory approach as necessary to make it easier for solicitors and law firms to adopt AI and other advanced data-driven technologies safely.

**LawTech Delivery Panel’s Regulatory Taskforce**

18 The LawTech Delivery Panel’s Regulatory Taskforce, which we are a member of, has produced a draft report setting out views of the opportunities and barriers in relation to the regulation of LawTech. The Taskforce is designed to advise the main LawTech Delivery Panel on regulatory issues. This LawTech Delivery Panel was launched by the Lord Chancellor in 2018 to support the Government’s

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Industrial Challenge. The Panel is co-sponsored by the Law Society and the Ministry of Justice, with Lord Keen sitting on the Panel. The aim of the Panel is to provide direction to the legal sector and help foster an environment in which new technology can thrive.

<p><b>Objective 3: We will increase the availability of relevant and timely information to help people make informed choices in the legal services market</b></p>	<p><b>On track</b></p>
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19 We are on track to deliver this objective.

***Better Information: Reasonable Adjustments Research***

20 As part of the response to the Better Information reforms, consumer groups such as Citizens Advice and Age UK suggested some specific actions we could take on how firms need to provide information in a clear and accessible way to those who are disadvantaged in communication, for example due to a disability. In January 2019 we appointed YouGov to carry out some independent research on reasonable adjustments for consumers with disabilities in the legal service market.

21 The research will use an online survey of 1,500 people with a disability and 1,000 people with a disability will take part in an online consumer trial that will test their reactions to various ways of presenting information in relation to complaining about legal services and their responses to and understanding of the SRA's Digital Badge. We expect the outcomes of the research to be reported in the summer.

***Legal Choices***

22 We have now launched a refreshed and mobile friendly look for the Legal Choices website, the website aimed at consumers and that we host on behalf of legal regulators in England and Wales - <https://www.legalchoices.org.uk/>.

<p><b>Objective 4: We will make sure that our regulatory arrangements work as effectively as possible for the public, businesses, solicitors and firms in the context of constitutional developments within the UK and any new relationship with the EU</b></p>	<p><b>On track</b></p>
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23 We are on track to deliver this objective.

***Anti-Money Laundering (AML)***

24 We have some concerns over the implementation of the 2017 Money Laundering regulations in the profession and this has been confirmed by the outcome of our recent thematic work and visits to firms. As a result, we will be issuing further

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guidance to the profession on what is needed to comply and we will be doing more work to monitor compliance, including asking for a larger sample of AML risk assessments from firms. This will inevitably mean that we will have to devote more resources over the coming year and next year to work on our AML activity and we are currently considering how we do this.

***Financial Conduct Authority’s (FCA) Senior Manager and Certification regime***

- 25 The FCA has been working on implementing its Senior Management and Certification Regime which will apply to firms in the financial sector that they regulate. The requirements mean that a Senior Manager must have 'Overall Responsibility' for each of the firm's activities, business areas and management functions. The Senior Managers will be directly regulated by the FCA as individuals. They have to be approved as suitable for the role and certified annually. They will also be bound by the FCA’s Code of Conduct, including reporting obligations.
- 26 In December 2016, the FCA issued a discussion paper setting out their view that the Head of the Legal Function, normally General Counsel, would be included. We engaged with the FCA highlighting concerns that we had with the proposals. These included: the potential for this to constrain General Counsel from giving confidential legal advice to the business, the potential for this to lead to conflict and duplication with our own regulation of solicitors and potential difficulties in General Counsel from defending themselves during FCA scrutiny without breaching privilege.
- 27 The FCA has now [published a consultation paper](#) in which it proposes to exclude the Head of Legal from the requirement to be approved as a Senior Manager. We plan to respond to the FCA's latest consultation welcoming its revised approach.

<p><b>Objective 5: We will work better together, and with others, to improve our overall effectiveness, our responsiveness and the delivery of our regulatory functions.</b></p>	<p><b>On track</b></p>
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***Modernising IT Programme (MIT)***

- 28 The programme is continuing to make progress. The development of software has taken longer than expected which has led to delays which we are addressing. Our priority is getting it right for all those who use our systems externally and we plan to take the time we need to ensure we deliver what people want.

***Stonewall Workplace Equality Index***

- 29 We submitted our third application to the Stonewall Workplace Equality Index (WEI) last year. This is a benchmarking tool used by employers to assess their achievements and progress on Lesbian Gay Bisexual and Trans (LGBT) equality

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in the workplace. Stonewall has confirmed our position in the 2019 WEI as 123 out of 445 organisations, an improvement of 48 places. Our aim is to achieve a Stonewall Top 100 place in the near future.

***2018 Gender Pay Gap information***

- 30 The second gender pay gap report for the Law Society Group has been published on our website (<http://www.sra.org.uk/sra/equality-diversity/diversity-sra.page>). All organisations with 250 staff or more are required to publish this information. The median gender pay gap across the Group is 9%, which compares favourably to the national figure of 17.9%. The Group has also published revised figures in the report we published last year as they did not factor in salary sacrifice deductions. This has adversely impacted the gender pay gap figures, because more female than male employees take up salary sacrifice arrangements.

**Section 2: Operational Performance**

***KPIs***

- 31 Below are the KPI results for January 2019:
- 85% of conduct matters closed within 12 months of receipt against a target of 93%.
  - 72% of Compensation Fund claims were closed within 12 months against a target of 90%.
  - 93% of medium / high risk applications closed within 3 months in Firm Based Authorisation against a target of 90%.

**Section 3: External Developments, Publications and Engagement Activity**

***Legal Services Board (LSB) updates***

- 32 At the end of January, the LSB publicly accepted The Law Society's (TLS's) report in response to the undertakings given by TLS following the LSB's Investigation into the Law Society's oversight and monitoring arrangements for us. The LSB agreed that the undertakings had been fulfilled and has formally closed the investigation. As part of the announcement, the LSB also published TLS's undertakings report and our submission in response to TLS's report ([https://www.legalservicesboard.org.uk/news\\_publications/LSB\\_news/PDF/2019/LSB\\_press\\_release\\_The\\_Law\\_Society\\_investigation\\_undertakings\\_310119.html](https://www.legalservicesboard.org.uk/news_publications/LSB_news/PDF/2019/LSB_press_release_The_Law_Society_investigation_undertakings_310119.html)).
- 33 In my last report, I informed the Board of the LSB's response to our submission about how we are meeting its diversity outcomes. On 22 January, the LSB [published a summary report](#) of its assessment of all regulators' progress on diversity with a short overview for each regulator. The report comments that the SRA has made the most progress against the diversity outcomes and encourages us to share our work with other regulators.

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- 34 On 6 February, the LSB announced that its Chief Executive, Neil Buckley would be stepping down later this year once a successor has been appointed.

***Stakeholder Engagement***

- 35 Our ongoing engagement programme with stakeholders continues. Our ongoing engagement programme with stakeholders continues. We provided oral evidence to the Commission for Justice in Wales. The Commission asked questions about a range of access to justice issues in Wales and the provision of the SQE in Welsh (we are looking at the feasibility and cost of doing this).
- 36 Following the written evidence to the House of Commons Women and Equalities Committee Inquiry we provided on the use of non-disclosure agreements in discrimination cases, I have now been invited to provide oral evidence to the Committee. The session will take place on 3 April. As part of our business as usual work, we are continuing to investigate allegations involving allegations of sexual misconduct and have referred four cases to the Solicitors Disciplinary Tribunal. We have also recently completed a survey of the larger firms we regulate seeking information on their policies and procedures concerning the risk of sexual harassment. The findings will provide a basis for an ongoing dialogue with individual firms and will inform our ongoing work in this area.
- 37 I recently met with Gloria De Piero, Labour Shadow Justice Minister, to discuss diversity the profession. We have welcomed The Law Society's women in law initiative, which we are supporting by promoting events and their toolkits.

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**Date** 25 February 2019