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**SOLICITORS REGULATION AUTHORITY
Minutes of the SRA Board meeting
held on 7 December 2021 at 10.15 by Zoom**

Subject to final approval by the SRA Board at its meeting on 1 February 2022

Present: Anna Bradley (Chair)
Ann Harrison
Peter Higson
Paul Loft
Dermot Nolan
Geoff Nicholas
Vikas Shah
Liz Smart
Selina Ullah
Tony Williams

In attendance: Paul Philip, Robert Loughlin, Jane Malcolm, Juliet Oliver, Liz Rosser, Tracy Vegro, Julie, Brannan, Chris Handford, Rachel Pillinger (for item 11), Dominic Tambling

1 WELCOME AND APOLOGIES

1.1 The Chair welcomed Board members to the meeting. Apologies had been received from Barry Matthews.

2 MINUTES OF THE PREVIOUS MEETING ON 20 OCTOBER 2021

2.1 The minutes of the meeting held on 20 October 2021 were approved as a true and accurate record.

3 MATTERS ARISING AND DECLARATIONS OF INTEREST

3.1 There were no matters arising that would not be covered elsewhere on the agenda. All actions due had been completed.

3.2 Interests were as previously declared and available to view on the SRA website. Members would declare any additional particular interest in an individual item if necessary.

4 CHAIR'S UPDATE

4.1 The Chair thanked Board members for their participation in an earlier workshop discussion on our ongoing application to the Charity Commission for registration of the SRA as a charity.

4.2 The Chair updated Board members on key work she had been undertaking since the previous meeting, including on the recruitment of new Board members. Nine candidates had been interviewed and two appointments had been made, one of

SRA BOARD

CLASSIFICATION – PUBLIC

whom would join the Board in January 2022 and the other in September 2022 once Tony Williams had completed his full term. The Chair thanked Liz Smart and Paul Loft for sitting on the appointment panel along with an independent member, Cindy Butts.

- 4.3 The Chair had also worked with the Executive on finalising consultations on our approach to financial penalties and on options to post six-year run-off insurance cover (PSYROCC) and the Solicitors Indemnity Fund (SIF). The Board had delegated sign off of these to the Chair who had ensured that the Board's views were reflected in the consultation documents.
- 4.4 The Chair had also had a number of meetings in preparation for the publication of these consultations including with her counterparts at the Solicitors Disciplinary Tribunal, the Legal Services Board and the Law Society. The Chair noted that the President of the Law Society had had an article published in The Times on the PSYROCC/SIF consultation suggesting that we were proposing a reduction in consumer protection. A piece from the Chair would be published in The Times this week setting out our reasons for the course of action we proposed.
- 4.5 The Chair had also had a positive discussion with the Counsel General and Minister for the Constitution in Wales and agreed with him that regular engagement with the Welsh Government should be maintained. She had also had a number of discussions on investments with the Executive and the Reserves and Investment Working Group which had resulted in the paper at item 9 on the agenda.
- 4.6 The Chair had also attended our Compliance Conference at the ICC in Birmingham on 23 November 2021 and, together with the CEO, had been interviewed by the conference chair on strategic issues. Over 600 people had attended the conference which had included more than 20 sessions on key topics led by the Executive and invited speakers. Feedback from attendees had been very positive with 100% saying they would come to a similar event again and more than 9 out of 10 finding the event useful or very useful.
- 4.7 11 of the sessions had been repeated as part of a virtual conference running from 29 November to 3 December 2021, combining recordings from the physical event with live Q and A with speakers. There had to date been more than 33,000 views of these sessions and similarly positive feedback.
- 4.8 Finally, the Chair thanked Board members for their engagement with the annual review process. A number of helpful suggestions had been made about the way in which the Board worked, and the Chair had asked the Executive to review the structure and presentation of Board papers and the Remuneration Committee to consider Board training. She had also asked for work to be done on revising the Board forward planner and for consideration of whether the current Board portal was able to deliver the functionality that the Board needed.

SRA BOARD

CLASSIFICATION – PUBLIC

5 CHIEF EXECUTIVE'S REPORT

- 5.1 The Chief Executive presented his report. The Board noted that the Practising Certificate Renewals Exercise in October and November had run more smoothly than in the previous year when teething problems with new IT had caused some difficulties. We were aware of a small number of firms which were having problems and remediation measures were in hand for these.
- 5.2 The Board noted that 42 firms had informed us that they had entered the Extended Policy Period (EPP) for Professional Indemnity Insurance (PII) renewal as they had not renewed their insurance or secured new insurance. This was fewer than in the previous year and was notable given that anecdotally firms had not been able to successfully renew their insurance, which was not born out of the statistics. That was not to say, of course, that premiums had not increased. The Chief Executive reminded the Board that the Legal Services Board was intending to look at the position on PII across all of the legal regulators and that we would be considering PII further as part of this.
- 5.3 The Board noted that the Financial Conduct Authority was expected to announce its final position on restricting fees charged for certain claims management activities before the end of the year. The Board had agreed that our approach for consultation to meet our duties should mirror the Financial Conduct Authority (FCA) model for implementing the new duty, and we had been undertaking a programme of engagement following the publication of a discussion paper earlier in the year. A further paper would be brought to the Board for decision in the New Year.
- 5.4 The Chief Executive highlighted the completion of the first year evaluation of our Standards and Regulations which had considered the impact of the reform programme on individual solicitors, law firms, consumers and the wider legal services market. The report would be shared with the Board prior to its publication.
- 5.5 The first Solicitors Qualifying Examination assessments had taken place successfully in November involving over one thousand candidates. Some minor problems which had arisen had been addressed. Our independent reviewer and quality assurance manager had observed at some of the sittings and submitted positive reports, including on security measures. Candidates would receive their results on 24 January 2022.
- 5.6 We would be inviting applications in the New Year from providers of the Professional Skills Course who wished to make the temporary arrangements for remote proctoring that had been put in place for the pandemic permanent. If any applications were received the criteria for approving them would be brought to the Board for agreement, and were likely to be similar to the criteria used for remote proctoring for the Legal Practice Course. The Board noted that in 2022 it would also be asked to consider our developing position on continuing competence and on qualifications for higher rights of advocacy.

SRA BOARD

CLASSIFICATION – PUBLIC

- 5.7 The Board was told that Julie Brannan, the Director of Education and Training, would be retiring in the summer of 2022 and noted its thanks to her for the significant contribution she had made to the organisation over a period of many years.
- 5.8 The Board agreed a change of accounting reference date for SRA Limited to 31 October in order to continue with the same year end that the Law Society Group used. The Board also agreed the SRA Ltd accounts for May 2020 – May 2021 as a dormant company.
- 5.9 The Board was informed that we had made a report to the Information Commissioner's Office (ICO) following a solicitor's MySRA account having been taken over by a third-party in what appeared to have been an attempted vendor fraud from someone posing as a genuine solicitor. Steps had been taken to secure the account and a scam alert was issued to protect consumers and organisations. The ICO had confirmed that it planned to take no further action.
- 5.10 The Chief Executive stated that we planned to review the organisation's future Professional Indemnity Insurance and Directors & Officers insurance requirements against the current level of risks faced by the SRA.
- 5.11 The Board noted the Chief Executive's report.

NB: annex 2 of this paper will not be published because it relates to emerging strategy or policy

6 SRA THIRD QUARTER PERFORMANCE REPORT

- 6.1 The Board was asked to consider the performance report for the fourth quarter of 2020/21. The report was the last on the delivery of the first year of our Corporate Strategy as well as the 2020/21 Business Plan, which support the delivery of our regulatory objectives as set out in the Legal Services Act 2007.
- 6.2 The Board noted that the last quarter of the year had seen 21 activities in our business plan completed and the majority remain on track. A number were on track but not complete because they spanned more than one business plan year and it was agreed that this approach should be reviewed to give a more accurate picture of the progress which had been made.
- 6.3 The Board noted the financial performance update and that the full year position showed a significant underspend compared to both budget and forecast. Reasons for this included reduced costs because of home working, savings across various categories including ICT projects and a delayed start to refurbishment of our Birmingham offices. The budget had also assumed that we would see a reduction in numbers of practising solicitors due to the impact of the Covid-19 pandemic whereas we had in fact seen an increase in numbers. The Board noted that these results were draft and subject to audit adjustments and that we were in discussion with our advisors on the implications of these results for tax purposes, including options to mitigate any potential taxable surplus. The Board asked for future

SRA BOARD

CLASSIFICATION – PUBLIC

reports to show some additional commentary on the balance sheet and cashflow information.

6.4 Board members noted that the balanced scorecard showed a decreasing number of social media engagements. The Executive confirmed that this was due to a particular peak having been achieved the previous year and the expectation was that this would fluctuate, and was likely to increase in response to the two consultations on regulatory reform we had recently published. Board members also asked that, notwithstanding the review of the scorecard which would be discussed at item 8, further consideration should be given to what information was provided in the financial section of the scorecard.

6.5 The Board noted the content of the quarterly performance report and the commentary provided.

NB: annex 1 of this paper will not be published because it contains information which is commercially sensitive.

7 SRA STRATEGIC RISK UPDATE

7.1 The Board was asked to consider the Strategic Risk Register (SRR) for the fourth quarter ending 31 October 2021. The Board noted that the Audit and Risk Committee would be meeting later in the week to review the SRR and that the whole Board would then undertake a deep dive into the Register at its workshop session in February 2022.

7.2 The Board agreed that the residual likelihood of the risk relating to resources materialising be downgraded from Unlikely to Very Unlikely resulting in the overall risk rating reducing and now being rated as being within appetite.

7.3 The Board noted the Strategic Risk Register and the progress taking place on ongoing development of risk management.

NB: the annex to this paper will not be published as it includes discussion of risk that might be exacerbated by publication.

8 REVIEW OF THE BALANCED SCORECARD

8.1 The Board was asked to consider a review of the Balanced Scorecard to ensure the measures it contained continue to meet Board requirements in measuring progress against the plan allows the SRA to ensure delivery of its regulatory objectives. The Board noted that the Executive had reviewed the existing scorecard and identified a number of areas where the scorecard could be enhanced. In addition, an internal audit had been carried out on our organisational performance management both to give the Board assurance about reporting accuracy and make recommendations for change.

8.2 The Board discussed the proposed changes, including one to adopt three targets in our enforcement work for cases completed in 12, 18 and 24 months, to enable the tracking of cases through the full lifetime of an investigation to the point

SRA BOARD

CLASSIFICATION – PUBLIC

individual cases were referred to the Solicitors Disciplinary Tribunal. The Board agreed the target and acknowledged that cases were often delayed for reasons beyond our control, including having to wait for the completion of a police investigation and non-cooperation of respondents. The Board would be looking at the handling of such cases in more detail in the New Year.

- 8.3 The Board also asked for work to be done to explore how the information in the performance report as a whole was presented to make it easier for Board members to follow through information in its various components. This should include clear statements at the front of the performance reporting paper and/or scorecard on the matters that the Executive thought the Board should particularly explore, notwithstanding that matters of particular interest would often be raised in the CEO report.
- 8.4 The Board approved the proposed amendments to the scorecard which would be reflected in the following quarter's performance report.

NB: the annex to this paper will not be published because it includes legal or other professional advice on sensitive or confidential matters.

9 SRA RESERVES AND INVESTMENT UPDATE (INCLUDING POLICIES FOR APPROVAL)

- 9.1 The Board was asked to consider an update on the work of the Reserves and Investment Working Group and to approve the proposed Reserves policies and Investment policies for the SRA and the Compensation Fund.
- 9.2 The Board noted that the establishment of Solicitors Regulation Authority Limited required that we had a reserves policy and investment policy. As part of separation from the Law Society the SRA Lt had received a portion of the Law Society Group investments, currently managed by Cazenove Capital. The Board had agreed its risk appetite and the risk profile of those investments in July 2020.
- 9.3 In recent months a Board Working Group had discussed the approach to investments and working capital management for both SRA and the Compensation Fund. Its recommendations were reflected in the policies and approach the Board was being asked to approve.
- 9.4 In response to questions from Board members it was confirmed that the approach being proposed was consistent with that taken by other charities, but the Board also suggested that we should consider how our approach compared with other regulators.
- 9.5 The Board approved the proposed Reserves policies and Investment policies for the SRA and the Compensation Fund for approval. The Board also agreed: to invest £27M from the Compensation Fund reserves into a balanced sustainable portfolio; the approach towards ethical investments; and the approach to working capital for the SRA and Compensation Fund, approving Cazenove to undertake this role.

SRA BOARD

CLASSIFICATION – PUBLIC

NB: the annexes to this paper will not be published with the set of Board papers as they relate to emerging policy. Annexes 3,5,6,7 and 8 will be published in 2022 with the financial statements.

10 CONTINUOUS IMPROVEMENT UPDATE

- 10.1 The Board was asked to consider an update on the newly established Continuous Improvement programme and associated activity to deliver improvements in how we work and our customer service, efficiencies and better value for money, all of which support our work to meet the regulatory objectives. The paper also provided an update on progress towards achieving previously agreed targets.
- 10.2 The Board noted that the programme had now been formally established with the aim of identifying and implementing opportunities to increase our efficiency and effectiveness so that we can improve service levels and customer and staff experiences and/or reduce our net funding requirement, and/or undertake new activities without increasing costs. Savings targets for 2021/22 had been delivered as had around half of the targets for 2022/23.
- 10.3 Pilot exercises had been undertaken with key operational teams and the full roll out would begin in January 2022. Staff were being formally engaged in the programme and were enthusiastic about doing so and keen to make suggestions for improvements.
- 10.4 As well as the programme itself, we continued to deliver value for money through absorbing additional costs and funding new areas of work by removing costs across a range of areas. Examples were set out in the paper and included monitoring and management of contracts and processes for approval of recruitment of staff.
- 10.5 Board members welcomed the update and said that the determination to do things better and more effectively should be part of the culture of the organisation. In response to questions from Board members it was confirmed that quality as well as cost of provision, including the customer journey, was always a key consideration.
- 10.6 The Board noted: the update on the Continuous Improvement programme; progress achieved against targets; and the Value for Money activities delivered as part of managing our budget.

11 SRA CORPORATE COMPLAINTS

- 11.1 The Board was asked to consider an update on corporate complaints for 2019/20, including the Independent Reviewer's (IR) annual report for that year. The report had been delayed because of the difficulty of arranging auditing during lockdown and the 2020/21 report would come to the Board in the first half of 2022. The IR considered individual complaints where a complainant had not been satisfied

SRA BOARD

CLASSIFICATION – PUBLIC

following our internal processes as well as an annual audit of our complaints handling at stages 1 and 2 of our complaints process. This work relates to the regulatory objective to promote and protect the public interest.

- 11.2 The Board noted that the number of complaints received in the year had increased slightly from the previous year, though there was no particular area or process associated with that rise. There was anecdotal evidence that since the onset of the pandemic complainants had generally become more tenacious in pursuing their complaints but also more distressed about the matters they were complaining about. The complaints team worked with colleagues to help them to manage and support these complainants.
- 11.3 In response to questions from Board members it was confirmed that the handling of complaints was carefully coordinated across the organisation, both to ensure that complainants received the best possible service and so that, for instance, a pattern of complaints against a particular firm or individual could be identified.
- 11.4 The top three reasons for complaints: concerns about the outcome of our regulatory investigations; timeliness and keeping customers updated; and perception of unfairness were unchanged from the previous year. The complaints team worked with colleagues across the organisation to produce an action plan aimed at addressing those points raised in complaints and identified by the IR which were within our control.
- 11.5 The Board agreed that the next update in corporate complaints should include more information about what had changed as a result of the implementation of the previous year's action plan and how that related to actions for the forthcoming year. This should include identification of areas where things were improving and those where they were not.
- 11.6 The Board noted that of the small number of complaints we received about bias and discrimination, the IR found no evidence of any actual bias or discrimination in the cases it considered and its broader casework audit reviews. The Board noted the Independent Reviewer's Annual Report 2019/20 and the key areas we continue to focus on to improve our service.

12 ANNUAL REPORTS FROM AUDIT AND RISK AND REMUNERATION COMMITTEES

- 12.1 The Board was asked to consider the annual reports from the Audit and Risk (ARC) and Remuneration Committees for 2020/21.
- 12.2 The Chair of ARC presented its annual report which confirmed that the Committee was able to provide the assurances required by its terms of reference. He highlighted that the report set out how risk was managed with and by the ARC on behalf of the Board, including that the Committee had undertaken a number of 'deep dives' into risks on the Strategic Risk Register during the year. The outcome of the internal audit review into risk management had

SRA BOARD

CLASSIFICATION – PUBLIC

- 12.3 The report also set out how the Committee had fulfilled its role in relation to internal audit and its work with our internal auditors. The Committee had also carried out its role in relation to the internal control framework and was able to conclude that we had a strong control environment in place.
- 12.4 The Chair of the Remuneration Committee presented its annual report and set out the areas considered by the Committee during the year, including in its Nomination Committee form when it considered matters relating to Board appointments.
- 12.5 The Committee had considered whether its role might be expanded to include more on wider work on Human Resources matters but the Board agreed that these should properly be dealt with by the Executive and then the Board as a whole when appropriate.
- 12.6 It was agreed that some of the areas considered by the Committee, including on talent management and succession planning, might usefully also be looked at in more detail by the Board on an annual basis.
- 12.7 The annual reports from the Audit and Risk and Remuneration Committees for 2020/21 were received and noted by the Board.

NB: the paper relating to this item will not be published as it includes discussion of risk that might be exacerbated by publication.

13 REVIEW OF MEETING AND ANY OTHER BUSINESS

- 13.1 The Chair thanked the departing Board members, Geoff Nicholas and Peter Higson, whose last meeting it was, and Barry Matthews who had unfortunately not been able to attend. Their contributions to the work of the Board and the organisation over a number of years had been highly valued, and on behalf of the Board and the organisation she wished them the best for the future.
- 13.2 The next meeting would be held on 1 February 2022.