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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 delegate authority to the Chair to make minor changes to the Standards and Regulations that do not involve any changes to agreed policy and to make commencement orders or Commencement and Revocation Rules.

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

CLASSIFICATION – PUBLIC**Chief Executive's Report****Update against priorities / key developments*****Covid-19***

- 3 The homeworking arrangements we put in place during the lockdown continue to work well. Office use remains limited to a few essential business needs and we reduced the number of days a week that The Cube was open for essential business from five days a week to three during the second national lockdown last month. At the end of September, we surveyed staff on the homeworking arrangements in place and we are now following up with staff and prioritising actions accordingly.
- 4 We are continuing to monitor the impact on other areas of our operational work to ensure delays are minimised. As at the end of October, we recorded 11 Investigation and Supervision cases that were on hold due to Covid-19 related issues, down from 77 at the end of July. Our performance report at item 7 provides further details, along with the steps we are taking to manage the situation.
- 5 As a result of developments in the Covid-19 situation, and in accordance with the latest UK Government guidelines following the introduction of a second lockdown in November, the Solicitors Disciplinary Tribunal's offices at Gate House are again closed until further notice.
- 6 They have announced that all hearings for the remainder of 2020 will be held remotely. This was in any event the case for most hearings, and so the impact will be minimal, affecting two hybrid hearings, which were due to be held with some attendees in person and others joining remotely between now and Christmas.

Practising Certificate fees

- 7 The Board is aware that we extended the Practising Certificate Renewal Exercise (PCRE) window by three weeks until 20 November 2020. As at 20 November, the close of the renewals window, whilst we were slightly behind last year with regards to invoices raised (£103m, 89% of that expected, as opposed to £115.6m, 96% of that expected in 2019), we were in a strong position in terms of cash received with £70.6m received (61% of that expected) compared to £66.9m (56% of that expected) in 2019.
- 8 Due to the teething problems with the new system, we are aware that a number of the outstanding firms and individuals remained unable to complete their applications at this time. They have been contacted directly to reassure them that their Practising Certificates remain valid and we appreciate that they had been unable to submit before the deadline. It is worth noting that every year there are firms and individuals that complete after the deadline date.

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- 9 At the time of writing, 41,981 applications had been submitted, which equates to over 95% of expected applications. £110.2m invoices had been raised with £90m cash received.
- 10 We have detailed remediation plans in place to support those with outstanding applications through the process, with an aim of resolving the bulk prior to Christmas. It is worth noting that the majority of major defects in the system have been fixed and the remaining issues relate to firms which had started their applications before the fixes were implemented. As such, we are confident that these issues will not recur in PCRE21. We intend in early 2021 to review and, wherever possible, incorporate customer improvement feedback. A process of rigorous testing is planned to ensure that we enter PCRE21 in the best possible position.
- 11 The PCRE window always drives significant traffic to the Contact Centre and, as expected and against the background of Covid-19 pressures on both us and firms, that was even larger than usual in 2020, with average call volumes of 1362 and email volumes of 400 per day in October, a 31% increase in contact compared to October 2019 (2019 - 1055 calls and 289 emails per day). We anticipated this increase and planned and resourced appropriately, seconding 25 staff from across the organisation into the Contact Centre to give a staff complement of 65 throughout the PCRE window. This proved successful with the average wait time and average call time both improving dramatically in October/November compared with September. The performance throughout the PCRE window (1 October - 20 November) showed 63% of calls answered within 60 seconds and an average queue time of 2 minutes and 12 seconds. Further information can be found within the performance report at item 7.

Professional Indemnity Insurance (PII)

- 12 We continue to monitor the number of firms reporting that they are unable to obtain PII. For firms that had PII policies expiring on 30 September 2020, we have had 47 notifications from firms saying they have not obtained insurance by the time their previous policy expired. This compares to 56 firm notifications that were received by this point last year for the period expiring on 30 September 2019. Not all firms fulfil their reporting requirement to us when they do not obtain insurance, so we are undertaking a reconciliation exercise against data submitted to us by insurers.

SRA Ltd update

- 13 Following the Board's agreement to apply for charitable status for SRA Ltd, we submitted our application to become a charity to the Charity Commission on 20 November.

Solicitors Qualifying Examination (SQE)

- 14 On 28 October, the LSB announced its decision to approve the SQE in full.

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- 15 The LSB decision, and our response, attracted widespread coverage in the legal press. There was a mixture of positive comments from academics, training providers and students, focusing on opening up the profession, making training more flexible and addressing the current high cost of training. Some commentators remained critical of the advent of the SQE.
- 16 There was also national coverage in The Times, thisismoney.co.uk and in commentary on the BBC News Channel, which all focused on the potential for the SQE to help lower training costs and enable more diverse access to the profession.
- 17 The certainty provided by the LSB decision has prompted a flurry of developments in the training market. There are now 46 organisations on our SQE training provider list. The new training courses offer greater choice: online or blended courses; training which integrates classroom, online and work-based learning; and courses which are highly focused on SQE, as well as courses which offer add-ons like commercial awareness, legal tech or tuition in specialist areas of legal practice.
- 18 On 11 November, the Westminster Legal Policy Forum held a keynote seminar on the future of legal education and training, focused on SQE and new pathways into careers in law, at which Julie Brannan, Director of Education and Training spoke, alongside representatives from law firms, other legal regulators, universities and training providers.
- 19 In November, we published the final [SQE Assessment Regulations](#) and [SQE2 sample questions](#). Further SQE resources are due to be published over the next month.

SQE Evaluation

- 20 We have issued a request for potential suppliers to deliver the first phase of the evaluation of the SQE.
- 21 We will take forward the evaluation of the SQE in five phases over a ten-year period following implementation. The first phase will require a supplier to identify the framework and metrics we will use to measure outcomes and assess the impact over the short, medium and long-term. Subsequent phases will include an early evaluation of Qualifying Work Experience, interim market and perception studies, a full evaluation after five-seven years and a predictive validity study after seven-ten years. We hope to appoint the supplier for the first phase early next year. They will deliver their report in Summer 2021.

Higher Rights of Audience single provider procurement

- 22 As part of our work to assure advocacy standards, we said we would appoint a single assessment provider to carry out the criminal and civil Higher Rights of Audience assessment. We have started the procurement process. We issued a

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Request for Information in October and will meet with interested parties in December. We plan to issue a Request for Proposal in February 2021.

Anti-Money Laundering (AML)

- 23 During the week of 11 January 2021, we will have our second supervisory visit by our oversight supervisor, the Office for Professional Body AML Supervision (OPBAS). The first visit took place in June 2018 and we received four recommendations from OPBAS as a result.
- 24 This second visit will not be as extensive as the first, we expect around 20 people to be interviewed as opposed to 39 during the first visit. We expect this visit to focus on governance, our risk-based approach, intelligence sharing, supervision and enforcement. We also anticipate that this visit will include file reviews, something which was not covered during the first visit. The likely outcome is recommendations on any failings, and in line with OPBAS' policy during the previous visit, we don't anticipate getting feedback on any areas in which we are doing well.
- 25 We are continuing to [publish information](#) where it can help firms comply with the money laundering regulations. We have recently published guidance to help firms acting as tax advisers, and trust and company service providers under the money laundering regulations. We have also published a report setting out our findings from our first year of AML visits, highlighting good and poor practice. Finally, we will shortly publish a wider piece of guidance, alongside the other legal sector supervisors and representative bodies in the UK under the Legal Sector Affinity Group banner. We expect that this guidance will shortly be approved by HM Treasury to give it status as official guidance.

Supporting Technology and Innovation

- 26 We have started the technology mapping work agreed with the Board under Objective Two of the new corporate strategy. A research tender to benchmark how law firms are currently procuring and using technology to deliver legal services is just concluding. The research is also intended to provide insight into how innovation in the market might evolve and any potential regulatory barriers.
- 27 As members of the City of London Corporation's Lawtech Sounding Board, we are participating in its 'Innovation Ambassadors' programme. This brings together innovators, law firms, in-house lawyers, regulators, data teams and wider industry participants to share experiences, to develop knowledge of Lawtech and build networks to encourage innovative developments.

Lawtech UK sandbox pilot

- 28 We are supporting the initiation and development of the government backed and funded Lawtech UK sandbox pilot, which opened for applications on 9 November. This will provide cross-regulator support for innovators with transformative ideas,

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products and services that may address the legal needs of businesses and society.

Digital conveyancing

- 29 We have been engaging with HM Land Registry (HMLR) as they develop their digital conveyancing offering in residential and commercial property markets. HMLR's aim is to create a more efficient and user-friendly service, enabling conveyancing lawyers to interact digitally with the Register through greater automation of the process. Greater automation will likely put a premium on the accuracy of the data that solicitors provide and certify. The digital offering will also look to improve the conditions for new technology to be utilised, including greater use of electronic signatures and digital identity checks for home buyers and sellers.
- 30 We will work closely with the Land Registry to explore potential approaches in a greater level of detail. In doing so we will consider the potential impacts for consumers, solicitors, and our regulation. We also intend to engage with other legal regulators, the Law Society, and other interested stakeholders as proposals emerge.

Competition and Markets Authority (CMA) Review

- 31 Our one-year evaluation study of our Transparency Rules has been well received externally, with the CMA reporting publicly that it provides useful evidence that will inform its progress review of competition in the legal services sector following its 2016 market study. Our study has also been referenced in some interesting discussion sessions, including in a feature Radio 4's You and Yours programme.
- 32 Following the Board workshop discussion in October on quality indicators that may be useful for consumers when looking to buy a legal service, we have been progressing work to encourage greater use of on-line review websites and digital comparison tools (DCT). We have held a successful workshop with digital comparison tool providers. Attendees indicated that the DCT market has been developing, partly fuelled by greater appetite for digital services during the Covid-19 pandemic. We think two areas of activity would be useful for cross regulator pilots with DCT providers – conveyancing, where data is readily available, but not perhaps utilised to the full in the DCT market; and employment law as an area where there is some unmet need and potentially growing demand, including by situationally vulnerable consumers, given the ramifications of the Covid-19 pandemic.
- 33 The pilots will involve focused activity aimed at consumers, firms and intermediaries over a set time period. This will include looking to develop the use of quality indicators such as independent reviews.

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- 34 The Expert Panel has not met in full since September. It is operating virtually, and we have shared material on our evaluation report and our CMA submission. We propose engaging the Panel with developing quality indicators, particularly around data and the characteristics of different consumer segments. A couple of members have relevant consumer advice expertise, which will be helpful, and others are operating in the digital field.

Latest Risk Outlook published

- 35 In November, we published the latest edition of our Risk Outlook. The Outlook summarises trends in the key threats currently posed to law firms and their clients, as well as providing advice on how to protect against these and offering insight into issues likely to emerge in the near future. The Risk Outlook can be viewed [here](#).

Standards and Regulations – minor rule changes

- 36 Ahead of the Standards and Regulations going live in November 2019, the Board gave authority to the Chair to agree to make minor changes to the rules as required. This only related to changes made prior to the go live date and has now expired.
- 37 The Board is now asked to delegate authority to the Chair to make any further minor changes to the Standards and Regulations as required on an ongoing basis, including any minor changes needed in relation to Brexit, that do not involve changes to agreed policy.

Recommendation: the Board is asked to delegate authority to the Chair to make minor changes to the Standards and Regulations that do not involve any changes to agreed policy and to make commencement orders or Commencement and Revocation Rules.

Standards and Regulations Evaluation

- 38 We have begun work on the one-year evaluation of our Standards and Regulations that were introduced at the end of 2019. We will shortly be tendering for a supplier to carry out the primary research elements of the evaluation with consumers and providers of legal services.
- 39 We will provide the Board with an update on our Standards and Regulations evaluation work in Spring 2021.

SRA TLS collaborative working protocol

- 40 There are three areas listed in the protocol that we have agreed to work collaboratively with TLS on in particular: technology, anti-money laundering (AML) and equality, diversity and inclusion (EDI).

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- 41 We continue to liaise with TLS on financial crime-related matters. We have worked closely with them on our responses to the economic crime levy, to ensure that we are aware of each organisation's messaging and that we do not say anything contradictory where possible.
- 42 On EDI, we have been working with TLS on our work to realise the EDI benefits of the SQE following the LSB's decision to approve its implementation. We have set up a joint working group with them, including their Lawyers with Disabilities and Ethnic Minority Lawyers divisions and a representative of their EDI Committee. We are focusing on a range of actions, most recently finalising Kaplan's approach to reasonable adjustments and discussing the range of resources that we are producing for aspiring solicitors.
- 43 We are also working with TLS on the launch in the legal sector of the Social Mobility Commission's toolkit for employers in professional and financial services. We have been working with the Social Mobility Commission to ensure the toolkit aligns with the questions we ask law firms about social mobility.
- 44 We continue to have regular engagement with the Law Society to share ideas for and updates on work to support innovation and technology in the legal sector. Most recently, we have inputted into the Society's project on Lawtech, ethics and the rule of law.

2018/19 Operational Reporting

- 45 We will be publishing the full suite of our 2018/19 operational reporting in December, covering our education and training, authorisation, anti-money laundering and client protection work. We will also publish a detailed report on our enforcement work - Upholding Professional Standards. This year our report will include reporting on the diversity profile of people in our processes.
- 46 Our report shows that the pattern continues to be the same as the Law Society saw in 2004 and is seen by so many regulators – an overrepresentation of men and people from an ethnic minority background in the concerns raised with us and in our enforcement work. We have commissioned several independent reviews on this, most recently the Independent Comparative Case Review published in 2014. None of the external reports found any evidence of discrimination but we are committed to keeping our processes under review and to undertaking research into the factors that result in an over representation of these groups in the concerns raised with us.

Modernising IT Programme (MIT)

- 47 Work is progressing well on RegOps 2, the next significant project under our Modernising IT programme. This will provide a modern case-working system for internal use. It will link with RegOps 1 (the new authorisation system), bringing all information together in one place. It will also, most importantly, complete the move away from our old legacy software. We agreed on 30 November to move to go live with this new system, with a target go live date of 14 December.

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Development is complete and we are currently completing testing and rolling out training.

- 48 The decommissioning of the data centre held at a third party is the third major element of focus for us during 2020, after RegOps1 and RegOps2. It will deliver significant financial savings, as well as reducing our legacy technology risks.
- 49 We have so far this year decommissioned 50% of the servers from the datacentre. The remaining servers will be decommissioned at the end of December and the datacentre closed by end of January 2021, as originally planned.

External Developments and Engagement Activity

Legal Services Board (LSB)

- 50 In October, the LSB wrote to us setting out the process for its annual regulatory performance assessment of us. We have responded to the LSB's requests to set out our actions and progress against the two regulatory performance outcomes where they have assessed us as 'not met, action being taken', and provided updates against its new outcome on regulatory independence.
- 51 In November, the LSB published: ['The State of Legal Services 2020'](#). The report reviews the legal services sector over the ten years since the LSB was established in 2009. The report highlights the challenges facing the sector and concludes that despite the achievements of the last decade, the basic legal needs of many citizens are not being met. The LSB will be consulting on a new strategy for the legal services sector this winter that will be informed by the findings in this report. We are hoping the LSB will come to speak to the report at the Board meeting in January.

Stakeholder Engagement

- 52 Our ongoing engagement programme with stakeholders continues. We were invited to provide oral evidence to the House of Commons Committee on Standards inquiry on their code of conduct, in which they are gathering evidence on the best practice of other organisations. Juliet Oliver provided evidence to committee members, providing information on a range of issues including how we developed our own code and what we do to follow-through on reports made to us. We also provided supplementary written evidence.
- 53 Our latest quarterly meeting with the City of London Law Society (CLLS) took place on 24 November, discussing a range of topics including the SQE, anti-money laundering, and our future relationship with the EU, as well as the impact of Covid-19 on the legal sector. We are also planning for a symposium with the CLLS on mental health and wellbeing in the profession in January.
- 54 This year's International Conference of Legal Regulators (ICLR) took place virtually last month. I spoke on the impact of Covid-19 on regulation and legal services while members of the Senior Management Team covered diversity in the

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profession and sexual harassment and bullying in law firms. The Chair spoke in a keynote session about engaging with the consumers of legal services.

- 55 We held a range of external events in November. This included our Compliance Conference – a series of interactive webinars between 23 – 27 November. Targeted at the profession, topics covered included anti-money laundering, opportunities around technology, cybercrime and our transparency reforms. At the time of writing, the event had attracted more than 14,000 views. Initial feedback from delegates was positive, with 99 per cent saying they would attend a similar event again, and an average score of more than 8 out of 10 for the usefulness of content. We are also running a series of eight virtual sessions and an exhibition stand as part of the legal exhibition Legalex.
- 56 Our annual Solicitors Qualifying Examination (SQE) conference will take place later this month. It is primarily targeted at universities and training providers to update on progress on the new qualification route and to discuss the implications and opportunities. Around 200 people have signed up for this event so far

Author Paul Philip, Chief Executive

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