Solicitors Regulation Authority

Business Plan and funding requirements 2026/27

November 2026

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Foreword from the Chief Executive

Solicitors and law firms play a critical role supporting people at key moments in their lives, enabling businesses to grow and invest, and upholding access to justice. Their work contributes not only to the UK's well-earned reputation as a global leader in legal services, but also to driving growth in our economy.

Effective regulation underpins this. A regulator needs to be capable, proportionate and trusted. It needs to set and help maintain high standards across the profession, protect consumers from harm, and support the many practising solicitors who act ethically and professionally.

The SRA is staffed by dedicated experts who routinely, and often unnoticed, conduct high quality and important work in the public interest. At the same time, the organisation has not consistently met the standards expected of it in recent years, and its own regulator, the Legal Services Board, has put enforcement action in place. It is important that we do not shy away from this and take bold action at pace to address it.

I was appointed Chief Executive in November 2025, at a time of growing pressure on the organisation. I spent my first months in the role carefully identifying issues and undertaking an evaluation of the areas that we need to address. While there is much the organisation does well and on which to build, the SRA faces multiple challenges which, taken together, mean that a reset is required.

Fundamentally, the SRA's approach, capabilities and resources have not kept up with the market it regulates as it has evolved. Business models, for example, have become ever more complex and advances in technology have rapidly accelerated the pace of change across the delivery of legal services.

Moving forward, the SRA must focus on fewer priorities, move from a largely reactive to a proactive and preventative approach to regulation, and improve operational and technological capabilities.

Rising misconduct reports continue to place increasing pressure on our operations, reinforcing the need for fundamental change, and the SRA must seek earlier engagement to help prevent issues arising rather than relying heavily on enforcement action after an issue has occurred. It must also set itself up for success in how data is collected, used and analysed to identify patterns of harm and make speedier decisions.

This Business Plan sets out how the organisation will address those challenges by undertaking the necessary transformation at pace to fix its foundations, strengthen its operations and build new capabilities. This will require bold and sometimes difficult choices, including reducing activity in areas that are not an immediate priority. This work will be ambitious and wide-ranging, covering everything from investment in technology and new

skills through to delivering new capabilities such as a wider menu of regulatory tools around risk identification and early engagement.

Delivering this transformation alongside the SRA's core regulatory activity requires the right funding and a stronger financial footing. Proposing an increase in the practising certificate fee was not an easy decision given the pressures on solicitors and law firms. This investment will, however, provide the flexibility needed to strengthen our people, systems and tools rather than accept the higher risks and resulting costs that would ultimately arise without change.

It will also enable us to continue activity in key areas such as Investigation and Enforcement and Authorisation while supporting the transformation set out in this Business Plan. We expect to invest up to £5m in developing our proactive supervision capability through a combination of redeploying staff and building new capability, and we will review these activities further as we develop our 2027-30 corporate strategy. £10.3m will replenish reserves, which have been used for early investment in these priorities, while £23.2m will be invested in key IT and change programmes.

By investing now and by being transparent about the changes being made, we will create the conditions for sustainable improvement. We are committed to maximising the impact of this investment by tracking our progress against key milestones and sharing updates on our outcomes and progress. A modern, trusted, effective SRA will better protect consumers, support confidence in the profession and play its part in supporting a world-leading legal services sector that is vital to the UK's future.

Finally, I would like to thank everyone who engaged with us through our consultation. This was a meaningful exercise, with feedback from all corners of the profession, engaging hundreds of stakeholders and consumers throughout the process. While there was broad support for the strategic direction set out in the draft Business Plan, respondents challenged us on a number of important issues. For example, we have changed the apportionment of the compensation fund in direct response to concerns from small firms and sole practitioners. We have listened carefully to the views expressed during this consultation, which have further helped us to prioritise our work and encouraged us to set out how we will monitor and report back on the changes we are making as we develop our longer-term strategy for 2027-30.



Sarah Rapson
Chief Executive

Overview of the Business Plan

This Business Plan covers November 2026 to October 2027 and sets out what is required to fix the SRA's foundations at pace, strengthening its operations and building new capabilities that will put the organisation in a stronger position for the future. This Business Plan bridges the gap to the SRA's next corporate strategy covering 2027-30, focusing on our immediate priorities guiding our transition. To ensure alignment in how we are delivering against this Business Plan and the development of the longer-term corporate strategy, our specific outcomes and performance measures for this Business Plan are being formed alongside the next corporate strategy and will be published as early as possible in 2027.

There are three areas of focus for 2026/27. Firstly, we will prioritise operational excellence to strengthen how we work. This will include further developing and investing in IT infrastructure and developing new ways of working so that casework, decision-making and internal processes are proportionate, robust, consistent and sustainable. This body of work relates to improving core functions to enable us to undertake expected regulatory activity to a high standard.

Secondly, we will further develop the ability to proactively identify and address risk by shifting towards earlier engagement and intelligence-driven action that supports firms to comply. This will build on work underway to improve capabilities in areas that spot risk earlier and, where possible, prevent and reduce harm and costs later.

Thirdly, we will be disciplined in where we direct attention and resources, focusing on the issues with the greatest risk of harm to consumers. This work is intended both to make sure that the areas of highest risk are being effectively managed and to remove resources and attention from non-core regulatory activity.

The specific proposals for 2026/27 include:

Priority one: operational excellence

1) Deliver clearer, faster and more proportionate outcomes by refocusing investigations and enforcement work on the areas that best protect the public.
2) Expand capability and capacity to deliver the new skillsets required.
3) Upgrade IT systems to support new capabilities in risk, data and supervision.
4) Build a high-performance organisation and drive operational excellence across it.

Priority two: develop the ability to proactively identify and address risk

1) Establish a proactive supervision function to undertake engagement directly with firms to identify, understand, and manage risks.
2) Strengthen risk-based prioritisation and early case escalation.
3) Expand an intelligence-led approach to risk.
4) Enhance risk insight through stronger data and analytics.
5) Improve the experiences of consumers in vulnerable circumstances when they engage with the organisation.
6) Strengthen and build on partnerships with other regulators to mitigate shared risks.

Priority three: focus on the biggest issues

1) Strengthen protections for client money and explore ways of reducing future consumer harm.
2) Boost consumer protection in high-volume consumer claims.
3) Enhance confidence in the Solicitors Qualification Examination (SQE).
4) Enable and encourage responsible innovation and growth in legal services by enhancing the support provided to law firms.

Further detail on each priority can be found below, and the spending implications are contained in the section on income and expenditure for 2026/27.

Reserves

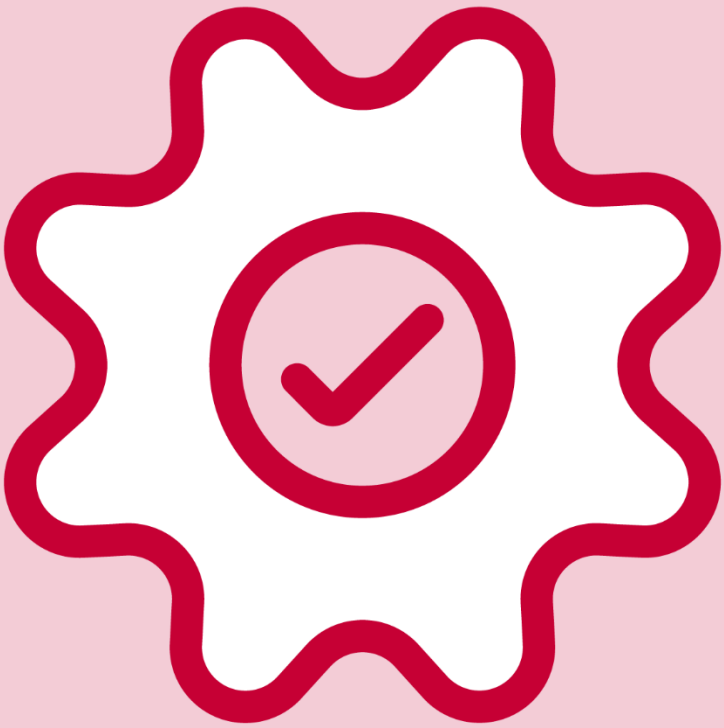
The SRA needs sufficient funding in place to deliver these ambitious priorities. However, over the course of the 2025/26 business year, we were operating in a period of rapid change and growing pressure on core activities. This required resourcing decisions to stabilise performance, manage risk and invest in key programmes of work. This, together with unexpected expenditure such as adverse cost orders, resulted in a reduction in the level of reserves held at the end of the year.

We intend to replenish reserves, targeting the minimum level within our approved reserves policy range, to provide flexibility to fund further change in 2026/27. This will be subject to the decisions made by the SRA Board but will allow us to invest sooner in key programmes such as developing our supervision function.

Efficiency and careful financial management will be at the heart of how we operate, particularly at a time of significant transformation and competing demands for funding. We will test and challenge proposals before they are approved to confirm that resources are directed towards the highest-priority work and that lower-impact activity is reduced or stopped.

The need to continue to build reserves is likely to continue during 2027/28. As we develop a new corporate strategy, we will set out the path to a more stable level of funding

1. Operational excellence





1. Operational excellence

Fixing the foundations starts with operational excellence. The scale of the operational challenges we face has increased sharply. Between November 2022 and October 2025, the number of misconduct reports we assessed rose by 45 per cent, from 11,378 to 16,499.

This increase has created significant and ultimately unsustainable pressure on the SRA's people and operations. This inevitably results in delays, extends the impact on the regulated community and, critically, increases the likelihood that something may be missed and that consumer harm could occur. While we have managed to respond in the short term by diverting resources, more fundamental change is now required.

That means strengthening the core of our operations at pace, including investing in technology and our reserves, as well as continuing to improve senior expertise and adding capacity, capability and skills in key areas. This will make the organisation more resilient and better able to deliver effective regulation and protect the public.

Plans for 2026/27

1.1 Deliver clearer, faster and more proportionate outcomes by refocusing investigations and enforcement work on the areas that best protect the public

We will strengthen our investigations and enforcement approach so that regulatory action is targeted, proportionate and focused on the risks that matter most to the public.

We intend to improve how concerns are assessed, which cases are taken forward, and how they are progressed through to conclusion. Following the review of the Assessment Threshold Test in 2026, we will continue to implement a new approach that reflects our risk appetite and ensures consistent application of our enforcement strategy. This will mean that investigative resources can be targeted where they are most needed and reduce the overall number of cases entering investigation, taking alternative and proportionate actions where that is more appropriate.

A revised test will be applied both at the outset of a case and throughout its lifecycle, with thresholds reassessed as evidence develops to make sure investigations remain aligned with our strategic objectives.

We will also continue a comprehensive end-to-end review of our caseload to confirm that cases pursued are proportionate, well-founded, and have strong prospects of success. We will continue to learn from adverse costs outcomes in the courts. This includes live investigations and matters referred to the Solicitors Disciplinary Tribunal. The review will be supported by improvements to the triage and handling of reports of misconduct, including greater automation, increased personnel and enhanced risk-based prioritisation, efficiencies in the handling of urgent matters, review of response timelines, improved use of data analytics and technology to target the most important issues, and how we engage with those who raise concerns over solicitor conduct.

1.2 Expand capability and capacity to deliver the new skillsets required

Capacity constraints have been one of the major causes of poor outcomes. So too a lack of appropriate and dedicated expertise in core functions at a senior level has prevented effective and timely regulatory work.

The basics need to be done well to tackle the longer-term strategic questions facing the organisation and to drive sustainable change. A number of senior appointments have already been made, and this investment in people is designed to build expertise and develop skillsets to support the organisation in meeting those aims.

As part of this, we are strengthening processes, training and capacity in our Forensic Investigation function to make sure the necessary training and expertise are deployed and decisions are taken at the right level.

1.3 Upgrade IT systems to support new capabilities in risk, data and supervision

Technological excellence is necessary to support operational excellence. We will strengthen our IT and digital foundations to reduce complexity and duplication and streamline how change is delivered across the organisation. This will mean priority initiatives, such as establishing a supervision pilot, can progress at pace. We will also improve the reliability and responsiveness of technology support, minimising disruption to customers and colleagues and ensuring systems and services consistently enable effective delivery rather than constrain it.

This investment will also embed technology more effectively across the organisation in 2026/27 so that we can use data and digital tools such as artificial intelligence (AI) to prioritise work, identify risk earlier, and deliver regulatory outcomes more quickly and

proportionately. This will require us to address historical challenges in our IT systems and modernise them to meet both current and future needs.

Alongside this, we will take a more coordinated and purposeful approach to how the organisation adopts technology and AI, making sure that use of these tools is driven by clear business need and delivers tangible improvements in productivity and quality. This includes improving how teams access information, use insight to support decision-making, and automate routine activity, freeing up capacity for higher-value regulatory work. We will be transparent on the governance arrangements and guardrails we put in place in relation to our own use of AI and data analytics.

1.4 Build a high-performance organisation and drive operational excellence across it

In 2026/27, we will strengthen organisational capability and the culture needed to support consistent delivery, clear accountability and better outcomes.

We will refresh our values to ensure they reflect the organisation we need to be. We will deliver a programme of cultural change focused on building a high-performance organisation that is rooted in our values and strategic objectives. The onboarding of significant senior resource, including four executive directors over the last year, is supporting and building out this cultural change, developing leadership capability to support our teams through a programme of transformation, and further strengthening critical professional skills such as analytical thinking and risk awareness. This builds on continuous improvement work that has already begun, with an enhanced focus following the appointment of the new Chief Executive and her work with leaders across the organisation to identify areas for improvement.

Focus will be on consistently meeting appropriate performance standards that include not just timeliness, but also through outcomes, service quality and ease of contact. Part of that will include making sure our quality assurance approaches are best-in-class.

We will also streamline and simplify internal processes where possible, strengthen the way we manage and deliver customer contact, and strive to strengthen overall operational performance. We will promote a curious and problem-solving mindset that encourages colleagues to look beyond organisational boundaries and join up issues in a more holistic way.

2. Develop the ability to proactively identify and address risk





2. Develop the ability to proactively identify and address risk

The experiences from the last few years have shown that we have sometimes not identified risk early enough to prevent significant harm. At the same time, the nature of the sector and the risks that need to be addressed are changing fast.

The SRA needs to move away from a largely reactive, enforcement-led model to a more intelligence-driven, risk-based approach. It requires better use of data, stronger analytical capability and greater engagement with those who we regulate to secure action to address the risks identified.

It will also include building on our supervisory pilots to continue giving us better choices about the appropriate action to take in response to risks and events earlier, with formal investigations and enforcement action used where that is proportionate. This approach will also bring forward new regulatory tools such as supervisory dialogue and engagement that will help secure a reduction in risk or harm to the public. The aim is for this to happen earlier and at a lower cost for both the regulator and those we regulate.

During 2026/27, we will focus on strengthening risk identification processes, guided by our harms framework and Market Risk Assessment, investing in new data and intelligence tools, building on our data platform, and expanding a proactive supervision approach.

Plans for 2026/27

2.1 Establish a proactive supervision function to undertake engagement directly with firms to identify, understand, and manage risks

We will continue to develop supervision as a core proactive regulatory tool to prevent harm. Building on pilots launched in 2025/26, we will establish a supervision function focused on early engagement with firms working in areas that pose significant risks. This includes those undertaking high-volume consumer claims work and firms with complex or higher-risk business structures.

During 2026/27, we will continue and refine supervision pilots, testing new tools and approaches, strengthening collaboration across teams and establishing faster regulatory action where concerns escalate. Learning from this work will help us to understand risks

better and inform longer-term decisions about our supervisory approach and any potential changes required to the regulatory framework.

The size and shape of the supervision function will evolve as we work through the pilot in the coming months. We will be using resource and expertise drawn from existing functions within the organisation together with bringing in new capability. The significant investments in resource we have made over the last 12 months as well as the increase in funding will enable this. We will work with the profession and other stakeholders to inform this work, providing a clear explanation of how the changes we are making are targeted on risk, so that all firms understand our expectations of them and can see that the approach we are taking is proportionate.

2.2 Strengthen risk-based prioritisation and early case escalation

We will embed a more consistent, risk-led approach to how we prioritise and escalate casework, ensuring that our attention and resources are focused on matters that pose the greatest potential risk to the public and to trust in the profession.

This will involve improving processes for receiving and assessing reports of misconduct, using more focused analysis and clearer escalation routes to support earlier identification of serious and emerging risks. This will enable us to act more quickly in appropriate cases and avoid investigative processes becoming too complex to enable swift action to address or prevent harm.

We will explore alternative regulatory tools to formal investigations and enforcement action. This may include supervisory dialogue and engagement, for example, to support firms to comply, or conditions on authorisations. We will operate more efficiently by adopting a greater focus on risk-based assessment of what must be subject to investigation and enforcement action and what can be addressed through appropriate supervision.

We will continue to pursue high-impact and high-profile cases through the appropriate regulatory and disciplinary routes, ensuring serious misconduct is addressed decisively and transparently.

2.3 Expand an intelligence-led approach to risk

Learnings from recent firm failures are driving and informing our work in this area. We will expand and embed advanced intelligence capabilities to support a proactive supervisory function and deliver an intelligence-led approach to investigations.

This involves enhancing our ability to identify connected cases, patterns of behaviour and emerging themes across firms and individuals. This will allow us to take a more strategic view of risk, engage in supervisory dialogue and to deploy specialist investigation capacity more effectively and act earlier to prevent harm where systemic issues are identified. In

addition, we will use the insight gathered to develop a better understanding of current and emerging trends across the sector. Improved intelligence capability will support earlier, more targeted regulatory action, reducing reliance on reactive enforcement alone and strengthening overall consumer protection.

2.4 Enhance risk insight through stronger data and analytics

Effective proactive regulation depends on strong data foundations. In 2026/27, we will continue to strengthen our risk and data operating model by introducing new data sources, analytical tools and technology on our common data platform to improve insight and early identification of potential harm. We will improve data quality through clearer standards, governance and targeted remediation, increasing confidence in reporting and decision-making.

Following learnings from recent firm failures, we will continue to embed and enhance our law firm profiler, the single view of a firm, bringing together internal and external intelligence (including data from sources such as Companies House and the Legal Ombudsman), and continue to develop new risk indicators to strengthen analysis. We will also use improved data and analytics to generate more timely intelligence on market trends and emerging risks, supporting an earlier and more effective response.

2.5 Improve the experiences of consumers in vulnerable circumstances when they engage with the organisation

We will improve how we identify and respond to consumers who may be in vulnerable situations, making sure they are supported to engage effectively with us when reporting concerns. We will adapt our processes to improve how we support consumers in vulnerable circumstances and enable relevant concerns to be progressed appropriately.

During 2026/27, we will roll out vulnerability leads in our public-facing teams. We will also use feedback from consumers to improve how we identify vulnerability and respond proportionately, strengthening both our intelligence and the fairness of our approach.

2.6 Strengthen and build on partnerships with other regulators to mitigate shared risks

We will deepen our collaboration and partnership with regulators and law enforcement bodies on core and emerging risks, driving shared understanding, aligned priorities, and more effective intelligence flows.

Our plans include establishing structured engagement on high impact risks, pursuing joint approaches where appropriate, and expanding intelligence sharing when our casework identifies serious misconduct or criminal indicators. This includes, but is not limited to, engagement with other agencies and authorities, such as the Financial Conduct Authority, Serious Fraud Office, National Crime Agency and Crown Prosecution Service.

We will also embed more consistent information sharing and coordinated responses to serious and crosscutting harms.

3. Focus on the biggest issues





3. Focus on the biggest issues

Strengthening the SRA's foundations requires us to have sharper focus and establish robust prioritisation.

As the regulatory environment becomes more complex and demands on us increase, we cannot be effective if resources are spread too thinly or diverted from the issues that pose the greatest risk of harm to the public.

This priority is about being disciplined and explicit about where we direct our attention and effort. It means prioritising the biggest issues and making sure they receive sustained focus, leadership oversight and appropriate regulatory action, while being mindful of each of our statutory objectives including encouraging an independent, strong, diverse and effective legal profession.

Focusing on the biggest issues includes protecting consumers involved with high volume consumer claims, safeguarding client money, a focus on professional ethics and acting on alleged misconduct relating to the Post Office Horizon Inquiry, supporting responsible innovation, and continuing to enhance the SQE. We will also continue to prioritise work on business models that pose higher risks, including those that are growing fast, and maintain oversight through our supervision work.

Over this year, we must prioritise the most pressing issues, align resources more closely to where we can make the biggest impact and stop or pause work that is not an immediate priority. This includes reducing the number of lower-impact cases that enter investigation to better direct resources towards serious and emerging risks. This is a critical step towards reducing unnecessary demand on our investigation and enforcement model and improving overall efficiency in the system.

Inevitably, some activity we had anticipated progressing this year will need to be paused or rescheduled. Given the need to focus on our current remit, we will not take forward any further work relating to any potential redelegation of the regulation of CILEX professionals. Additionally, although our consumer empowerment work is important and there is more to do, this year we will prioritise work to safeguard client money and pause further work building on the evaluation of our transparency rules, and on quality indicators and digital comparison tools. In relation to our transparency rules, we will focus on supporting firms to drive improvements in compliance this year. We will consider our next steps on the transparency rules in the context of the prioritisation choices we will need to make once we have set our new Strategy for 2027-30.

By focusing on the biggest issues, we strengthen the foundations of confidence, consumer protection and trust that underpin legal services.

Plans for 2026/27

3.1 Strengthen protections for client money and explore ways of reducing future consumer harm

We will deliver targeted improvements in 2026/27 to strengthen protections for client money within the existing system.

This will include improving the effectiveness of independent audit of firms' client money controls provided by the reporting accountant regime. This includes enhancing the effectiveness of external assurance and oversight, continuing to explore measures to ensure that there are appropriate checks and balances within firms regarding their governance arrangements, and improving how we monitor firms undergoing significant changes to their structure, ownership or business mode, including through mergers and acquisitions.

Alongside this, we will consider and prioritise longer-term regulatory reforms to further reduce risks to client money. This involves examining the current model of solicitors holding client money and exploring alternatives, such as new opportunities raised by technological and system developments.

Additionally, we will explore whether clearer senior accountability frameworks informed by approaches used in other regulated sectors could provide stronger safeguards and more effective protection for consumers.

3.2 Boost consumer protection in high-volume consumer claims

High-volume consumer claims can provide access to justice for the public when they are managed well. However, they can pose a significant risk to consumers and to confidence in legal services when they are not. Where poor practices occur, the scale of activity means the potential for harm is high, making this a priority area for focused regulatory action.

In 2026/27, we will build on our earlier thematic work, consumer research and engagement with the sector to deliver a strengthened and more targeted regulatory response. We will prioritise the areas where our evidence shows the most acute risk of harm and produce further guidance and resources to clarify expectations and support firm compliance. Where firms fail to meet required standards, we will take targeted and proportionate enforcement action.

As part of initiatives to build a supervisory regime, we will also be engaging with firms undertaking high volume consumer claims across the motor finance sector. We are engaging

through a joint regulatory taskforce which includes the Financial Conduct Authority, Information Commissioner's Office, and Advertising Standards Authority.

Alongside this, we will consult on potential new regulatory rules to enhance consumer protection in high-volume consumer claims where existing arrangements are not sufficient. This may include proposals to strengthen oversight of third-party litigation funding, mitigate risks to firms' financial stability, and improve protections for consumers in the event of firm failure.

We will also continue to enhance collaboration and data sharing with other regulators, ombudsmen and stakeholders to provide coordinated action across our work, including a focus here on consumer outcomes, access to justice, and improved standards and protection.

3.3 Enhance confidence in the SQE

We will continue to enhance candidates' experience of the SQE, building on improvements already made while recognising that further progress is needed to build confidence.

The focus will be on listening carefully to feedback, evaluating the effectiveness of the assessment, publishing evidence, and delivering targeted improvements where evidence supports change. We will continue work with independent assessment experts to complete a technical evaluation of the SQE, providing assurance on its design and operation and helping to identify areas for refinement. We will consider recommendations from this evaluation and consult accordingly.

Alongside this evaluation, we will use feedback from ongoing engagement with candidates, employers and the wider profession to inform continuous improvement with the SRA closely monitoring outcomes. We will continue to publish more evidence and meaningful data on SQE performance, accessibility and differential outcomes in ways which are more user-friendly, and review whether the assessment is delivering the required outcomes.

We are consulting on our review of the Statement of Solicitor Competence and the Functioning Legal Knowledge that underpins the SQE. We will also continue work to understand how the SQE is perceived across stakeholder groups and track changes in confidence over time, as well as continuing to explore how best we can support candidates from differing backgrounds to choose training options appropriate for them.

3.4 Enable and encourage responsible innovation and growth in legal services by enhancing the support provided to law firms

The use of new technologies, in particular generative artificial intelligence (genAI), continues to develop rapidly. We are seeing new capabilities emerging at pace and increased use of AI by law firms, individual solicitors and consumers, and we have published a warning notice

reminding the legal profession of their professional obligations when using AI. Safe and responsible innovation has the potential to both support economic growth in the legal services sector and support consumers to access justice through more competitive and responsive service provision.

In 2026/27, we will strengthen SRA Innovate to provide clear, practical, and policy-led support for firms looking to innovate and adopt technology, including AI.

We will engage with firms to better understand emerging technologies and their application in legal services, identify any unintended regulatory barriers to responsible innovation, and define more clearly what Innovate offers in practice and improve coordination across the organisation so that support is more accessible to firms. We will work with other regulators through the government's new Advisory AI Growth Lab, using its funding to help innovators understand and navigate regulatory requirements and support the responsible development and adoption of AI in legal services. Within this we will also expand our public facing materials to encourage responsible innovation and use of technology across the sector, recognising the different contexts and challenges faced by those we regulate, from sole practitioners and smaller firms through to larger practices.

This work will build on existing engagement with firms, including research we have undertaken, since launching ‘SRA Innovate’ in 2018. Improving ‘SRA Innovate’ will aim to make sure that we play our role in enabling innovation that protects consumers and maintains public trust and confidence in legal services.

Summary of fees for 2026/27





Summary of fees for 2026/27

This Business Plan for 2026/27 must be supported by adequate investment in the SRA's people and systems, alongside a strong commitment to efficiency and directing resources to where they have the greatest impact in the public interest.

The increase in our funding requirements for 2026/27 reflects a deliberate decision to invest now as part of a reset to put the organisation on the right footing for the future. It requires us to 'dual run' a programme of transformation alongside maintaining the delivery of our core regulatory activity.

While we know that expenditure will increase in 2026/27, we cannot yet be certain on how much in all areas. We must therefore have an appropriate level of reserves to manage this uncertainty. We have also utilised reserves over the last year to invest in key programmes of work to underpin the transformation. The largest of these is our Risk and Data programme which will improve how we use data and intelligence to, where possible, identify risks earlier.

The changes to the funding requirement and fees are essential to getting the basics right, restoring confidence in our delivery and creating the conditions for a more modern, proportionate and effective regulator. Our Business Plan for 2026/27 followed thorough scrutiny and rigorous challenge by the SRA Board and resulted in us consulting on and setting a lower funding requirement figure than that initially proposed by the Executive. Any additional requirements above this level will be subject to Board approval for funding through reserves. The Board will, as in past years, focus closely on how additional funding is deployed.

Annual practising certificate fee

In 2026/27, the SRA's overall funding requirement is £111.5 million. This represents an increase of £25 million (29 per cent) from 2025/26.

To meet this requirement, we are increasing the annual practising fees that fund the work of the SRA. For an individual, this is an increase from £190 to £240 for the SRA portion of the fee, an increase of £50.

Forty per cent of the SRA's funding requirement is met by individuals. The remaining 60 per cent is charged to SRA-regulated firms and is calculated based on bands according to the firm's turnover.

Compensation fund

In addition to the annual practising certificate fee, most solicitors and SRA-regulated firms are required to contribute to the compensation fund. The fund exists to provide safeguards to members of the public who have lost money when a law firm has closed.

The unexpected closure of PM Law Limited in February 2026 led to a significant increase in the value and volume of claims being made to the fund. As of 5 August 2026, the SRA has dealt with 539 applications to the compensation fund and paid out £15.6m. While some claims still need to be assessed for eligibility, further applications are also expected.

In addition, we are also experiencing a higher number of interventions, with 55 between November 2025 and August 2026, compared to 42 in the full 2024/25 business year. We also continue to incur high levels of storage costs for the documents and files that we seize from firms we have intervened in (both in the past and from current activity).

As a result of these increased costs, the contributions to the compensation fund for 2026/27 must rise to reflect this.

We have changed the way that fees for the compensation fund are apportioned between firms and individual solicitors. This follows feedback we received during the consultation process for 2026/27 about the impact of fees on small firms and sole practitioners.

In 2026/27, the contributions will be £170 for an individual solicitor and £2,170 for an SRA-regulated firm. Further information about proposals relating to the compensation fund can be found on page 32.

Combined fees

The combined SRA-related total for the practising certificate fee and compensation fund contribution for an individual has increased from £260 to £410.

Please note, this does not include funding requests for other organisations funded by the practising fee:

- the Law Society
- Legal Services Board
- Solicitors Disciplinary Tribunal
- Legal Ombudsman
- the Financial Conduct Authority (Office for Professional Body Anti-Money Laundering Supervision).

Spread payment facility

For firms that would rather not pay their annual renewal fees in one lump sum, the Law Society partners with Shire Professions Finance to offer a spread payment facility. This allows firms to spread the cost over 10 months, helping with cash flow and working capital management. In the 2025/26 practising year around 1,000 firms utilised this facility.

Longer term considerations

There is considerable uncertainty in our operating environment and the fast-changing sector we regulate. We currently expect that the need to continue building reserves, together with ‘dual running’ a programme of transformation and the maintenance of core regulatory activity, will continue in the 2027/28 business year.

We will be consulting on a new corporate strategy for 2027-30 early in this Business Plan year and this will set out our medium-term expectations, including the likely future impact on the practising fee, our reserves and how we will establish a path to a more stable level of funding.



Overview of income and expenditure

Background

The SRA's funding sources

The majority of the SRA's funding (57 per cent) comes from practising fees paid by individuals and by SRA-regulated firms. In addition:

- 30 per cent of the current year's income relates to education and training, arising from applicant fees for the SQE. This income funds the cost of delivering the assessment
- around 10 per cent of income is made up from recharges of the costs we have incurred. These include costs where we have intervened into law firms, as well as in relation to handling claims made to the compensation fund
- the remaining income comes from fees that cover our administrative costs for certain activities, such as our consideration of authorisation applications from new firms.

Expected income and expenditure summary for 2026/27

In this section we provide further detail on the impact of the fee proposals on SRA funding, including the total impact on each of our regulatory activities.

Over the last two years we have made significant investment in our people and systems, primarily funded from reserves as we have spent in excess of the income we have collected in practising fees. This investment has significantly increased headcount, bringing with it increased capability and capacity, and technical capabilities through our Risk and Data programme.

We asked for a significant increase in funding this year, and recognise that has an impact on those that pay practising fees. This increase is, in part, a result of the investment we have made over the previous year, but also provides the foundation for the essential transformation the organisation needs to fix its foundations, strengthen its operations and build new capabilities. This includes:

- the introduction of a supervision function

- the improvements to how reports are assessed
- an accelerated approach in embracing new technologies to drive efficiency
- a more consistent, risk-led approach to how we prioritise and escalate casework
- a strengthened risk and data operating model.

Overview of income for 2026/2027

The SRA's financial year runs from 1 November to 31 October. The table below presents our expected income and expenditure summary for 2026/27. Each item is explained in further detail below.

The most significant change in the coming financial year is the £25m increase in practising fees.

Summary of income	2025/26 £m	2026/27 £m	Increase / (Decrease) £m	Increase / (Decrease) %
Practising fees	86.5	111.5	25.0	29%
Regulatory income	4.1	3.1	(1.0)	(24%)
Education and training income	57.8	59.1	1.3	2%
Compensation fund administration costs recharge	18.3	19.0	0.7	4%
Interest	1.6	1.9	0.3	19%
Total income for the year	**168.3**	**194.6**	**26.3**	**16%**

Practising fees

We will collect £240 from each individual practising certificate fee to generate the 2026/27 funding requirement of £111.5 million.

The table below presents the trajectory of the SRA's portion of the practising certificate (PC) fee over time.

Practising year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
SRA portion of PC fee	£145	£151	£162	£164	£190	£240

The individual practising certificate fee for each financial year and the portion that we require from that fee are calculated from existing numbers of practising solicitors. The fee and our funding requirements have been considered and approved by the Legal Services Board.

Regulatory income includes fees that are payable as part of processing applications made to us, including applications for admission to the roll of solicitors, initial authorisation applications made by prospective law firm operators and exemption fees relating to the SQE.

Education and training income is generated by the SQE, which is dependent on candidate numbers. The income broadly matches the delivery costs for the assessment.

Compensation fund administration costs recharge is the recovery of costs incurred in operating and administering the compensation fund. We incur these costs and subsequently recharge them to the fund. These include staff costs, and those associated with interventions into SRA-regulated firms.

This income varies with activity within Client Protection, and we recharge only the costs incurred in relation to the compensation fund. Compensation fund contributions are discussed later. Those contributions pay for the operating costs of the fund as well as grants made from the fund.

Funding allocation for 2026/27

In the below section we provide an overview of the expected funding allocations, identifying the impact of this Business Plan on spending and providing further detail on spending and planning within each area of expenditure.

Overview of expenditure and changes

In the table below we present how we expect to allocate funds in 2026/27. Within each of these activities, but particularly in Investigation and Enforcement and Authorisation, there is an element of continuing work but also funding to support the transformation foreseen within this Business Plan. We will review these activities further as we develop our 2027-30 corporate strategy.

As we develop and expand our proactive supervision function we will draw on existing functions augmented by new capability. We expect to invest up to £5m in this function during the year. This will be through a mixture of redeploying staff within the organisation and building new capability.

Included in the funding request is £10.3m to replenish reserves utilised during 2024/25 and 2025/26 years. £2.7m of reserves were used during the 2024/25 financial year and we are currently forecasting a contribution from reserves of £9m in the 2025/26 year. This has allowed the early investment in increased capability and capacity during the last 12 months.

Funding allocation summary	2025/26 (£m)	Increase	2026/27 (£m)	Funded from practising fees (£m)
Education and Training	58.0	2.9	60.9	1.8
Investigations and Enforcement (including Supervision)	36.2	6.2	42.4	41.7
IT and change projects	21.9	1.3	23.2	21.6
Client Protection	16.7	0.7	17.4	0.0
Authorisation	11.1	0.7	11.8	8.5
Strategy, Innovation and External Affairs	8.4	0.8	9.3	9.1
Resources	7.8	0.7	8.5	8.3
Property	4.0	3.2	7.2	6.6
Other	4.2	(0.5)	3.7	3.6
Addition to reserves	-	10.3	10.3	10.3
Total	**168.3**	**26.3**	**194.6**	**111.5**

Education and training

These costs are primarily SQE-related costs associated with delivering the assessment and are almost entirely offset through fees paid by the SQE's candidates.

Investigation and enforcement (including Supervision)

The investigation and enforcement function makes sure solicitors are working to high professional standards, by taking appropriate action when solicitors and firms fall short of them.

The increase in funding for this area reflects the need to dual-run activity during 2026/27: continuing to manage rising volumes of current investigations and enforcement activity, while building new regulatory capability such as a proactive supervision function. This investment will allow us to drive more timely, proportionate action on existing cases, strengthen triage and prioritisation, and develop new approaches that reduce harm earlier and manage future demand more effectively. Increased investment in these resources is a key enabler of that change.

During 2026/27 we will also begin to refocus resource from within Investigation and Enforcement teams to concentrate on the most serious matters that risk causing consumer harm, thus ensuring the investment is focused on the most important matters.

IT and change projects

Ensuring that we have the appropriate technology to support our transformation and new ways of working is only possible with further investment in IT. Additionally we need to ensure we have funding available to progress key change programmes during the year which allow us to focus resources on the biggest issues.

Key change programmes in the year where we will focus investment include the continuation of our risk and data programme, supervision pilots and a review of the end-to-end investigation and enforcement process. These change programmes underpin the transformation that will continue throughout 2026/27.

Client Protection

The work undertaken as part of our client protection regulatory function includes interventions into failing law firms and associated activities, such as managing claims made to the compensation fund and recovering client money via statutory trust accounts. The cost of these activities is subsequently recharged to the compensation fund.

There are several factors that have contributed to a rise in costs in this area. We are experiencing a higher number of interventions, with 55 between November 2025 and August 2026, compared to 42 in the full 2024/25 business year. Additionally, we have experienced rising storage costs for the documents and files that we seize from firms we have intervened in (both in the past and from current activity).

Authorisation

Investment in Authorisation will improve the experience for firms and individuals, reduce avoidable delays, and support operational excellence across the organisation. In addition, we intend to strengthen the role the Authorisation gateway has in the regulation of firms, linked closely to our work to establish a supervision function.

Property

We have offices in Birmingham, London and Cardiff. During 2025/26, we have taken the decision to expand our footprint in Birmingham and London. This is crucial to support recent growth and the more collaborative working environment that we require to deliver the necessary changes in the coming years.

Other

This includes the costs of our executive team, Board, Corporate Complaints and General Counsel functions. The reduction in these costs is a result of transferring some functions as part of the establishment of a Supervision function.

Commitment to efficiency and effectiveness

Feedback from this consultation included concerns about rising regulatory costs, how additional funding will be used and the need to demonstrate value for money. We have a strong internal financial control environment in place to make sure that expenditure is used wisely and delivers an efficient and effective organisation.

During the business year the SRA Board reviews progress we have made. This is reported publicly in-line with our accountability statement, which includes updates published through our Chair's blogs on our website, the Board meeting papers and minutes, and other publications. However we plan to enhance our public reporting during this next 12 month period so we can show stakeholders how we are using the increased funds made available to us.

Tracking and reporting our progress

Throughout the 12-month period of our Business Plan, we will track and review progress in meeting our commitments, including performance against the published key performance indicator targets within our balanced scorecard. As previously noted, our specific outcomes and performance measures for this Business Plan are being formed alongside the next corporate strategy.



The compensation fund

The compensation fund exists to provide safeguards to members of the public who have lost money when a law firm has closed. It is a vital tool in not only protecting the public but in maintaining confidence in legal services overall.

Contributions to the fund are paid by all practising solicitors (except those working for the Crown Prosecution Service) and by SRA-regulated firms that hold client money.

The unexpected closure of PM Law Limited in February 2026 has contributed to a significant increase in applications to the fund. As of 5 August 2026, the SRA has dealt with 539 applications to the compensation fund and paid out £15.6 million, with further applications expected. As previously noted, we have also seen an increase in the number of interventions and the costs associated with administering interventions, such as storage costs.

While the fund is designed to respond to events of this kind, the scale and nature of these claims have placed exceptional pressure on it. An increase in contribution is required to meet its future obligations. These levels of call on the compensation fund inevitably lead to considerations as to whether the current arrangements are sustainable in the medium to longer term. This is something we will revisit in the future as part of our ongoing consumer protection work.

The compensation fund contributions for 2026/27 will be:

- £170 for an individual
- £2,170 for an SRA-regulated firm holding client money.

The compensation fund contributions over time are as follows:

Practising year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Individual contribution	£40	£30	£30	£90	£70	£170
Firm contribution	£760	£690	£660	£2,220	£1,950	£2,170
Total contributions	£11.6m	£9.7m	£10.0m	£31.6m	£26.0m	£46.3m

Apportionment of fees

The contributions to the fund are calculated based on 70 per cent being collected from individual solicitors and 30 per cent from firms holding client money. This is a change from the method for apportioning contributions since current arrangements of 50 per cent from each were introduced in 2010.

Given the significant increase in contributions required for 2026/27 and our assessment of the potential impact of this, ahead of setting fees for 2026/27, we invited evidence and feedback on an alternative approach for this year of 70 per cent of fees apportioned to individual solicitors and 30 per cent to law firms for 2026/27 as part of our consultation. Part of the rationale for this was that the number of individual solicitors has increased significantly over time while the number of firms has decreased. In other words, there are fewer firms paying into the fund now, increasing the costs for those that remain. This can disproportionately impact small firms and those firms operating in less profitable but vital consumer facing areas of legal practice.

When we have consulted on making this change in previous years, we have received mixed views and there has been no clear consensus, with acknowledgement that any change would impact solicitors in different ways depending on how they practise. However, one of the main areas of concern raised during the draft Business Plan and funding requirement 2026/27 consultation was the potentially disproportionate impact that increases in fees or compensation fund contributions would have upon smaller firms. With this in mind – and building on issues previously examined as part of the consumer protection review – we are making the change to how contribution levels to the SRA compensation Fund are calculated this year.

Making this change will mean – if they pay contributions on behalf of solicitors they employ – that firms employing 29 solicitors or fewer (around two-thirds of all firms) will pay less into the compensation fund overall in 2026/27 than they would have done if contributions remained calculated on a 50:50 basis. We will monitor the impact of the contributions.

We will continue to consider future options and reforms as part of broader consumer protection and client money work. This will include wider questions, many of which were heard during consultation, including whether the flat fee model for firms – where all firms holding client money pay the same contribution irrespective of characteristics, such as size or potential risks presented to the compensation fund – is appropriate. We will consider any changes in the underlying approach in the context of our broader work around the model of solicitors holding client money, though we will not be prioritising taking this forward in 2026/27.

Management of the compensation fund

We follow four principles when determining the contribution level from solicitors and law firms to the compensation fund:

1) The overriding principle will be to maintain the viability of the fund.
2) We will ensure that the professional contributions to the fund are as manageable as possible for those we regulate.
3) We will collect the contribution to the fund in a way that is manageable for those we regulate.
4) We will be transparent about the fund monies and their management.

The future cash flows of the compensation fund are inherently uncertain. While precise forecasting is not possible, we develop cash projections using a range of assumptions to inform decisions on the annual contribution required from individuals and firms.

Our approach reflects a balanced assessment of risk. It takes account of the existence of an overdraft facility, which mitigates short-term liquidity risk, and the ability in extreme circumstances to seek a further contribution after the October 2026 collection. This allows us to protect the fund while limiting the impact on the profession as best we can.

Following interventions, we seek to recover costs from intervened solicitors and insurers to mitigate the overall cost to the profession. In recent years, this is typically around £3 million to £4 million a year although recoveries can often be made many years after the initial costs were incurred. We continue to pursue costs until it becomes disproportionate to do so.

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