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This paper will be published

Chief Executive's Report

Purpose

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

Recommendations

- 2 The Board is asked:
 - a) to consider the Chief Executive's report
 - b) to make the SRA Authorisation of Individuals (Higher Rights of Audience) (Amendment No 2) Regulations [2020] attached at annex 1, with the revised commencement date
 - c) to agree the minor amendments to the SRA determination on Compensation Fund contributions 2020, attached at annex 2.

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

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Chief Executive's Report

Update against priorities / key developments

Solicitors Qualifying Examination (SQE)

- 3 We submitted our application to the Legal Services Board (LSB) for final approval of the SQE on 31 July 2020. The LSB indicated it would take 90 days to process the application. Since then we have been responding to clarification questions from the LSB. We anticipate that it will be in a position to reach its decision within the 90-day period.

Quality of criminal and civil advocacy

- 4 In July, the Board agreed to deliver a programme of work to address ongoing concerns about the quality of criminal and civil advocacy provided by solicitors. This included introducing a rule that only admitted solicitors could take the criminal or civil Higher Rights of Audience (HRA) assessment, and that this rule should take effect from 1 January 2021.
- 5 We now wish to make a minor change to the commencement date so that it takes effect from 1 April 2021, to give stakeholders more notice of the forthcoming rule change and to enable us to provide an appropriate lead in time. Following Board approval, we will submit the rule change application to the LSB.

Recommendation: the Board is asked to make the SRA Authorisation of Individuals (Higher Rights of Audience) (Amendment No 2) Regulations [2020] attached at annex 1, with the revised commencement date.

Compensation Fund fee determinations

- 6 Following the Board's agreement of the 2020/21 Compensation Fund fees in July, we need to make some minor amendments to the SRA determination on Compensation Fund contributions. The amendments we need to make are attached at annex 2.

Recommendation: The Board is asked to agree the minor amendments to the SRA determination on Compensation Fund contributions 2020, attached at annex 2.

Innovation and technology

- 7 Officials from the Department of Business Energy and Industrial Strategy (BEIS) have informed us that the Regulators Pioneer Fund that was due to launch this year has been postponed, subject to the outcome of the Department's spending review. We will, therefore, not be able to bid for BEIS funding for our innovation and technology work. However, we are still participating in the design of the Ministry of Justice funded Lawtech UK sandbox. This will include a feature where regulators from across the sector and other relevant areas, such as data

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protection and financial services, can work collaboratively to support providers developing lawtech products and services.

Update on Professional Indemnity Insurance (PII)

- 8 For firms that had PII policies expiring on 30 September 2020, we have had 28 notifications from firms that they have entered the extended policy period (EPP). This compares to 42 firm notifications that were received for the period expiring on 30 September 2019. We expect more notifications to be received following the end of the notification period on 7 October. We are aware there will be firms that do not notify us at all, and we will manage this through the insurer data collection exercise in November. At the time of writing, communications were planned week commencing 12 October reminding firms that they must notify us if they have not been able to secure insurance.
- 9 There have not been any firm closures arising out of firms that have entered the EPP. Firms will use the extended time they have, which includes a 60-day cessation period, to continue to look for insurance. It is therefore likely that we will not see firms close until later in the year/the new year.
- 10 A small number of firms notified us of their closure before the expiry of their insurance policy and the reason stated was that they could not afford the renewal premium that had been quoted. We have noticed a slight upwards trend in firms that have merged with or been acquired by another law firm. This has been reported in the legal press as a way of firms being able to continue delivering services to their clients, whilst not having to close because of increases in insurance premiums. We expect merger activity to continue to be a key trend over the medium term as firms respond to the new economic environment. We have established a working group with representatives from the Law Society to consider whether there is any further support that we can provide to help mergers and acquisitions and orderly firm closures.

Practising Certificate renewal exercise (PCRE)

- 11 We are now well into our annual PCRE exercise with the window opening on 1 October. This is the first year that we are using the new CRM for authorisation (RegOps1 which went live on 6 July) for this exercise.
- 12 As the Board is aware, we have had a number of teething issues with the system. We have been closely monitoring the impact of these on the customer experience and have implemented several fixes throughout the PCRE period. This in itself introduces an element of risk as changes could impact the functionality and performance of the system, so we have taken a heightened risk-based approach to changes at this time. Under that approach, we did have to restrict access to the bulk renewals process for all firms for three days during the first week of operation. At the time of writing, however, the system is performing well and 6,803 applications (16% of those forecast) had been completed by close of business on 11 October (this compares to 10,605 in 2019) and over £5.2M invoiced.

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- 13 At the last Board meeting, we reported an impact from the roll-out of the new CRM system in Authorisation and a new telephony system in our Contact Centre on our performance in quarter three. Given this and the increased call volumes expected in October due to PCRE, we redeployed 25 staff from across the organisation to boost resource in the Contact Centre. They have been seconded in for seven weeks and, following a week's tailored training, began taking calls from Monday 5 October. This solution has made a significant improvement to our service with 65% of calls being answered within 60 seconds in October (from 1 - 9 October), compared to 9% in September.

External Developments and Engagement Activity***Brexit***

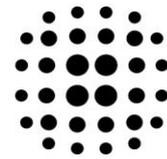
- 14 As the Board is aware, we have preparations in place should the transitional period following the UK's departure from the EU come to an end on 31 December 2020 without any trade agreement. Should there be a trade agreement, any action required will depend on the nature of the agreement reached. We are liaising with colleagues in government, and at the Law Society, and generally continue to keep a watching brief so we can implement any necessary steps as soon as possible once the terms of any agreement are known.

Legal Services Board Consultation on Practising Certificate Fees

- 15 In July, the LSB published a consultation on its plans to increase practising certificate fee (PCF) transparency. This includes new rules providing a clear practising fee application and approval framework, and detail on the criteria and supporting material that approved regulators must provide to the LSB before it decides to approve a PCF application. We have responded to the consultation, which closed on 8 October 2020, supporting the commitment to transparency and the importance of appropriate impact assessments.

Competition and Markets Authority (CMA) Review

- 16 The CMA issued a 'call for inputs' last month as part of its review of progress against the recommendations it made in its 2016 market study of the legal services market. Our submission included the new research material from the Transparency Rules evaluation.
- 17 We also prepared a summary report on the 2017-2020 Legal Choices website development programme and submitted it to the CMA, on behalf of the partner regulators. The report shows that Legal Choices has met all the relevant CMA recommendations from its market study. We will be finalising the visitor traffic numbers to the [Legal Choices website](#) at the end of October, which is the formal end of the three-year development programme, and then publishing the report in November.



SRA BOARD
20 October 2020

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Stakeholder Engagement

- 18 Our ongoing engagement programme with stakeholders continues. We have completed our series of virtual fringe events at all three main political party conferences. Our events this year focused on technology and digital services.
- 19 As part of our wider engagement work, we are involved in several sessions at this year's International Conference of Legal Regulators (ICLR) virtual conference. These include discussions on understanding consumer needs, the impact of Covid-19 on consumers, the profession and regulators, bullying and harassment in the legal sector, and diversity in the profession.

Author Paul Philip, Chief Executive

Date 12 October 2020

Annexes

Annex 1 **SRA Authorisation of Individuals (Higher Rights of Audience) (Amendment No 2) Regulations [2020]**

Annex 2 **SRA Determination of Compensation Fund contributions (Amendment)**