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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 to:
  - a) consider the Chief Executive's report.

**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.**

## **Chief Executive's Report**

### **Update against priorities / key developments**

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

- 3 We have contacted more than 6,000 law firms asking them to provide us with information on their activities relating to work which falls within scope of AML regulations. Firms were emailed in May advising them to prepare for the exercise and they have until 31 July to respond.
- 4 In late June, we expect the Treasury to lay a Statutory Instrument making minor amendments to the money laundering regulations, as well as its response to the call for evidence on AML regulation. We are also expecting the Office for Professional Body Anti money laundering Supervision (OPBAS) to publish regulatory guidance on information and intelligence sharing that may require us to undertake additional screening on those we supervise. The government has also begun work on the new economic crime plan, which will cover how the public and private sector will work together to prevent financial crime over the coming years. The new plan is due to be published in the autumn.
- 5 We continue to monitor the rapid changes in the area of financial sanctions. We are undertaking a thematic review into financial sanctions that will form the basis for guidance to be published in the autumn. We continue to highlight to government changes to the regime that would allow us to work more effectively in this area, including greater powers to proactively request information and increased in house fining powers for traditional firms.

#### ***Financial penalties***

- 6 We have held post-consultation discussions with the Ministry of Justice (MoJ) on an increase to our internal fining powers. We will continue those discussions over the coming months as well as discussions with the Solicitors Disciplinary Tribunal and other legal regulators as we seek to develop a consistent approach.

#### ***Strategic Lawsuits Against Public Participation (SLAPP)***

- 7 As the Board is aware, there has been significant attention on SLAPP in Parliament and the press over recent months, and the role of solicitors has been a key focus. SLAPP is a term that describes the misuse of the legal system by bringing or threatening proceedings in order to stifle public debate. The government has launched a Call for Evidence to which we have responded.
- 8 In March, we issued guidance on conduct in disputes, and we will shortly be issuing a warning notice to further highlight the issues we have seen and how these issues relate to our standards. This is to put firms on notice of the behaviours that are unacceptable, and which will amount to a breach of our standards.

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- 9 We have established a dedicated cohort of cases where we have received reports or intelligence that a firm may have been involved in a SLAPP case and we currently have more than 20 cases in that cohort. We have written to those naming firms in Parliament asking for any further information available to them to assist us in investigating any misconduct and we have contacted all firms named. We have also been in contact with organisations such as the Foreign Policy Centre and the Coalition Against SLAPPs in Europe to request details of potential SLAPP cases that they are aware of so we can investigate any potential misconduct by any individuals or firms regulated by us.
- 10 Following discussions with the Department of Business, Energy and Industrial Strategy (BEIS), we are planning to seek statutory designation as a 'prescribed person' under the Public Interest Disclosure Act. This should encourage reporting about SLAPPs and other concerns, by giving enhanced employment law rights to whistle-blowers who disclose wrongdoing to us.

***Solicitors Indemnity Fund***

- 11 We have continued to progress work to establish the affordability of a 12-month extension to the deadline for post six-year run-off claims ahead of making an application to the Legal Services Board, as directed by the Board at its 5 April 2022 meeting. We have received a related letter from the Law Society (annex 1) and also a copy of a related letter sent by the Law Society to the Solicitors Indemnity Fund Limited (annex 2). The letters raise a number of issues that we are working through. We will orally update the Board about these issues at the meeting.

***Solicitors Qualifying Exam (SQE) update***

- 12 The first SQE2 assessments were run in April. SQE2 is a legal skills assessment. It consists of 16 individual tests, 12 written and four oral. 738 candidates sat the written assessments in 48 test centres in the UK and 41 test centres internationally across 25 countries (including the UK). 732 candidates took SQE2 oral in four test centres: two in London and one each in Cardiff and Manchester. Results from the assessment will be published on 25 August 2022.

***July 2022 SQE1 progression to October 2022 SQE2***

- 13 It will not be possible for candidates who pass SQE1 in July to attempt SQE2 in October. This is because their results will not be released before the SQE2 booking window closes. We announced this in March and some candidates have expressed disappointment that, as a result, they must wait until the next SQE2 sitting in April 2023.
- 14 We have looked again to see if the timetable can be adjusted to enable successful July SQE1 candidates to take SQE2 in October. We have concluded that the options are either not possible or practical or they come with unacceptable risks of error or unfairness. Our overriding objective must be to ensure the accuracy of the assessment results and more time is needed in the

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early stages of running the SQE to process results. We have decided, therefore, not to make changes to the timetabling in 2022.

- 15 We are still offering candidates the opportunity to progress from SQE1 to SQE2 within a reasonable time period. We will continue to aim to enable candidates to progress between sittings in a timely fashion, the extent of the gap for candidates this time round is a one-off situation because in the future we can reduce the time needed to release results and will be able to offer more sittings of SQE2 (at least three in 2023 and four in 2024).

***Police Station Accreditation Scheme***

- 16 We have published a report by our External Examiner on the current arrangements for the assessment of police station representatives under the Police Station Representatives Accreditation Scheme (PSRAS). The report concludes that the assessments delivered by two authorised providers were sufficiently robust, that there was evidence of good practice and that appropriate quality assurance processes were in place. The report makes a number of recommendations to enhance systems and processes, which we will be working with each provider to implement.

***Consultations***

- 17 We have published our consultation on our [publications policy](#) and as a precursor to consultation, issued a discussion document on the regulation of [pre-paid funeral plans](#). Our consultation on our [2022-23 business plan and budget](#) was also published in May.
- 18 We have received 500 responses to the restoring the keeping of the roll consultation. Responses to the first question on whether the annual keeping of the roll exercise should be restored are generally positive. Replies on whether an administration charge should be introduced of no more than £30-40 are mostly negative. Several respondents commented on our draft impact assessment, highlighting that older people and women who may be on career breaks could be adversely affected. We will bring a fuller analysis to the Board at the July meeting.

***Regulators Pioneer Fund (RPF) update***

- 19 Our RPF2 Access to Justice project formally concluded successfully at the end of March. We submitted a final project report to BEIS and are now preparing a public report that will be accompanied by a video to publicise some of the learning and models for future projects. BEIS has indicated that there is a possibility of a third round of the RPF.

***Consumer survey on unbundled services***

- 20 We have commissioned a survey with YouGov to hear from legal consumers to test understanding of the term "unbundling" and views on outcomes, and how

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successful they were. The focus is on all kinds of legal services, although conveyancing is excluded from the groups as it is much more prevalent in terms of unbundling.

***Comparison websites advertising campaign***

- 21 We have completed an eight-week long online advertising campaign promoting the availability of comparison websites to the public. The campaign, which directed the public to an interactive tool on our website where they could compare the features of such sites, was seen by more than 1.3 million people and generated 50,000 visits to our site.

***Research update***

- 22 We continue to develop our research and analysis approach. After a competitive procurement process, we will shortly be announcing contracts for three significant pieces of research. The first seeks to understand the reasons for the overrepresentation of minority ethnic groups within complaints reported to us and the first phase of our enforcement activity. The second is an in-depth study of the unreserved sector, its structure, how it is developing and the scope for benefits or detriments to consumers. The third is for an independent three-year evaluation of the impact of our transparency reforms, which were designed to give consumers better information to help them identify and choose a legal services provider.
- 23 We will also be evaluating the impact of the two pilots that we have run in collaboration with other legal regulators, legal service providers and intermediaries. These centre around providing consumers with indicators of quality when choosing a legal services provider and the use of unbundled legal services, where the client does part of the work on a case.
- 24 We have [published](#) a prototype of a new tool which maps deprivation against legal service provision. We developed this tool building on the methodology designed by the University of West England as part of our BEIS Regulator Pioneer Fund Access to Justice. This tool is highly interactive and can help visualise access to justice issues such as justice deserts. It has attracted interest from other legal regulators and the MoJ.

***SRA Law Society (TLS) collaborative working protocol***

- 25 There are three areas listed in the protocol that we have agreed to work collaboratively with TLS on in particular: technology, AML and equality, diversity and inclusion (EDI).
- 26 We continue to liaise closely with TLS on AML and in particular on potential changes to financial sanctions requirements.
- 27 We have been working closely with TLS on the equality issues arising out of the SQE and the collection and reporting of diversity data. To ensure consistency, we have recently aligned how we report the diversity data we hold about the

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profession and worked together on our approach to judicial diversity reporting by the Ministry of Justice.

***Competition and Markets Authority (CMA) appeal***

- 28 On 25 May 2022 the Supreme Court handed down its judgment in the case of Flynn Pharma Ltd & ors v CMA [2022] UKSC 14. This was an appeal brought against a Court of Appeal decision which asserted that “the starting point or default position is that no order for costs should be made against a regulator who has brought or defended proceedings in the Competition Appeals Tribunal acting purely in its regulatory capacity”.
- 29 We intervened in the proceedings because the case centred on the principles in the case of Baxendale-Walker v Law Society [2007] EWCA Civ 233. These are the principles which support the current approach on costs orders where we are not successful in disciplinary proceedings before the Solicitors Disciplinary Tribunal. The Baxendale-Walker approach is intended to “encourage public bodies to exercise their public function of making reasonable and sound decisions”. If that decision had been overruled, there would be a real risk of adverse effects on our decision making from the “fear of exposure to undue financial prejudice if [our decisions are] successfully challenged.”
- 30 The Supreme Court made reference to our intervention in its judgment, noting that we bring about 120-130 prosecutions each year, and we are predominantly funded by practising certificate fees, which are collected from the solicitors’ profession itself, with the costs ultimately passed on to the public. Whilst it allowed the appeal, it expressly preserved the current position for cost orders against the SRA in the SDT.

***Powers of attorney***

- 31 We have set up two powers of attorney, approved by the Board Chair and Senior Independent Director/Chair of the Audit and Risk Committee. The first of these allows for certain named individuals to execute deeds on the SRAs behalf within our enforcement and recovery proceedings, which will primarily include charges over property as part of our cost recovery action. The second enables members of the Executive team to execute deeds on behalf of SRA Ltd which relate to matters already delegated to them in accordance with the delegation framework.

***Future Workspace***

- 32 With both office spaces now fully open, staff are adapting to work under the hybrid ways of working. The initial feedback from staff on the refurbished Cube and the new office space in London is very positive. We are monitoring the space for usage and capacity to ensure we continue to offer a workspace that suits the needs of the organisation. We plan to send out a pulse survey towards the end of the first six months to give insight into how staff are settling down. We are now exploring office space locations in Cardiff with a view to finding a solution in autumn this year.

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- 33 We agreed early on in the refurbishment programme to have the design and build assessed for its impact on the environment. This was through an accreditation specifically tailored for such building works. At the end of the programme, the ‘Ska’ rating, underpinned and ratified by the Royal Institute of Chartered Surveyors, gave our work a ‘Gold’ rating. The final report said:

“the fit-out of the 11th & 12th floors has provided SRA with a stunning office space that has been sympathetically designed to incorporate environmental best practice, whilst creating collaboration spaces for staff to work, network and relax. SRA achieved a Gold rating for the 11th & 12th Floors, which is the highest Ska accolade for a sustainable fit-out. SRA are one of only a handful of companies that have achieved Ska Gold certification. They have designed a contemporary modern-day office, that surpasses the standards required by regulations, and incorporated innovative solutions that minimise the environmental impact of the offices”.

This accreditation allows us to offset the carbon footprint created to a cause of our choice.

***Recruitment update***

- 34 We have two discreet areas of the business where we traditionally struggle to recruit. When recruiting for the Contact Centre, particularly in readiness for PCRE, we have over the last three to four years struggled to recruit sufficient resource. The competition from other regulators and contact centres in Birmingham is high. We introduced a pilot scheme in July 2021 whereby we opened up the recruitment in the Contact Centre to bring in new staff on a fixed term contract working solely from home. This opened up the market to a national level and instantly gave us sufficient resource for PCRE within the Contact Centre and subsequent campaigns have been just as successful. Areas such as training, wellbeing and collaboration were well managed.
- 35 With the retention in contact centres nationwide being typically higher than most other areas, and to continue successfully recruiting in this area, we plan to continue this type of recruitment in the Contact Centre on a permanent basis and on permanent roles. Anyone living within a commutable distance from The Cube will be expected to commute into the office on a hybrid working contract. However, those outside of the commutable distance will work from home permanently with an expectation to come into the office for training and team meetings on a fairly regular basis. This will give us better resilience with having a contact centre workforce working both from the office and at home.
- 36 The investigation team and more specifically the Investigations Officer role (circa 85 staff) is another area where we struggle to recruit. We have for several years discussed that we believe we have started to exhaust the Birmingham market. More recently we recruited heavily into the team looking for 15 new officers and ran a pilot whereby we offered home working contracts on a permanent basis for candidates living outside of a commutable distance from any of our offices, including the forthcoming Cardiff office. Out of 14 successful candidates, a couple will be working from home, eight in the Birmingham office, two in London and two

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awaiting the opening of the Cardiff office. We plan to continue with this pilot for the remainder of this year with other pending recruitment campaigns for investigation officers placing a greater emphasis on the use of the Cardiff office as an option so we can fully explore the Welsh market.

***Ethnicity pay gap published***

- 37 For the first time, we have [published](#) our ethnicity pay gap and are encouraging others in the sector to do the same. Our data shows that we have a long way to go. Although we have good ethnic diversity in our workforce, we don't when it comes to diversity in senior positions. We are working hard to do all we can to address this problem and are developing an action plan in the coming months.

***Bar Council and Bar Standards Board cyber attack***

- 38 The Bar Council and Bar Standards Board (BSB) suffered a cyber-attack in April, which took their systems offline for several days. As a result of this, we undertook a review for any signs of unusual activity. There is nothing we have identified so far but we will keep reviewing this.
- 39 The incident at the BSB has highlighted the risk of a cyber-attack and the significant impact it can have. The controls we have in place put us in a good position in relation to the attack methods we would expect to see but this risk is constantly evolving. For instance, there was a significant rise in malicious emails in the last quarter being blocked, which shows that our technical controls are working in this respect.
- 40 We have been issuing reminders to staff and have brought forward our annual refresher training, as well as including a session on cyber security at our line managers awayday in May. We will continue to monitor this risk closely and consider additional controls in response to the changing threats.

***Report to Information Commissioner's Office (ICO)***

- 41 A completed report form was mistakenly shared with a small number of unconnected individuals. The report form contained sensitive information relating to a customer.
- 42 We contacted the affected customer to make them aware and contacted the recipients of the completed form to ask them to delete it. Given the nature of the information, we also considered that this met the threshold to report to the ICO. We have explained the steps we took to contain this incident, as well as steps we are taking to reduce the likelihood of a similar incident occurring in future.

***LSB business plan***

- 43 The LSB published its [Business Plan for 2022/23](#) at the end of March following a public consultation. It is the second business plan under its '[Reshaping Legal Services](#)' strategy, and aims to strengthen progress in overcoming the nine

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challenges identified in the strategy. It also sets out new workstreams the LSB will be taking forward in 2022/23, including financial protection arrangements, consumer redress and the rule of law and regulation. We discussed the business plan and potential opportunities for joint working with the LSB at our recent Board to Board meeting.

***Independent review of legal services regulation supplementary report***

- 44 In June 2020, Professor Stephen Mayson at University College London published his [Independent Review of Legal Services Regulation report](#). In April 2022, he published a [supplementary report](#) on consumer harm and legal services which looks at consumer harm, its causes, effects and consequences, and the extent to which the current regulatory framework can deal with it. The conclusions support the principal recommendations made in the Final Report published in 2020, including calling for an extension of the scope of regulation.

***Stakeholder Engagement***

- 45 Our ongoing engagement programme with stakeholders continues. We have had meetings with a number of Parliamentarians, including the Shadow Attorney General Emily Thornberry MP and Shadow Solicitor General Andy Slaughter MP, the Conservative backbencher Bob Seely MP, as well as the Ministry of Justice Permanent Secretary, Antonia Romeo.
- 46 We have held a liaison meeting and symposium with the City of London Law Society and met with the President and Chief Executive of the Law Society of Scotland. Juliet Oliver has also spoken to the Society of British Bangladeshi Solicitors, attending their reception in Parliament.
- 47 On 17 May we held a Parliamentary reception in the House of Commons, with around 30 MPs and Peers in attendance. Speakers were Solicitor General Alex Chalk QC MP and Labour Shadow Justice Minister Ellie Reeves MP, who also sponsored the event.
- 48 We held two events – a dinner and Senedd reception - in Cardiff for our Board and senior team to discuss opportunities and challenges in the legal sector in Wales. We engaged with more than 50 stakeholders - from Welsh Government to consumer groups; local charities to universities; solicitors to members of the Senedd, as well as members of the Law Council of Wales. The Counsel General spoke at both events.
- 49 In addition to a meeting with the Counsel General and a series of meetings with Welsh Government, which included discussions on opportunities around lawtech, we also met with the National Advice Network for Wales and attended the Legal Services Board's Wales virtual event. We have also been discussing our business plan with a range of Welsh stakeholders.
- 50 We have established and sponsored a new equality, diversity and inclusion award at the Wales Legal Awards.

**SRA BOARD**  
7 June 2022

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**Annexes**

**Annex 1** Letter from TLS – Extension of SIF

**Annex 2** Letter from TLS to SIF Limited – Extension of SIF

*NB: the annexes to this paper will not be published because they relate to emerging strategy or policy.*