

Solicitors Regulation Authority Limited
Company No. 12608059

SOLICITORS REGULATION AUTHORITY LIMITED
(A COMPANY LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022

Solicitors Regulation Authority Limited

Year ended 31 October 2022

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FOREWORD

This is our first full year annual report as Solicitors Regulation Authority Limited; we were established as a distinct legal entity within the Law Society Group in June 2021.

The new arrangements have created more transparency for the profession and the public about our roles and responsibilities – the Solicitors Regulation Authority (SRA) as the regulator and the Law Society, as the professional body for solicitors in England and Wales.

In the wider world, the only constant has been change. We have had to make sure we were fleet of foot so we could respond appropriately. As we emerged from the pandemic, we were all faced with the Russian invasion of Ukraine and a new set of legal challenges. From making sure firms understand their obligations to comply with sanctions to being clear that abusing our courts' litigation processes is unacceptable, we have had to respond swiftly to a fast-moving situation.

Increased fining powers, and further legislative change winding its way through Parliament as we write this, should help us deal with cases more quickly and efficiently, saving time and cost for everyone. Notwithstanding new demands, you will see that we have achieved everything else we set out to do this year – from the first ever Solicitors Qualifying Examination to a range of work to make sure we are maintaining high professional standards.

The cost-of-living crisis will further exacerbate the access to justice problem, which is why we continue to emphasise work to look at how technology and innovation could help. We also continue with our research programme and share insights, so we can work with others to help make sure policies are based on the best available evidence.

As new priorities have emerged the Board has had a particular focus on tight budgetary control, identification of efficiencies and the delivery of value for money. We were determined to manage within the budgetary envelope we had set for the three year corporate strategy that finishes at the end of the 2023.

While our financial outturn for 2022 was satisfactory, our reserves are still £1m under the required range set by our Board. There is a limit to how far we can continue to go in doing more for less or the same. And we are very conscious that the future is likely to continue to bring new demands on our resources. So as we look ahead to develop a new three-year corporate strategy, we will be thinking carefully about the funding we will need to make sure we can continue to be an efficient and effective regulator.

We are fully committed to good governance, to transparency and to accountability, and hope you find the contents of this report helpful. More information is available on our website, including regular reporting on our decision making and performance. We are always open to hearing your views and your feedback.

Anna Bradley
Chair of the Solicitors Regulation Authority

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STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2022

The directors present their strategic report on the company for the year ended 31 October 2022.

Incorporation

Solicitors Regulation Authority Limited was incorporated on 18 May 2020. On 1 June 2021 we began operating, carrying out a number of functions previously undertaken by the SRA as part of the Law Society, a Royal Charter Company (RC000304). The year ending 31 October 2022 represents the first full year of operations. The comparative is for the five month period to 31 October 2021.

Review of the year

The Solicitors Regulation Authority (SRA) is the largest regulator of legal services in England and Wales, covering around 90% of the regulated market. We oversee more than 210,000 solicitors and around 9,600 law firms.

We protect members of the public and support the rule of law and the administration of justice. We do this by overseeing all education and training requirements necessary to practise as a solicitor, setting the standard and behaviours for solicitors and firms, and taking action when things go wrong. We also work to create an innovative, competitive legal market to help improve access to legal services.

This year (1 November 2021 – 31 October 2022) was the second year of the implementation of our 2020 to 2023 strategy, which focuses on three objectives: high standards for the profession and ourselves, supporting innovation and technology that can assist people to access legal help, and anticipating and responding to change.

In this review of the year, we cover some of the key achievements and milestones in delivering these three strategic priorities.

1. Setting and maintaining high standards

The new SQE and continuing competence

- We have introduced a new single, rigorous assessment - the Solicitors Qualifying Examination (SQE). Four assessments took place this year. The Independent Reviewer confirmed that both the SQE1 and SQE2 were fair, valid, reliable assessments, and that operationally they generally went well.
- We are introducing the SQE in the medium of Welsh through a phased approach. A pilot exercise to test the running of SQE2 assessments in Welsh went well. In 2022, candidates have had the option to take parts of both the written and oral assessments of SQE2 in Welsh.
- We have progressed work to make sure that, once qualified, solicitors continue to keep their knowledge and skills up to date. This includes publishing a range of resources for solicitors who practise civil or criminal advocacy to support good standards of advocacy, and consulting on proposals to improve our regulation of the Police Station Representatives Accreditation.

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Protecting the public

- The vast majority of solicitors work to high standards. However, if solicitors fall short of what is expected, we step in. We take action to help keep the public safe: ranging from fines to referrals to the Solicitors Disciplinary Tribunal (SDT). We brought 76 cases to the SDT this year (2021 5 month period: 47 cases). We also intervened into and closed down 25 (2021 5 month period: 11) law firms where we felt there was a significant and immediate risk to clients and the public.
- We can help members of the public and small businesses that have lost money in certain circumstances, for instance due to a dishonest solicitor. This year we paid out £15m from the SRA Compensation Fund (2020/21: £27m). The Compensation Fund is a non-consolidated entity which is maintained and administered by the SRA under requirements set out in statute.
- Following consultation in late 2022, we have decided to maintain consumer protection for post six-year negligence as a regulatory arrangement, with the same level of cover as the current Solicitors Indemnity Fund. Analysis shows that an SRA-run indemnity scheme is the most cost effective and proportionate way to do this. From October 2023 the Solicitors Indemnity Fund will be managed and administered by the SRA rather than the Solicitors Indemnity Fund Limited as it is currently.

Consultations on disciplinary processes

- Following consultation, we made a decision on the principles of our new fining regime, including increasing our fining powers for traditional law firms and those working within them. This should help us resolve cases more quickly, saving time, cost and stress for everyone involved. Legislative changes in July 2022 increased our fining powers from £2,000 to £25,000 in such instances.
- We have since consulted on the details of the new fining regime, alongside potential changes to the way we publish decisions to make sure information is easy to understand and useful for both the public and employers. We confirmed next steps on both these consultations in February 2023.

Money laundering and sanctions

- Preventing money laundering is a priority risk for the legal sector. The Russian invasion of Ukraine has further increased the focus on preventing money laundering, as well as complying with sanctions.
- We have a rolling programme of inspections to ensure firms' compliance with the money laundering regulations. We carried out 273 review and inspections during the year (2021 5 month period: 107).
- When we find serious failings in this area, we take action. We handed out 34 fines (2021 5 month period: 11) – either through our own processes or prosecutions at the Solicitors Disciplinary Tribunal.
- On sanctions, we have responded promptly to a fast-changing situation. We have published a range of resources, including guidance, to make sure firms are aware of changes and to reconfirm the importance of compliance. Our online resources on economic crime have been viewed around 55,000 times. We have also carried out spot checks on firms who may be exposed to the Russian market.

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Supporting compliance

- We published a range of guidance and resources to support compliance, including webinars attracting more than 38,000 views. Topics covered included creating healthy working environments, the issue of sexual misconduct, and not misusing the litigation process, particularly in relation to strategic litigation against public participation (SLAPPs). Solicitors should not be abusing the litigation process to prevent legitimate scrutiny from journalists, academics and campaigners.

Improving how we work

- We must also maintain high standards in our work. In December 2021, the Legal Services Board confirmed that we met all 27 of its performance outcomes, including on being well led. This matched our performance in 2020.
- Our balanced scorecard shows that we are generally meeting our service delivery targets. Although we are making good progress, there are areas for improvement. This includes our commitment to further reduce the time it takes for us to conclude cases, especially cases that have been open for a long time.
- The 2022 practising certificate renewals exercise was successfully delivered. The process was significantly smoother than in previous years and the renewals 'window' closed as planned on 31 October 2022 with renewals in line with expectations.
- The Institute of Customer Service has re-awarded our Contact Centre its ServiceMark accreditation. ServiceMark is a national standard recognising an organisation's achievement in customer service. Stonewall also named us in the top 30 LGBT-inclusive employers.
- We made significant cost savings through reducing our office footprint at The Cube in Birmingham. We have also benefited from efficiencies through moving to a new, more accessible office in London.
- We have opened a new office in Cardiff. As well as providing a base for staff living in Wales, the office will also help us further build relationships with stakeholders in Wales. We have made good progress on this in 2022, including hosting two Board engagement events in Cardiff, our first fringe event at a Welsh party conference, while also developing relationships with key stakeholders, including the Law Council of Wales.

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2. Promoting technology and innovation

Supporting innovation and innovators

- Following a grant award by the Department for Business and Energy (BEIS) through the Regulators Pioneer Fund, we carried out work to help connect those using new legal technologies with those who need their services. The project involved working with universities, councils and advice agencies and communities in South Wales and the South West.
- We published a report on the findings from the first part of this work. In the second phase of work, we ran a series of justice innovation challenges to show where targeted application of legal technology can help those who need access to legal advice. This included the creation of a mapping tool to pinpoint areas underserved by legal advice, and a new tool to help advice agency staff assess eligibility for disability benefit appeals which is being hosted on the AdviceNow charity website.
- As part of our SRA Innovate programme, we supported 25 start-ups in 2022, with more than half of these receiving regulatory advice.
- We have concluded work with a large consultancy looking at options for how we can provide further support to the legal sector directly through an SRA-managed sandbox.

Offering insights

- We have shared practical and policy insights on innovation in the legal sector – and beyond - through a series of events and webinars, attracting around 3,200 participants, as well as through our new newsletter, Lawtech Insight.
- The SRA is leading on a professional services LawTech Working Group where we have partnerships in place with Canada, the UAE and support from observation groups in Singapore, Denmark and Italy.
- We ran a programme of work with law firms looking at the opportunities and challenges in offering unbundled services. By enabling the client to complete more simple tasks, unbundled services have the potential to make legal services more affordable. Specifically looking at the area of family law, the pilot got insights from both law firms and consumers. Next steps will include guidance for firms and information for consumers to help them understand the opportunities and what to consider in this area.

Better information for consumers

- We provided consumer-focused information on potentially using technology to access legal services. A one-month campaign promoting this content resulted in around 125,000 visits to our website.
- We continue to see increases in the number of visitors to our consumer facing pages. Our Solicitors Register is particularly popular, attracting more than 4 million views this year.
- Legal Choices is the public facing website and social media presence we manage on behalf of the legal regulators. Annual visits to the website exceeded 1.3 million.

3. Anticipating and responding to change

- We consulted and finalised our business plan and budget for 2022/2023. This includes seeking to understand emerging issues in the sector and whether our planned programme of work is appropriately responding to changes in the legal sector and beyond. We engaged with close to 15,000 people.
- We published a new look risk outlook in November, focused on the challenges and opportunities with the sector emerging from Covid-19. We also published two targeted risk outlooks on the issues of cybercrime and innovation.
- We concluded our first-year evaluation of our Standards and Regulations and a review of both law firms' and consumers views on comparison websites. We completed a collaboration with the Legal Services Board (LSB) to research the social acceptance of technology to help the market to understand and compare how receptive consumers and the profession are to using technology in different circumstances.
- We aim to encourage interaction and debate about big issues affecting the legal sector. We have done this through a series of webinars and insight pieces in the national and legal trade press. Topics have ranged from changes in regulation to the benefits of transparency; professional education to our future work.

Understanding and promoting diversity in the profession

- We completed our analysis of the firm diversity data collected in summer 2021. Following a focused project to engage with law firms which had not reported their data to us we achieved a response rate of nearly 100 per cent.
- We published our third annual report on the diversity profile of individuals within our enforcement work this year. The findings were similar to earlier years with overrepresentation for men and solicitors from a Black, Asian and minority ethnic background in reports received and in those we take forward for investigation. We have appointed a consortium of experts from the Universities of York, Lancaster and Cardiff, to better understand the reasons for these patterns, which have been seen in the profession and in wider society over many years.
- We commissioned the University of Exeter's Schools of Law and Business to carry out a major piece of research on what causes differing levels of attainment for Black, Asian and minority ethnic groups in professional legal assessments. We have sought feedback on the high-level findings from the first phase of research from stakeholders, ahead of sharing those findings in 2023.
- Emphasising the importance of maintaining high ethical standards in relation to equality diversity and inclusion, we consulted on adding to our codes an explicit obligation to treat colleagues fairly and with respect, and not to bully, harass or unfairly discriminate against them. We will implement these in 2023 with further guidance.

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- We continued to promote diversity in the profession through partnership working and providing resources for law firms. This year we:
 - published our report on the barriers that parents can experience as a result of pregnancy and maternity and held webinars on trans and non-binary inclusion and inclusion for neurodivergent lawyers in the workplace
 - worked with the Socio-economic Diversity Taskforce to launch its final report with recommendations and a five-point plan to incentivise employer action
 - supported and sponsored a range of organisations with their work to promote diversity including the inclusion of a new award for excellence in diversity in the Wales Legal Awards
 - came together with other legal regulators and law firms at Pride parades in London, Cardiff and Birmingham to support LGBTQ+ inclusion.

Environmental Considerations

As a responsible organisation, we have a duty to consider our impact on the environment and use resources effectively. In order to do this, we have in place an accredited ISO:14001 Environmental Management System which helps us to deliver on our objective of becoming more sustainable.

Partly due to the pandemic but also due to IT improvements and changes to the way we work, we have significantly decreased our use of paper by working electronically. Our travel has also decreased with more use of virtual meetings and webinars. These are changes that we have now permanently incorporated into our ways of working following the pandemic.

The move to a hybrid working model also enabled us to reduce our office space which provided a significant reduction in our use of resources. During the year we completed the refurbishment of our Birmingham office space in line with best practice on sustainable building practices to minimise our environmental impact in the longer term. We will be able to measure the impact of hybrid working now we have a 12 month baseline of energy usage, travel and waste working in the new hybrid environment. This will allow us to measure the impact and the effectiveness of our plans to reduce our carbon impact as time goes on.

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Financial review

The financial year to 31 October 2022 represents the first full year of operations for Solicitors Regulation Authority Limited. We carry out a number of functions which, until 1 June 2021, were undertaken by the Solicitors Regulation Authority as part of the Law Society, a Royal Charter Company (RC000304).

In practical terms the operations of Solicitors Regulation Authority Limited represents a like for like continuation of the operations of Solicitors Regulation Authority as an operating unit within the Law Society.

The result for the twelve months to 31 October 2022 was a surplus of £1.67m (2021 5 month period: £1.88m).

Income

The majority of our funding comes from annual fees set each year. We charge these fees to individuals (eg practising certificate fee) as well as to firms (recognised bodies and licensed bodies). These are mandatory and must be paid in order for individuals and firms to practise.

These fees are invoiced from 1 October to cover the following November to October period. Therefore, the fee income recognised in the 2021/22 year was predominantly collected prior to the start of the financial year. The amount recognised in the financial year was £58.1m (2021 5 month period: £24.1m). At the end of October 2022 there were 160,676 practising solicitors and 9,636 solicitor firms (October 2021: 156,928 and 9,860 respectively). These can range from sole practitioners to large firms, with a global presence and thousands of lawyers. Not all solicitors are practising, the total number of solicitors on the roll was almost 220,000 at the end of October 2022.

For 2022/23 the individual practicing certificate fee was set at £286, an increase from £266 in 2021/22. Not all the fees collected are retained by the SRA, a proportion is collected on behalf of the Law Society to fund elements of its work and levies to external bodies. The Law Society share of practising fee income is reported within the consolidated accounts of the Law Society Group. Around £151 (2021: £145) of the fee funds the work of the SRA.

Fees for firms vary and are related to the turnover of each firm. The 2022/23 fee collection window opened on 1 October 2022 and closed on 31 October 2022. At 31 October 2022 £54.1m (2021: £22.5m) of invoices had been raised and recognised as deferred income for the 2022/23 renewal year. By the end of January 2023 £59.6m of invoices had been raised (2021: £56.9m) and £64k of the year end debtors remained outstanding (2021: £62k).

In addition to the practising fees a levy is collected on behalf of the Compensation Fund (the fund) (a non-consolidated entity) which funds compensation claims against defaulting practitioners and the costs associated with its management by the SRA. This is paid by all individual practising certificate holders, except for those working for the Crown Prosecution Service, and by all firms holding client money. The above figures exclude the cash collected on behalf of the Fund.

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Other income

Income recognised from the Fund for costs associated with the management and administration of the Fund by the SRA totalled £7.2m in the financial year (2021 5 month period: £3.4m). Additionally, we collected £2.8m in administration fees for other applications from individuals and firms (2021 5 month period: £1.4m).

Solicitors Qualifying Examination

The Solicitors Qualifying Examination, or SQE, is the assessment for all aspiring solicitors in England and Wales. It is designed to assure consistent, high standards for all qualifying solicitors. The SQE is split into two assessments – SQE1 and SQE2 with multiple sittings of each assessment taking place during the year. The first sitting of the SQE took place in November 2021. The SQE is provided by Kaplan SQE Ltd., working with, and on behalf of, the SRA. During the financial year we recognised £8.4m in income related to the assessments and direct costs of delivery of £8.2m in addition to our internal costs associated with delivering the exam. (2021 £Nil - this was the first year the examination has taken place). We expect this figure to increase over coming years as more candidates sit the examination.

Expenditure

Our total operating expenditure for the reporting period was £75.2m (2021: £27.3m (5 month period)) of which 48% (2021: 51%) was on staff related costs.

Legal and Intervention Costs

The provision for disciplinary proceedings and litigation costs at 31 October 2022 was £1.9m (2021: £2.3m). The provision represents the cost of legal fees to complete ongoing matters at the year end. Costs incurred during the reporting period in relation to interventions are recharged in full to the Fund.

Solicitors Indemnity Fund and post six year run off cover

During the year the decision was taken to extend the operation of the Solicitors Indemnity Fund for a further year following a consultation. As part of this decision we agreed to provide an unconditional undertaking to reimburse the Solicitors Indemnity Fund Limited with the amount of any net solvency shortfall (i.e. any deficit) in its capital arising from the extension of the Fund's liability for post six-year run off claims until 30 September 2023. The likelihood of reimbursement is considered remote and as such no liability or contingent liability has been recognised in the accounts of the SRA.

Assets

During the year we completed improvement works to our Birmingham offices resulting in a significant increase in assets as a result of the capitalisation of the works, furniture and audio visual equipment.

Property

The company leases office space in Birmingham, London and, since October, Cardiff. The floorspace of the Birmingham offices was reduced by 40% in early 2022, while the remaining space was refurbished with the works completed March 2022.

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Cash balances

Cash balances are typically at their highest level following the annual practising fee renewals exercise, which was undertaken during October 2022. The cash balance at the end of the year is therefore higher than at most times during the year. Cashflows continue to be positive throughout November and then reduce throughout the remainder of the financial year until the next renewal period. A revised investment policy was approved in June 2022 providing for cash balances to be actively managed to maximise returns as much as possible while limiting the risk to funds. The average cash balance held during the year was around £44m (2021: £36.0m).

Investments

During the financial year the value of our managed investment portfolio reduced by £676k (around 7%). This reflects the general movement of financial markets over the year rather than being anything specific to the SRA. Much of this is unrealised losses which may not be realised. Our investment holdings represent long term reserves and are not required to fund our day to day operations.

Reserves

At the end of the financial period the balance sheet shows net assets of £16.6m (2021: £15.4m), of which £14.8m (2021: £14.8m) is unrestricted reserves once fixed assets are excluded. Our reserves policy outlines a requirement to hold between £15.7m and £22.5m of unrestricted reserves after fixed assets are excluded; the policy is guided in part by guidance issued by the Legal Services Board (LSB) who regulate the SRA. The policy identifies the long term level of reserves considered appropriate. This being our first full year of operations, reserves were determined very much by the initial capital contribution from the Law Society, received in June 2021. As part of the annual approval of practising fees by the LSB we are required to outline our reserves policy and plans to move towards the minimum level of reserves if we are not at that level. The reserves position is considered by the Board when it sets the level of practising fees each year. The fees for 2023/24 will be consulted on from April 2023.

Financial Key Performance Indicators

The Directors consider that the key financial performance indicators are as follows

- Revenue for the year was £76.6m (2021 5 month period: £29.2m)
- Surplus for the period was £1.7m (2021 5 month period: £1.9m)
- The company had a cash and cash equivalents balance of £75.7m at the end of the period (2021 5 month period: £35.2m)

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Risk governance and management

Our Risk Management Framework sets out the policy and framework for managing and obtaining assurance on all risks likely to adversely impact on the successful delivery of our strategic and regulatory objectives.

It provides the guiding principles within which the risk management process is managed and operated. In accordance with that framework, we maintain risk registers at three levels; high level risks are documented on our Strategic Risk Register. A Mid-Tier Risk Register brings together more significant or organisation-wide risks which are not at the strategic level, and both the Strategic and Mid-Tier Registers are underpinned by operational risk registers across the organisation.

To support the transparency of a structured risk reporting cycle, the Strategic Risk Register is presented to our Audit and Risk Committee and Board on a quarterly basis. The Audit and Risk Committee also reviews the Mid-Tier Risk register. Management of both these registers sits with the Senior Management Team which monitors them regularly.

To further support risk management activity, we have continued to enhance risk governance and management systems during this period. This has included deep dives on strategic risks by our Audit and Risk Committee, a wider internal quarterly review of strategic and mid-tier risks and training for all managers on internal controls.

We have been ever mindful of the increasing risk posed by cyber security, as for most organisations. We apply the controls in the ISO:27001 framework, in line with recognised best practice, and on 23 December 2022 received confirmation of our certification to this standard.

We continue to invest in our technical resources and capabilities to deal with existing and emerging risks as effectively as we can. This includes engaging additional cyber security partners to assist with incident management and response.

In 2022, we carried out the annual fundamental review of the strategic risk register. The principal risks have been captured on this register and cover the following risks:

- Risks around delivery of crucial areas of work – specifically the SQE, our Investigation and Enforcement work, and our anti-money laundering agenda.
- Risks around the adequacy of our response to legislative and policy changes, developments in the legal services market, and the equality, diversity and inclusion agenda.

At the time of writing, five of the six strategic risks sit within the Board's risk tolerance. One risk 'a failure to deliver an effective Investigation and Enforcement casework function, resulting in significant adverse publicity and/or outcomes which fail to protect the public interest' is currently outside of tolerance. This is mainly due to an increase in the median time to conclude cases. The Board is monitoring this risk closely and has agreed three further controls - short and longer term actions to address the concern. Based on our current planning we are aiming to deliver the further controls by the end of 2023 and expect the risk to return within tolerance at that stage.

Overall, the Board is satisfied with how these risks are managed with appropriate mitigating controls in place including strong governance arrangements, close monitoring of delivery milestones, effective stakeholder engagement and longer-term planning. We work to the three lines of defence model with a strong control framework which is regularly updated and rigorously tested.

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Statement of Compliance with section 172 (1) of the Companies Act 2006

Directors Duties

The directors are required to act in a manner which complies with their duties as set out in the UK Companies Act 2006. In summary, Section 172 of the UK's Companies Act requires a Director of a Company to act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its members. In doing this, the Director must have regard, amongst other matters, to the:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

The following is an overview of how the Board has performed its duties in this regard during this year.

People

The company's employees are fundamental to the successful performance of the business, Employees are regularly kept updated through organisation wide business updates which provide an opportunity to feedback on key business activity and upcoming changes. The staff forum and staff union offer representatives of employees regular access to the Chief Executive and members of the senior management team to address important and topical issues. Throughout the year the Board receives regular updates on matters relating to employees as part of quarterly performance reporting. An annual staff survey offers employees the opportunity to provide their views in an anonymous format. The results of these surveys are provided to the Board. The structure of annual pay awards is agreed with the Union each year allowing employees to be consulted in advance of decisions being made. This year we have implemented a new approach to salary banding which will help us remain competitive in the market and provides a more transparent and fairer structure which recognises managerial and technical skills of our staff.

We expect the law firms we regulate to create and champion an equal and diverse culture, so we make sure we do the same. We expect our staff to consider equality, diversity and inclusion (EDI) throughout their work, whatever their role and our staff networks help to promote a culture of inclusion. We have active networks for women, race ethnicity and cultural heritage, sexual orientation and gender identity, carers and working parents, disability and a new network for men. We also have Mental Health First Aiders.

We promote inclusion for all staff through our EDI policy which covers our values and behaviours, attraction and retention, reasonable adjustments and how we support the health and wellbeing needs of our staff. When refreshing our values this year, we made sure to retain our Inclusive value and all staff are required to carry out mandatory training, including our new overarching elearning module on conscious inclusion. This is supplemented by individual training modules, including the spotlight on trans and non-binary inclusion that we launched this year.

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Our training and other initiatives to promote career development are made available to all staff, and we track a range of employment areas throughout the employment lifecycle to make sure these opportunities are being accessed fairly by all groups.

We monitor the diversity of our staff, covering all the diversity characteristics we collect from the profession and publish an annual breakdown of the data. This includes questions about socio-economic diversity and caring responsibilities. We publish our gender pay gap data as we are required to do, and this year chose to publish our ethnicity pay gap, providing the figures for 2021 and 2022. This has highlighted the underrepresentation of Black, Asian and minority ethnic staff at senior levels in our workforce. We have published targets to double the number of staff from these backgrounds to 16 per cent within five years and 20 per cent by 2032. We have introduced an interorganisational mentoring scheme for Black, Asian and minority staff and staff from these backgrounds are reverse mentoring our executive team. We will continue to monitor the position and plan further work, to address the gap, focusing on recruitment and career opportunities for underrepresented groups.

We are a disability confident level 2 employer which enable us to make the most of the opportunities provided by employing disabled people. Our activities over this reporting year to promote LGBTQ+ inclusion resulted in us being awarded a Gold employer's award from Stonewall and in early 2022 being named in the top 30 employers in their Workplace Equality Index.

Supplier relationships

In order to successfully manage the business, strong relationships are maintained with key suppliers. The organisation expects suppliers to conform to its code of conduct to ensure good practice across its supplier base. Regular engagement is sought from suppliers on both commercial matters and other considerations such as environmental issues, equality, diversity and inclusion and innovation, building resilient partnerships with suppliers and reinforcing the importance of the organisation's commitment to high standards of behaviour both for itself and its suppliers.

Regulated population and other stakeholders

Our Business Plan and Budget for 2022/23 were approved during the reporting period. Both were consulted on widely over a two month period. We took a multi-channel approach to engagement using traditional media, digital channels, such as webinars, social media and e-newsletters and direct engagement with a wide range of stakeholders through workshops and focus groups. Our aim was to raise awareness of the consultation, encourage formal written responses, while also gathering feedback through direct engagement and on specific points through social media.

The results of the consultation were considered by the Board in July 2022 before a decision was made on the final budget and business plan for 2022/23.

The budget, alongside that of the Law Society, determines the level of practising fees paid by the regulated population and these were approved by the Board on 19 July 2022 prior to approval by the Legal Services Board.

Any significant changes to the way in which the profession is regulated, or that may significantly impact the profession are subject to consultation before decisions are made. During the reporting period we consulted on a number of issues.

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Our consultation on financial penalties sought views on proposals in relation to our approach to financial penalties, with a view to resolving cases much more quickly, reducing cost, delay and stress for the profession as well as improving public protection, consistency and providing a deterrent to reduce future risk of repeated behaviour. This consultation closed in February 2022 and resulted in decisions to seek an increase in fining powers, which increased the maximum amount we can issue internally for traditional firms and those working in them from £2,000 to £25,000. It also provided strong support for introducing fixed penalties for some less serious offences and updates to our guidance around some behaviours.

A second, follow up, consultation in August 2022 asked for views on detailed plans to implement the decisions taken following the first consultation. The outcomes from this will inform the implementation of changes during 2023.

Between November 2021 and February 2022 we asked for views on post six year run-off cover and the Solicitors Indemnity Fund (SIF), specifically our regulatory position in relation to the future of post six-year run-off cover for solicitors and law firms and the future of the SIF. As a result of the feedback received the Board agreed to further extend the operation of SIF for 12 months to allow time to work with stakeholders on a future indemnity scheme to be run by the SRA. We began consulting in October 2022 on the rules and arrangements for this scheme.

A consultation ending in May 2022 proposed changes to the SRA Code of Conduct for Solicitors. The proposed changes aimed to clarify our approach to issues around appropriate treatment of work colleagues by the individuals and firms we regulate and a solicitor's health and fitness to practise. With one exception, the Board decided to make the rule changes in line with the proposals. Subject to approval from the Legal Services Board, these changes are expected to take effect during 2023.

In July 2022 the Board decided that the annual keeping of the roll exercise would be restored on an annual basis beginning in April 2023. This exercise requires solicitors without practising certificates to confirm their wish to remain on the roll of solicitors on an annual basis. The decision followed a consultation which ran from March until May 2022. The application to approve this change was submitted to the Legal Services Board in December 2022.

All current and previous consultations are available on our website.

Members

The Law Society is the sole member of the company. The company is committed to successfully performing and discharging any and all functions as delegated or conferred upon the Company by the Law Society.

The Board of Directors consider, both individually and collectively, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members (having regard to the stakeholders and matters set out in section 172 (1) of the Act) in the decisions taken during the period ended 31 October 2022.

Approved and signed on behalf of the Board

Anna Bradley
Chair
xx March 2023

Solicitors Regulation Authority Limited

Year ended 31 October 2022

DIRECTORS' REPORT

The Solicitors Regulation Authority Limited was incorporated on 18 May 2020. Its principal activity is to regulate solicitors and law firms in the public interest, protecting members of the public, supporting the rule of law and the administration of justice. This is done by licensing individuals and firms to practise, setting the standards of the profession and regulating and enforcing compliance against these standards, and overseeing all of the education and training requirements necessary to enter the profession and practise as a solicitor. The sole member of the company is the Law Society.

The registered address of the Solicitors Regulation Authority Limited is The Cube, 199 Wharfside Street, Birmingham, B1 1RN.

These financial statements reflect the first full year of operations. The directors present their report and the audited financial statements of the company for the period 1 November 2021 to 31 October 2022. The comparative is for the 5 month period to 31 October 2021.

Directors

The directors during the reporting period were as follows:

		Attended	Meetings
Anna Bradley (Chair)		11	11
Ann E Harrison		9	11
Dr Peter J P Higson	Resigned 31 December 2021	1	1
Paul B Loft		9	11
Barry Matthews	Resigned 31 December 2021	0	1
Geoffrey Nicholas	Resigned 31 December 2021	1	1
Dermot Nolan	Resigned 12 August 2022	9	9
Vikas S Shah		11	11
Elizabeth H Smart		11	11
Selina Ullah		9	11
Tony Williams	Resigned 31 August 2022	9	9
Lisa Mayhew	From 1 January 2022	8	10
Nicola Williams	From 1 September 2022	2	2

On 1 January 2023 Claire Bassett was appointed as a Board member and on 1 March 2023 Rob McWilliam was appointed as a Board member.

The Board

We had a Board of 11 directors until 31 December 2021, 9 until 12 August 2022 and 8 for the remainder of this period.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

One member of the Board, Ann Harrison, was reappointed for a further four years until the end of 2026. From 1 September 2022 Ann also took on the role of Senior Independent Director which had been held by Tony Williams.

Appointments and reappointments to the Board are governed by our Board composition and appointments protocol which forms part of our Governance Handbook which is available to view on our website.

All appointments to the Board including the appointment of the Chair are made on the basis of selection on merit following open and fair competition, with no element of election or nomination by any particular sector or interest groups. Appointments are made by the Chair on advice from an appointment panel for which members are selected by the Nominations Committee each time a recruitment round is held. Decisions on reappointment of directors are made by the Chair, taking advice from the Nominations Committee, guided by objective annual appraisals and the desirability of ensuring a balance between regular turnover and continuity. Appointments to the post of Chair (including the selection criteria and make-up of the appointment panel) will be made by the Board, advised by the appointment panel which shall be established by the Nominations Committee.

Board member remuneration is £12,500 per annum. Chairs of Committees receive an additional £5,000 pa, as does the Senior Independent Director. The Board Chair receives £90,000 pa.

The performance of all Board members is considered on an annual basis through an appraisal process which is conducted against an appraisal framework and behavioural competencies.

Board meetings

The Board held eleven formal meetings during 2021/22. These included four meetings in person, in London, Cardiff and Birmingham, and others held virtually. Board papers and minutes are published on the SRA website.

The Board has continued to hold regular workshop sessions before its formal meetings. These provide the opportunity for engaging with external parties and more free ranging discussion of particular issues in advance of the Executive formulating more formal proposals for the Board to consider. The Board also holds strategy discussions in April and October.

Board transparency

The Board maintains openness of its decision making so that the public from all communities and all sectors of the profession can see that decisions are properly made. This includes:

- publication of a full accountability statement that sets out where our powers derive from, to whom we are accountable, including the public and profession, and how we discharge that accountability
- publication of a Board transparency statement which describes how we share information about the Board, how it works and make decisions, our meeting papers and what we can publish, what we cannot, and why
- full Board minutes and publication of papers and a Chair's blog post meetings
- publication of a Board decision-making framework setting out the factors the Board considers when making its decisions.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

Delegation

We have in place a Board delegation framework which sets out how the Board, Committees and Executive work together to discharge the SRA's functions. The Board has two committees: Audit and Risk Committee and Remuneration Nominations Committee.

The Audit and Risk Committee provides assurance to the Board on matters including:

- The effectiveness of systems to identify and manage risk
- The effectiveness and independence of the internal and external audit processes
- The effectiveness of systems of internal control
- The integrity of the company's financial statements and management accounts.

The members of the Committee during the period were Paul Loft (Chair), Tony Williams (until the end of August 2022), Vikas Shah and Ann Harrison.

The Remuneration Nominations Committee advises the Board on policies relating to the remuneration of non-executive Board Members, committee members, and the Executive Team. The members of the committee during the period were Selina Ullah (Chair), Anna Bradley, Elizabeth Smart, Nicola Williams (from September 2022), Barry Matthews (until 31 December 2021) and Peter Higson (until 31 December 2021).

The Board delegates the day to day operational management of the company to the Senior Management Team which was comprised of:

Paul Philip	Chief Executive Officer
Jane Malcolm	Executive Director - External and Corporate Affairs
Juliet Oliver	General Counsel
Liz Rosser	Executive Director - Resources
Robert Loughlin	Executive Director - Operations and Performance
Tracy Vegro	Executive Director – Strategy and Innovation (until 25 August 2022)

Work with other regulators

We work with the Legal Services Board, the oversight regulator of legal services in England and Wales, and under its rules, including the Internal Governance Rules 2019 (IGRs) which safeguard the independent exercise by approved regulators of their regulatory functions. We also work with the Office for Professional Body Anti Money Laundering Supervision which supervises the professional body supervisors such as the SRA in the legal and accountancy sectors. We also have significant engagement with the other eight legal sector regulators in England and Wales, as well as with regulators such as the Office of the Immigration Services Commissioner, Information Commissioner's Office and the Financial Conduct Authority.

Engagement with employees

As referenced within the Section 172 statement, the staff forum and union represent an opportunity for employees to have their voices heard in a formal setting. We also engage with employees through consultation on significant issues such as changes to working arrangements and the introduction of hybrid working.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

Employment of disabled people

As an organisation, we expect the law firms we regulate to create and champion an equal and diverse culture, so we need to make sure we do the same. We expect our staff to consider equality, diversity and inclusion throughout their work, whatever their role. Our staff networks support the promotion of equal opportunities in terms of policies, procedures, practices, recruitment and career development for employees to ensure disabled employees are treated equally. We also offer portfolio of training to develop our staff in a fair and non-discriminatory manner. We are a disability confident level 2 employer which enables us to make the most of the opportunities provided by employing disabled people. During the year we completed the refurbishment of our Birmingham premises, a move to a new office space in London and the opening of our office in Cardiff, our first in Wales. This supports our move to create a more flexible working environment. The selection and design of our workplaces has allowed us the opportunity to enhance accessibility for those staff with disabilities.

Statement of corporate governance arrangements

While we are not required to adopt the UK Corporate Governance Code, the SRA Governance Handbook requires that Board members should at all times have regard to their obligations as directors of the SRA under relevant legislation, the Articles of Association and the Principles of the UK Corporate Governance Code.

Emissions and energy consumption

The table below shows CO₂ equivalent for energy consumption in the period 1 November 2021 to 31 October 2022.

Source	1 November 2021 to 31 October 2022	1 June 2021 to 31 October 2021
	Tonnes CO ₂ Equivalent (CO ₂ E)	Tonnes CO ₂ Equivalent (CO ₂ E)
Natural Gas	-	-
Electricity	88.97	49.04
Car Miles	40.56	12.91
Flights	5.91	0.18
Rail	8.48	2.05
Total	144.47	64.18
Tonnes CO ₂ E per employee	0.23	0.10
Total energy consumed (kWh)	549,767	Not available

The 2021/22 financial year represents the first full year of reporting and also the first year that total energy consumption figures are available. During the last year we have implemented several energy and carbon savings measures. These include disconnecting all external perimeter lighting within our Birmingham Office. Floor space has also been reduced by 40% as part of a shift to hybrid working. We have been awarded Gold Ska rating from RICS for our office refurbishment and we regularly release communications to raise staff awareness of environmental issues.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

The greenhouse gas emissions have been assessed following the ISO 14064-1:2018 standard and has used the 2022 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage. The financial control approach has been used. This includes the Birmingham office only as data was unavailable for Cardiff and London. These sites do not have a material impact on overall emissions as they are serviced offices with a small number of desks.

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Solicitors Regulation Authority Limited

Year ended 31 October 2022

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This Directors' Report was approved by order of the Board on 14 March 2023

Anna Bradley
Chair
xx March 2023

Solicitors Regulation Authority Limited

Year ended 31 October 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLICITORS REGULATION AUTHORITY LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Solicitors Regulation Authority Limited ("the Company") for the year ended 31 October 2022 which comprise the Income and Expenditure Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLICITORS REGULATION AUTHORITY LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Other - please type in Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLICITORS REGULATION AUTHORITY LIMITED (CONTINUED)

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We made enquiries of management, the Audit and Risk Committee and the directors. This included the following:

- how they have identified, evaluated and complied with laws and regulations and whether they were aware of any instances of non-compliance;
- their process for detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- which internal controls have been established to mitigate risks related to fraud or non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. These include, but are not limited to, compliance with, Companies Act 2006, UK GAAP and tax legislation.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLICITORS REGULATION AUTHORITY LIMITED (CONTINUED)

In addition, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection and health and safety. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Those Charged with Governance and other management and inspection of regulatory and legal correspondence if any.

We considered management's incentives and opportunities for fraudulent manipulation of the financial statements (including revenue recognition and the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Audit response to risks identified

- We reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- We made enquiries of management and the directors;
- We read minutes of meetings of those charged with governance;
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; considered completeness of related party transactions; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- We challenged assumptions made by management in significant accounting estimates, including provisions.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLICITORS REGULATION AUTHORITY LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kyla Bellingall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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Solicitors Regulation Authority Limited
Year ended 31 October 2022

INCOME AND EXPENDITURE STATEMENT

For the year ended 31 October 2022

	Note	12 month period to 31 October 2022	5 month period to 31 October 2021
		£'000	£'000
Revenue	4	76,619	29,212
Operating expenses		(75,211)	(27,349)
Operating surplus for the year	5	1,408	1,863
Interest and dividends receivable	7	290	21
Surplus before taxation		1,698	1,884
Tax on surplus	8	(32)	(4)
Surplus for the financial year		1,666	1,880

All operations are continuing.

The notes on pages 33 to 50 form part of these financial statements.

Solicitors Regulation Authority Limited
Year ended 31 October 2022

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2022

	Note	12 month period to 31 October 2022	5 month period to 31 October 2021
		£'000	£'000
Surplus for the financial year	5	1,666	1,880
Other comprehensive income for the year			
Unrealised (losses) / gains on investments	9	(571)	299
Tax on other comprehensive income	8	72	(72)
Total comprehensive income		1,167	2,107

The notes on pages 33 to 50 form part of these financial statements.

Solicitors Regulation Authority Limited
Year ended 31 October 2022

BALANCE SHEET

As at 31 October 2022

	Note	31 October 2022	31 October 2021
		£'000	£'000
Fixed assets			
Tangible fixed assets	10	1,849	653
Investments	9	8,640	9,316
		10,489	9,969
Current assets			
Debtors	11	35,803	19,558
Cash		75,705	35,239
		111,508	54,797
Creditors: amounts falling due within one year	12	(102,694)	(45,519)
Net current assets		8,814	9,278
Total assets less current liabilities		19,303	19,247
Creditors: amounts falling due after one year	13	(143)	(168)
Provision for other liabilities	15	(2,549)	(3,635)
Net assets		16,611	15,444
Capital and reserves			
Capital contribution		13,337	13,337
Accumulated funds		3,274	2,107
Total		16,611	15,444

Approved and authorised for issue by the Board of Directors on 14 March 2023
and signed on its behalf by:

Anna Bradley
Chair

Solicitor Regulation Authority Limited
Registered no. 12608059

The notes on pages 33 to 50 form part of these financial statements.

Solicitors Regulation Authority Limited
Year ended 31 October 2022

STATEMENT OF CHANGES IN EQUITY

For the Year 1 November 2021 - 31 October 2022

	Capital Contribution	Retained earnings	Total equity
	£'000	£'000	£'000
Balance as at 31 May 2020	-	-	-
Capital contribution	13,337	-	13,337
Total comprehensive income for the period	-	2,107	2,107
Balance as at 31 October 2021	13,337	2,107	15,444

	Capital Contribution	Retained earnings	Total equity
	£'000	£'000	£'000
Balance as at 31 October 2021	13,337	2,107	15,444
Total comprehensive income for the period	-	1,167	1,167
Balance as at 31 October 2022	13,337	3,274	16,611

The notes on pages 33 to 50 form part of these financial statements.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

STATEMENT OF CASH FLOWS

For the Period 1 November 2021 - 31 October 2022

	Note	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021 £'000
Net cash from operating activities	17	42,046	10,227
Net cash generated from operating activities		42,046	10,227
Cash flow from investing activities			
Cash contribution		-	25,000
Interest and dividends		172	-
Purchase of fixed assets		(1,657)	(33)
Sales of fixed assets		-	45
Net cash (used in) / generated from investing activities		(1,485)	25,012
Cash flow from financing activities			
Finance lease payments		(95)	-
Net cash (used in) / generated from financing activities	18	(95)	-
Net increase in cash and cash equivalents		40,466	35,239
Cash and cash equivalents at the beginning of the year		35,239	-
Cash and cash equivalents at the end of the year		75,705	35,239
Cash and cash equivalents consists of:			
Cash at bank and in hand	18	75,705	35,239

The notes on pages 33 to 50 form part of these financial statements.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022

1. Statement of compliance

The financial statements of Solicitors Regulation Authority Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

2. Summary of significant accounting policies

a) Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention with the exception of the valuation of investments. The most significant accounting policies adopted by the SRA are described below and these have been applied consistently, unless otherwise stated.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Solicitors Regulation Authority Limited was incorporated on 18 May 2020 and began operating on 1 June 2021. The previous financial statements were prepared for a five month period to 31 October 2021. These financial statements form the first to cover a 12 month financial year.

b) Going Concern

The financial statements have been prepared on a going concern basis.

The Executive and the Board continue to closely monitor all aspects of SRA's activities and financial performance. Sensitivity analysis relating to potential reductions in practising fee income and has been carried out. The liquidity of investments has also been considered to ensure that funds are sufficiently accessible should they be called upon.

Given the strength of the balance sheet and availability and liquidity of investments and the relative certainty of income, the Board believes that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the SRA's ability to continue as a going concern. The Board, therefore, considers it appropriate for the accounts to be prepared on a going concern basis.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

c) Non-consolidated entities

In the opinion of the Board the following entity should not be consolidated into the financial statements as this entity is not considered to be a subsidiary, associate or joint venture as defined by FRS 102:

- The SRA Compensation Fund

The results of the SRA Compensation Fund (the Fund) which is maintained and administered by the SRA under requirements set out in statute, are not included within these SRA financial statements as the Fund is considered to be held on 'Trust' purely for the specific purpose for which the Fund is created and the SRA does not have the right to access any of the Fund's assets for its own purposes and would not be liable to meet any liabilities created by the Fund if the Fund were unable to meet them. As the SRA does not have control or significantly influence and does not derive anything other than inconsequential indirect benefit, the financial results, assets and liabilities of the Fund are not included in the financial statements of the SRA. The financial statements of the Fund are available on the SRA website.

d) Consolidated financial statements

The company is a limited by guarantee and the sole member is the Law Society. The Law Society was incorporated by Royal Charter. The company is included in the consolidated accounts of the Law Society. These financial statements are the company's separate financial statements.

e) Foreign currency

Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of transaction. All foreign exchange differences have been taken to the income statement activities during the year.

f) Revenue recognition policies

- i. Practising fees collected to fund operating activities

Revenue in relation to practising fees is recognised on an accruals basis, apportioned over the period to which the practising certificate relates (1 November to 31 October, except where individuals join during the year). Income invoiced but not yet received prior to year-end is included in debtors and in deferred income to match the period to which they relate. Practising fees collected by the SRA are only used to fund permitted activities under section 51 of the Legal Services Act 2007.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 OCTOBER 2022 (Continued)

ii. Solicitors Qualifying Examination

The Solicitors Qualifying Examination (SQE) is the assessment for all aspiring solicitors in England and Wales. The first examinations took place in November 2021. Income from SQE entries is recognised on an accruals basis ensuring revenue is recognised as services are delivered.

iii. Other income

There are a number of other income streams. For each, income is recognised on an accruals basis ensuring that revenue is recognised as the services are delivered. The date of delivery is typically the invoice date.

There is one significant exception to this which is Periods of Recognised Training. Revenue in relation to Periods of Recognised Training is apportioned over the period to which the training is undertaken which is 2 years.

iv. Income from the SRA Compensation Fund

The SRA manages and administers the activity of the Fund on behalf of the Fund. The cost of this activity is recovered from the Fund. This income is recognised when actually calculated and notified to the Fund by the SRA on a monthly basis. The costs to be charged to the Fund are agreed by the Audit and Risk Committee. The amount recharged represents the work done directly on behalf of the fund as well as an agreed proportion of overhead costs allocated to the Fund.

v. Investment income

Income from investments is recorded as interest income or capital gains/losses as realised. Changes in the value of the investment portfolio are included as unrealised gains within the statement of comprehensive income.

g) Employee benefits

Payments or other benefits arising from the termination of a person's employment are recognised as a liability and expensed when an individual is notified of the redundancy or termination.

The SRA makes contributions towards the defined contribution scheme up to maximum of 12.25% of basic salary. The amount charged to the income and expenditure account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income and expenditure account, except to the extent that it relates to items recognised in other comprehensive income. In this case tax is also recognised in other comprehensive income. Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

i) Tangible assets

Depreciation is provided on a straight-line basis to write off the cost over the useful economic life of the assets as follows:

Furniture and equipment	5 years straight line
Computers and hardware	3 years straight line
Short leasehold property improvements	Over the period of the lease

Leasehold property improvements are capitalised where there is future economic benefit arising from the improvements. Assets under construction are not depreciated until the asset is completed. Cost of repairs and maintenance are expensed as incurred.

Tangible assets are assessed for indicators of impairment at each reporting end date. Assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated values have been affected. The impairment loss is recognised in the Income Statement.

j) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the SRA. All other leases are classified as operating leases.

Assets held under finance leases and hire purchase contracts are recognised initially at the lower of the fair value of the asset or the present value of the minimum payments at the inception of the contract. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases and hire purchase agreements are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals paid under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

The benefits of lease incentives are recognised as a reduction to the rental expense over the lease term on a straight-line basis.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

k) Valuation of investments

Fixed asset investments comprise of managed investment funds. Investments are measured at fair value. Changes in fair value are recognised in other comprehensive income. The fair value of investments is obtained at the balance sheet date based on valuations normally using prices obtained from an independent pricing source.

l) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are defined as cash at bank and in hand, and short-term cash deposits defined as those maturing within three months of acquisition. The managed investment portfolios are not included in the definition of cash and cash equivalents as, while they can be liquidated without penalty with 24 hours' notice, there is a risk of change in the value.

m) Provisions and contingencies

i. Provisions

Provisions are recognised where the SRA has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. All provisions are made based on management's best estimate given past experience and available information.

We recognise provisions for the following items on the basis outlined below:

- Interventions, disciplinary proceedings and litigation - the unavoidable costs of completing proceedings in these areas based on earlier activity.
- Dilapidations - the unavoidable costs of restoring leased property to the same state as when the property lease was taken on.

ii. Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

n) Financial instruments

The SRA has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

i. Financial Assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are measured at transaction price including transaction costs.

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

ii. Financial liabilities

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

o) Related party transactions

Transactions with directors and key management are disclosed in note 6. Transactions with the Compensation Fund, the Law Society and any other related parties are disclosed in note 23.

p) Reserves

Reserves comprise a capital contribution from the Law Society upon the transfer of activities from the Law Society to Solicitors Regulation Authority Limited and accumulated surpluses made within SRA. Practising fees collected by the SRA and consequently any surpluses made can only be used for purposes permitted by Section 51 of the Legal Services Act 2007. Reserves are not distributable outside of the company other than if the company were to be wound up.

3. Critical accounting judgements and key sources of estimation uncertainty

To be able to prepare the financial statements in accordance with United Kingdom accounting standards, management must make estimates and assumptions that affect the recorded assets and liabilities. These estimates are based on historical experience and various other assumptions that management believe are reasonable.

The result of these form the basis for making judgements about the carrying value of assets and liabilities that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions however they are based on management's best estimate and all available information and after consideration of the sensitivity of key assumptions. The following accounting policies include significant judgments and key sources of estimation:

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

i. Recoveries

Costs incurred in protecting the public may be recoverable from solicitors in due course and any potential recovery will be recognised at the point there is reasonable expectation of recovery and provision is made for the likelihood of recovery. The company does not make provision for other potential future recoveries due to the uncertainty of whether any amounts can be recovered.

ii. Provisions

Provisions are recognised in respect of present obligations as a result of past events where it is probable that an outflow of resources will be required to settle the obligations and they can be reliably estimated. All provisions are made based on management's best estimate given past experience and available information.

We recognise provisions for the following items on the basis outlined below:

- Interventions, disciplinary proceedings and litigation - the SRA recognises provisions for the unavoidable costs of completing proceedings in these areas based on earlier activity. The cost of completing the works is based on estimates provided by the third party agents undertaking the works and agreed by internal staff involved in the proceedings.
- Dilapidations - the SRA recognises provisions for the unavoidable costs of restoring leased property to the same state as when the property lease was taken on. The costs represent the full cost of dilapidations at the end of the lease term. The estimate is based on previous works undertaken and settlements previously agreed.

4. Analysis of Revenue

	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021 £'000
Practising fee income	58,077	24,124
Compensation Fund Income	7,229	3,392
SQE Income	8,408	-
Other income	2,774	1,696
Grants	131	-
Total Revenue	76,619	29,212

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

5. Operating surplus

Operating surplus is stated after charging

	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021 £'000
Loss on disposal of fixed assets	-	22
Impairment of fixed assets	-	58
Impairment of trade receivables	995	966
Operating lease costs	974	678
Depreciation	573	256
Audit fees payable to the company's auditors	164	109

6. Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the company during the reporting period was 708 (2021: 675).

Directors

The directors' emoluments were as follows:

	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021 £'000
Aggregate remuneration	206	96

Highest paid director

The highest paid director's emoluments were as follows:

	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021 £'000
Total amount of emoluments	90	37

The Directors received no other financial benefits or remuneration.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

Key management Compensation

Key management includes the directors and members of senior management. There were six members of the senior management team during the year. The compensation paid to the senior management team in the reporting period is shown below:

	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021 £'000
Salaries and other short-term benefits	1,442	484
Pension contributions	88	35
	1,530	519

Staff costs

	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021 £'000
Wages and salaries	30,098	11,745
Social security costs	3,259	1,278
Other pension costs	2,570	1,020
Staff costs	35,927	14,043

7. Interest and dividends receivable

Interest and dividends are received within the managed investments and on cash and cash equivalent deposits.

	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021 £'000
Interest - fixed asset investments	39	21
Dividends - fixed asset investments	79	-
Interest – cash and cash equivalents	172	-
Interest and dividends	290	21

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

8. Taxation

The activities of the SRA are considered by the Directors to be non-trading activities and therefore any surplus not subject to Corporation Tax. Tax is payable on interest received and capital gains on investments once realised.

	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021 £'000
UK Corporation tax at prevailing rate	32	4
Total current tax charge	32	4
Origination and reversal of timing differences	(72)	72
Total deferred tax (credit) / charge	(72)	72
Total tax (credit) / charge	(40)	76

Reconciliation of tax charge

	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021 £'000
Surplus before taxation	1,698	1,884
Tax at prevailing rate	323	358
Amendments to tax		
Expenses not deductible for tax purposes	14,267	5,196
Income not taxable for tax purposes	(14,558)	(5,550)
Chargeable (losses)/gains	(55)	-
Remeasurement of deferred tax for changes in tax rates	(17)	-
Unrealised gain on investments	-	72
Tax (credit) / charge for the period	(40)	76

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

9. Fixed asset investments

	12 month period to 31 October 2022 £'000	5 month period to 31 October 2021
At 1 November 2021 / 1 June 2021	9,316	-
Transfer of investments from the Law Society	-	9,000
Interest and dividends received	118	21
Management fees	(41)	-
Loss on disposal	(182)	(4)
Unrealised (loss) / gain on investments	(571)	299
At 31 October 2022	8,640	9,316

10. Tangible fixed assets

	Short leasehold property £'000	Furniture and equipment £'000	Computers and hardware £'000	Total £'000
At 31 October 2021	48	32	573	653
Additions	551	708	510	1,769
Depreciation	(79)	(114)	(380)	(573)
Closing net book amount	520	626	703	1,849
At 31 October 2022				
Cost	785	748	1,198	2,731
Accumulated depreciation and impairment	(265)	(122)	(495)	(882)
Net book amount	520	626	703	1,849

The net book value of assets held on finance lease is £270k (2021: £245k).

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

11. Debtors

	31 October 2022	31 October 2021
	£'000	£'000
Trade debtors	29,241	16,052
Other debtors	348	-
Prepayments	1,488	1,717
Accrued income	4,726	1,789
	35,803	19,558

Trade debtors includes £930k (2021: £855k) of debtors on payment plans which fall due in more than one year. Trade debtors are stated after provisions for impairment of £995k (2021: £966k).

12. Creditors: amounts falling due within one year

	31 October 2022	31 October 2021
	£'000	£'000
Trade creditors	1,868	913
Amounts due to Law Society	27,174	11,541
Amounts due to the SRA Compensation Fund	7,978	1,724
Corporation Tax	36	4
Taxation and social security	1,133	818
Finance leases	126	84
Other creditors	1,308	1,193
Practising fee deferred income	54,097	22,480
Accruals and deferred income	8,974	6,762
	102,694	45,519

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

13. Creditors: amounts falling due after more than one year

	31 October 2022	31 October 2021
	£'000	£'000
Finance leases	143	168
	143	168

The finance lease relates to laptop computers. The remaining term is 1 year and 11 months. At the end of the lease the company has no option to purchase.

14. Loans and other borrowing

Finance leases

The future minimum finance lease payments are as follows:

	31 October 2022	31 October 2021
	£'000	£'000
Not later than one year	126	84
Later than one year and not more than five years	143	168
Total gross payments	269	252
Less: finance charge	-	1
Carrying amount of liability	269	251

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

15. Provision for other liabilities

The company had the following provisions during the reporting period:

	31 October 2021 £'000	New provisions £'000	Utilised / realised £'000	31 October 2022 £'000
Interventions, disciplinary proceedings and litigation	2,279	5,492	(5,874)	1,897
Dilapidations	1,284	73	(705)	652
Deferred taxation	72	-	(72)	-
	3,635	5,565	(6,651)	2,549

The provision for interventions, disciplinary proceedings and litigation includes the costs of legal fees to complete ongoing matters at the year end. Costs in relation to interventions are recharged in full to the Compensation Fund when incurred. These provisions are likely to be utilised within the next 12 months.

The provision for dilapidations represents the unavoidable costs of restoring the leasehold properties to the same state as when the lease was taken by the SRA (or by the Law Society where subsequently transferred to the SRA). The costs represent the best available estimate of the costs of carrying out the required works or eliminating the obligation by way of a negotiated settlement. This provision is expected to be utilised at the end of the lease, which is expected to be no earlier than March 2027.

The provision for deferred taxation consists of the following deferred tax liabilities:

	31 October 2022 £'000	31 October 2021 £'000
Tax on unrealised gains on investments	-	72

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

16. Financial instruments

The company has the following financial instruments:

	31 October 2022	31 October 2021
	£'000	£'000
Financial assets at fair value through income and expenditure		
Investments	8,640	9,316
Debt instruments measured at amortised cost		
Trade debtors	29,241	16,052
Accrued income	4,726	1,789
Other debtors	348	-
Cash and cash equivalents	75,705	35,239
	118,660	62,396

	31 October 2022	31 October 2021
	£'000	£'000
Financial liabilities measured at amortised cost		
Trade creditors	1,868	913
Amounts due to Law Society	27,174	11,541
Amounts due to the SRA Compensation Fund	7,978	1,724
Other creditors	1,308	1,193
Accruals	8,309	4,328
	46,637	19,699

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

17. Notes to the statement of cash flows

	12 month period to 31 October 2022	5 month period to 31 October 2021
	£'000	£'000
Surplus for the financial year	1,666	1,880
Net interest and dividends	(290)	(21)
Capital loss on investments	182	4
Fees on managed investments	41	-
Depreciation of fixed assets	573	256
Impairment of fixed assets	-	59
Gain on disposal of fixed assets	-	(23)
(Decrease) / Increase in provisions	(1,014)	230
Working capital movements		
Increase in debtors	(16,245)	(7,410)
Increase in creditors	57,133	15,252
Cash flow from operating activities	42,046	10,227

18. Analysis of changes in net debt

	1 November 2021	Cashflow	Other non- cash changes	31 October 2022
	£'000	£000	£000	£'000
Cash and cash equivalents	35,239	40,466	-	75,705
Finance leases	(252)	95	(112)	(269)
	34,987	40,561	(112)	75,436

19. Non-cash transactions

The SRA has acquired tangible assets under finance leases. £112k has been capitalised as the cost of the asset, being the present value of the minimum lease payments.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

20. Litigation

Legal matters will arise as a matter of course within the business due to the nature of operations, as solicitors may challenge decisions on action taken against them or their firms. The SRA has a robust process of reviewing and managing high profile litigation matters. Provisions and accruals are made in the financial statements to reflect litigation costs as appropriate. The Board does not consider there to be any litigation legal claims that require provision or disclosure.

21. Contingent assets and liabilities

There are a number of assets over which the SRA has some title / claim which may lead to potential future recoveries. These potential assets are not recognised as part of the provisions for recoveries as, in the opinion of the Board, they are so uncertain that they cannot be practically measured and hence no estimate is included here.

22. Capital and other commitments

At 31 October 2022 the SRA had no capital commitments.

At 31 October 2022 the company had future minimum lease payments under non-cancellable operating leases as follows:

	31 October 2022	31 October 2021
	£'000	£'000
Not later than one year	1,036	1,016
Later than one year and not more than five years	4,330	5,075
Later than five years	5,416	7,864
	10,782	13,955

The company had no other off-balance sheet arrangements.

Solicitors Regulation Authority Limited

Year ended 31 October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022 (Continued)

23. Related Party Transactions

The Law Society and the Fund are related parties of Solicitors Regulation Authority Limited. Related party transactions with the Fund in the year totalled £7.2m (5 months to October 2021: £3.4m) which represented income received from the Fund in respect of administration of the Fund. Additionally, the SRA collects contributions on behalf of the Fund annually.

Transactions with the Law Society are practising fee income collected on behalf of the Law Society and payments in respect of facilities services and shared contractual arrangements. These transactions totalled £54.6m and £1.4m respectively in the financial year (5 months to October 2021: £46.9m and £1.9m).

See note 6 for disclosure of the directors' remuneration and key management compensation. Solicitor members of the Board (or their employers on their behalf) are required to pay an annual Practising Certificate fee, which is charged on the same basis as other practising solicitors. During the year these members (or firms of solicitors in which they may hold a position of influence) may be required to pay fees for regulatory services. These fees are charged on the same basis as other regulated individuals or firms. Due to the nature of the SRA's activities, such transactions with individuals and firms have not been disclosed.

24. Controlling parties

The ultimate controlling party is the Law Society. The Law Society is a body incorporated by Royal Charter. The consolidated financial statements of the Law Society group are available on the law Society website (lawsociety.org.uk). Their address is The Law Society's Hall, 113 Chancery Lane, London, WC2A 1PL.

25. Post balance sheet events

On 31 January 2022 the SRA Board agreed that with effect from 1 October 2023, the SRA will be designated as the person responsible for holding, managing and administering the Solicitors Indemnity Fund (SIF). This is currently undertaken by the Solicitors Indemnity Fund Limited (SIFL). SIF and SIFL are both subsidiaries of the Law Society. The position of SIF within the group structure will be considered prior to the change taking effect.