

SOLICITORS REGULATION AUTHORITY
Minutes of the SRA Board meeting
held on 6 June 2023 at 09.00 via Microsoft Teams

Subject to final approval by the SRA Board at its meeting on 27 June 2023

Present: Anna Bradley (Chair)
Ann Harrison
Paul Loft
Rob McWilliam
Lisa Mayhew
Vikas Shah
Liz Smart
Nicola Williams

In attendance: Paul Philip, Jane Malcolm, Juliet Oliver, Liz Rosser, Chris Handford, Louise Bushnell (for item 9), Dominic Tambling

1 WELCOME AND APOLOGIES

1.1 The Chair welcomed Board members to the meeting. Apologies had been received from Claire Bassett and Selina Ullah.

2 MINUTES OF THE PREVIOUS MEETING ON 25 APRIL 2023

2.1 The minutes of the meeting held on 25 April 2023 were approved as a true and accurate record.

3 MATTERS ARISING AND DECLARATIONS OF INTEREST

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

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

4 CHAIR'S UPDATE

4.1 The Chair reported on engagement work in Wales including her meeting with the Secretary of State for Wales, David TC Davies MP, and the hosting a reception for Welsh MPs and Peers at the Houses of Parliament on 23 May 2023 which a number of Board members had attended.

4.2 We had also held our first ever sessions at the Welsh Labour and Conservative party conferences with Board member Nicola Williams representing us and speaking at both conferences. The Board Chair thanked her for this work and the staff team, including the Head of Welsh Affairs, for their active programme of engagement. This work, along with the opening of our office in Cardiff, represented a significant, and valuable, increase of our activity in Wales.

5 COMMITTEE UPDATES

- 5.1 The Board was asked to consider a report on discussions at the meetings of the Remuneration/Nominations Committee on 28 March 2023 and Audit and Risk Committee (ARC) on 23 May 2023.
- 5.2 The Chair of the Remuneration/Nominations Committee said that the meeting in March had focused on proposals for implementation of a number of the suggestions from the Board Effectiveness Review report, including the separation of the Committee into two separate entities. These were dealt with in the paper at item 10 on the agenda.
- 5.3 The Chair of ARC said the Committee's meeting in May had included the first of a number of best practice sessions from our internal auditors, RSM, which had provided an overview and focus on the governance element of Environment, Social and Governance (ESG). Future sessions would focus on the environmental and social elements of ESG and Board members noted that work was also in hand to look at both internal elements of ESG and how they might relate to our regulatory role.
- 5.4 The Committee had received the outcomes of the two recent internal audits by RSM and was content with actions in place to address issues identified.
- 5.5 Board members also discussed our cyber security arrangements and noted that we continue to keep these under review, including providing training to staff to ensure that they understood the risks. ARC undertakes a deep dive into this area periodically and would be returning to this later in the year.
- 5.6 The Board noted the reports.

NB: the paper relating to this item will not be published as it relates to issues that are commercially sensitive

6 CHIEF EXECUTIVE'S REPORT

- 6.1 The Board was asked to consider an update on our priorities and key developments that it needed to be aware of. The report provided information on important external developments and our engagement activity with key stakeholders.
- 6.2 The CEO updated the Board on our work on anti-money laundering including the publication of the Office for Professional Body AML Supervision (OPBAS) annual report in April. OPBAS had welcomed our increase in fining powers and used us in several examples of good practice, though we were not named in these. Board members noted that we were expecting HM Treasury to consult on the future of AML supervision by the end of June 2023.
- 6.3 The CEO reported that the Keeping of the Roll window had opened as planned on 3 April 2023 and over 31,000 applications had been received. A comprehensive

programme of engagement had been undertaken ahead of, and during, the application window, but those who had been on the Roll would now receive removal notices if they had not applied and have 28 days to appeal. Appeals would be reviewed on a case-by-case basis. Any solicitor removed at the end of the process could apply for restoration at any point after the completion of the exercise. The Board noted that feedback on the process from applicants had been very positive and congratulated the team on this success.

- 6.4 Board members noted that we had published our consultation on rules that would restrict excessive fee charging when firms make compensation claims on behalf of their clients for mis-sold financial products. The Board was reminded that it had taken some time to get to this point because we had agreed to follow the principles that the Financial Conduct Authority (FCA) applied on this matter to ensure consistency. Although the FCA's rules had been published in 2022 they had been subject to an application for judicial review. This had been refused and following further work with the FCA we had been in a position to publish our consultation.
- 6.5 The CEO asked the Board to make new rules on minor amendments to the SRA Standards and Regulations following a consultation between December 2022 and March 2023. These were designed to address issues which created practical difficulties either for firms or operationally for us. A summary of the responses received and the amendments themselves were annex to the paper. The Board agreed to make the new rules on minor amendments to the SRA Standards and Regulations.
- 6.6 The Board noted that the Department of Science, Technology and Innovation is currently consulting on proposals for the regulation of the use of artificial intelligence (AI). Work was underway in this area and would be a key part of the new Corporate Strategy for 2023-26 which was currently out for consultation. The Board would be asked to review work on scoping the potential impact of AI in terms of opportunities and risks for the SRA, and for the profession and the delivery of legal services, at a future meeting.
- 6.7 The Board noted the Chief Executive's report.

7 SRA SECOND QUARTER PERFORMANCE REPORT

- 7.1 The Board was asked to consider the performance report for the second quarter of 2022/23.
- 7.2 Key achievements for the quarter included the success of the Keeping of the Roll exercise set out in item 6 and publication of the first annual report on the Solicitors Qualifying Examination. Of the 76 activities to report against in our business plan, 67 were on track, two were not yet due to have started and a further two had been deferred until the next business plan year. Five activities were 'amber' but clear plans were in place for bringing these back on track.
- 7.3 A number of changes had been made to the balanced scorecard following discussion of the quarter one performance report in March. These included additional measures on the performance of the Assessment and Early Resolution

Team and Investigations closed within ten months to demonstrate the benefits of our continuous improvement programme.

- 7.4 The amount of information relating to performance reporting provided to the Board had also been considered as part of the Board effectiveness review (see item 10). The Executive had concluded that the current level was about right to achieve a balance between the need for high quality information and transparency, and to focus the Board's attention on the most important matters through the information provided in the covering paper for this item. Options for simplifying the reporting on risk were set out under item 8.
- 7.5 The financial update at annex 1 of the paper included a budget reforecast for the year. A surplus had been reported to the end of April but the decision to bring forward recruitment of staff to assist with work on investigation and enforcement meant that the end year forecast was for us to break even. The report also included additional information which had been requested by the Board relating to project spend and Compensation Fund investment performance.
- 7.6 Board members also reviewed the balanced scorecard including new KPIs in the delivery section relating to the Assessment and Early Resolution Team and investigations.
- 7.7 Board members noted that the KPI relating to Continuous Improvement (CI) Programme progress suggested that no further cost savings had been identified in this financial year. As the commentary to the scorecard explained, this was because the focus of the programme had shifted from financial savings to operational outcomes including improvements in investigation and enforcement functions. Board members agreed that although the target for the year could not be changed, it should be possible to better explain why the current focus of the CI Programme was not on costs and what was nonetheless being achieved. It was agreed that we would review our reporting on CI work in this and future years with the assistance of a small group of Board members.
- 7.8 Board members also agreed that the position relating to investigation and enforcement cases over 24 months old should also be made clearer. We should explain that there would always be a number of these cases, often because we were awaiting the resolution of the case by a separate agency such as the police.
- 7.9 The Board:
- a) noted the content of the quarterly performance reports and the overall assessment of performance
 - b) noted the changes to the performance pack.

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

8 SRA STRATEGIC RISK UPDATE

- 8.1 The Board was asked to consider a progress report covering the quarter 2

(February 2023 - April 2023) period of the SRA Strategic Risk Register and risk management development.

- 8.2 The Board was asked to consider and agree amendments to the Risk Management Framework (RMF) following a review looking at our approach to managing risks and risk appetites and tolerance in particular. The recommended changes had all been agreed by the Audit and Risk Committee and were set out in annex 1 of the paper and had been incorporated into the revised RMF at annex 2.
- 8.3 The Board noted the minor changes that had been made to the Strategic Risk Register (SRR) and that a significant revamp would follow consideration of risks associated with the new Corporate Strategy for 2023-26. Only one risk lay outside the newly proposed risk appetite boundary following the changes to the RMF. The Board also noted that the mid-tier risk register had been streamlined, with one risk being closed and six moving down to operational risk registers to be managed at that level.
- 8.4 The Board was also asked to consider recommendations for the future reporting of risk which had been developed with our internal auditors RSM. It was agreed that the new format of reporting through two slides setting out the key information required by the Board was a useful development. The detailed SRR could be provided as reference material for the Board, supporting these slides. It was noted that a revised SRR taking into account risks associated with the new Corporate Strategy would be presented to the next performance meeting for review.
- 8.5 The Board:
- a) agreed the proposals and the subsequent amendments to the Risk Management Framework
 - b) discussed and commented on the Strategic Risk Register
 - c) agreed the proposed options for enhanced streamlined risk reporting to the Board.

NB: the annexes to this paper will not be published as they include discussion of risk that might be exacerbated by publication.

9 LEGAL SERVICES BOARD REGULATORY PERFORMANCE ASSESSMENT 2023

- 9.1 The Board was asked to consider an overview of this year's Legal Services Board (LSB) regulatory performance assessment.
- 9.2 The Board noted that from 1 January 2023 a new regulatory performance framework with new standards had been introduced following a transition period during 2022 when the LSB had taken a hybrid approach with the old and new assessment frameworks.
- 9.3 We would now be assessed against three standards (well led, effective approach to regulation and operational delivery). The reporting year would also change to

June to May from November to October and so the first report under this new regime would cover 8 months from October 2022 to May 2023.

- 9.4 The LSB had also set out a suggested approach for how the Boards of regulatory bodies might seek their own assurance for how regulators were performing against the framework, with the intention of reducing the amount of additional information the LSB requests of us during the assessment. To this end we had completed a mapping exercise of the sources of assurance that we have in place against the 20 characteristics in the LSB's Sourcebook.
- 9.5 The LSB had also asked us to provide an update against the areas of focus/improvement that it had identified in our 2022 performance assessment as part of this year's assessment. These were set out in the paper and we were developing a detailed narrative for each of these which the Board Chair would be asked to sign off prior to submission to the LSB. This would include our plans for increasing our investigation and enforcement team's capacity and capability to deal with more complex cases and process all cases more efficiently.
- 9.6 Since the paper had been circulated the LSB had also asked for us to produce our own narrative against the three standards setting out the evidence that we have met them.
- 9.7 In terms of future reporting, it was suggested that the mapping exercise of the sources of assurance that we have in place against the 20 characteristics might be presented to the Board at each of, what would in future be, three performance reporting meetings per year. These reports should focus on any of the items identified as needing attention through the performance assessment including work being done to ensure that they would be achieved by the end of the reporting year, and the final report of the year would be RAG rated.
- 9.8 Board members thanked the Executive for the work that had been done on this exercise and suggested that we should look for opportunities to utilise it elsewhere, given the resource which had been committed to it.
- 9.9 The Board:
- a) noted the approach and timeline for this year's regulatory performance assessment
 - b) agreed our approach to providing assurance to the Board on our progress against the LSB's regulatory performance framework
 - c) agreed that approval for our final submission to the LSB for this year's performance assessment is delegated to the Chair.

10 BOARD EFFECTIVENESS REVIEW IMPLEMENTATION

- 10.1 The Board was asked to consider a final report on implementation of the Effectiveness Review proposals and to agree amendments to the Governance Handbook.

- 10.2 The Board was reminded that following a tendering exercise we had appointed Independent Audit (IA) to undertake a review of Board effectiveness. The Board had considered IA's report at its meeting on 6 December 2022 and established a Working Group to consider the suggestions in the report. Suggestions from the report had also been considered by the Remuneration Committee at its meeting in March 2023.
- 10.3 A list of the suggestions from the report and proposals for implementation were annexed to the paper. Many of the suggestions would be implemented through changes to the Governance Handbook and the opportunity had been taken to carry out a full review of the Handbook, including making some changes to ensure alignment with the UK Corporate Governance Code, where it applies.
- 10.4 The paper for this item, including an updated Governance Handbook, had been circulated well in advance of the meeting. A number of comments had been received from Board members, which were summarised for the Board, and a final version of the Handbook would be circulated to the Board for approval and would then be published on our website.
- 10.5 The Board agreed:
- a) the list of actions resulting from suggestions from the Effectiveness Review report
 - b) the proposed amendments to the Governance Handbook.

NB: annexes 1 and 2 of this paper will not be published because they include legal or other professional advice on sensitive or confidential matters.

11 REVIEW OF MEETING AND ANY OTHER BUSINESS

- 11.1 The Chair thanked the Board and Executive for their contributions. The next meeting would be held on 27 June 2023 in London.