

# **SRA Business Plan**

## **November 2014 to October 2015**

Published 20 November 2014

### **Introduction and summary**

1.1 The SRA regulates the conduct of solicitors and law firms to protect consumers and to support the rule of law and the administration of justice.

1.2 This business plan sets out our programme of work for the period 1 November 2014 to 31 October 2015 (the Board's financial year runs from November to October in line with the whole of the Law Society group).

1.3 The plan is set in the context of our Corporate Strategy 2014/15 to 2016/17 and provides greater detail on the activities we will undertake, and the resources we will use, in 2014/15 to progress the delivery of that strategy.

1.4 The strategy sets four objectives for delivery over the three year period it covers. These are to:

- reform our regulation to enable growth and innovation in the market and to strike the right balance between reducing regulatory burdens and ensuring consumer protection;
- work with solicitors and firms to raise standards and uphold core professional principles;
- improve our operational performance and make fair and justifiable decisions promptly, effectively and efficiently; and
- work with our stakeholders to improve the quality of our services and their experience when using them.

1.5 In this business plan we have set out details of the activities we will undertake in 2014/15 which will contribute towards the achievement of each of these objectives over the period covered by the Corporate Strategy. Our work in 2014/15 will begin to:

- improve our regulatory approach so that it is more proportionate and targeted, works better for consumers and those we regulate in the increasingly diverse legal services market and which imposes a reduced burden on those we regulate; and
- improve our performance in delivering our regulatory remit by improving operational effectiveness, by being more transparent about our service standards and performance against them, by delivering a better customer experience for all those who interact with us and by improving efficiency.



1.6 In November 2014 we published our [Equality, Diversity and Inclusion \(ED&I\) Strategy](https://www.sra.org.uk/sra/equality-diversity/) to set out, in a single document the work we will be undertaking in this area. The strategy will cover our work to:

- focus on creating a more diverse organisation and the way in which we work together;
- focus on the way we operate, our rules and the decisions we make, the impact that has on those we regulate, and helping firms and individuals to understand and comply with our requirements; and
- focus on working with those we regulate to support them in achieving a more diverse and inclusive profession.

1.7 It is important that we set out all of our work in this area in a single document. We do this in the ED&I Strategy. However, our work on this issue is not separate to the broader programmes of activity we set out in this plan. To be effective, and to deliver the change we are determined to achieve, we consider ED&I as integral to everything we do and everything we are developing and implementing. Within this plan we highlight a number of areas where we consider that the wider changes we are delivering will also have a specific impact in delivering our ED&I Strategy. Greater detail on the activities we will be undertaking to progress our ED&I Strategy in 2014/15 are set out in the work plan section of the ED&I Strategy document.

1.8 We will publish information about our performance in delivering this plan in our annual reports.

## **Strategic Objective 1**

**We will reform our regulation to enable growth and innovation in the market and to strike the right balance between reducing regulatory burdens and ensuring consumer protection**

2.1 Our most significant work programmes in 2014/15 will focus on two main areas of regulatory reform:

- identifying and removing, or reducing, structural regulatory barriers to innovation and growth; and
- reducing regulatory burdens which are not proportionate or do not provide essential regulatory protections which cannot be achieved through more targeted and proportionate measures

### **Structural reforms**

2.2 In 2014 we made changes to our regulatory arrangements to remove unnecessary barriers to the entry of multi-disciplinary (MDP) ABS to the market. As a part of that process we indicated that we would proceed to examine our "separate business rule" and consult on its amendment or



removal. At the end of 2014 we will consult on proposals to remove the rule and replace it with more limited and proportionate requirements to ensure consumer protection. We will also consult on existing regulatory restrictions which limit the range of activities which may be delivered by traditionally structured and owned solicitors' practices. Subject to the outcome of that consultation we would expect to implement any resulting changes to our regulatory arrangements by July 2015.

2.3 Our rules which set out the regulatory requirements for solicitors working in-house (i.e. employed solicitors delivering legal services to their employer and not, to the public generally), were not modernised when the [SRA Handbook](https://www.sra.org.uk/solicitors/handbooktemp/welcome1ab/) [\[https://www.sra.org.uk/solicitors/handbooktemp/welcome1ab/\]](https://www.sra.org.uk/solicitors/handbooktemp/welcome1ab/) was published in October 2011. We believe that these requirements require re-examination and amendment to remain relevant to the way that in-house practice has developed in recent years. In 2014/15 we will be reviewing our current approach with a view to engaging with in-house practitioners and consulting on amended requirements by April 2015.

2.4 We will simplify our regulatory approach to sole practitioners, ensuring that they receive a lifetime authorisation in the same way as other regulated firms, reducing unnecessary burdens on them to renew their authorisation annually. To deliver this change we will work closely with the Ministry of Justice as the change will require secondary legislation. Subject to Parliamentary approval we plan to implement the change in time for the annual practising certificate renewal process in October 2015.

## **Regulatory burdens**

2.5 We will continue our red tape challenge initiative for a further year. By April 2015 we will implement proposals, following a 2014 consultation, on the removal of certain processes and requirements in education and training.

2.6 The changes in the requirements for the handling of residual client balances, approved by the SRA Board in 2014, will be implemented at the start of the year.

2.7 In April 2015 we will commence work to review the [SRA Handbook](https://www.sra.org.uk/solicitors/handbooktemp/welcome1ab/) [\[https://www.sra.org.uk/solicitors/handbooktemp/welcome1ab/\]](https://www.sra.org.uk/solicitors/handbooktemp/welcome1ab/) with a view to radical simplification. Our objective is to make clear our expectations of those that we regulate, acknowledge the diversity of practice in the modern legal market through a more segmented handbook and to ensure that it is easy to comply with. We will seek views from the profession and consumers and consider other professions and jurisdictions in formulating our proposals. Our current expectation is that we will consult before October 2015 with a view to changes being implemented in 2016.

2.8 At the end of 2014 we will publish a discussion paper on proposals for the more proportionate regulation of smaller firms. This is likely to include both changes to our formal regulatory requirements and also to seek views about the way we supervise and engage with smaller firms. As highlighted in Professor Gus John's report following his Independent Comparative Case Review (ICCR), BAME solicitors predominantly work within smaller firms. Therefore we consider measures to improve our regulation of small firms, and to make it simpler for such firms to meet our requirements, have the potential to contribute towards addressing the disproportionality in regulatory outcomes experienced by BAME solicitors.

## **Consumer protection and empowerment**

2.9 In 2014 we proposed and approved limited changes to the requirements for the submission to us of independent accountants' reports on client accounts held by regulated firms. In 2014/15 we will continue our work to examine and reform our regulatory requirements for firms which hold client money. In April 2015 we plan to implement further, limited, changes to the requirements for accountants' reports to simplify the specified forms. In 2015 we will be conducting a major examination of client money requirements including a review of the [SRA Accounts Rules](https://www.sra.org.uk/solicitors/handbook/accountsrules/content) [https://www.sra.org.uk/solicitors/handbook/accountsrules/content]. We expect to complete that review during 2015 with a view to consulting on resulting changes in September 2015.

2.10 Similarly, in 2014, we proposed limited changes to our requirements for professional indemnity insurance (PII) and also issued a call for evidence to assist us in considering whether more wide ranging changes to the requirements should be considered. In 2014/15 we will analyse the responses to that call for evidence and, at the end of 2014, will consult on proposals for reforms of our PII requirements. Depending upon their nature, we expect to finalise any changes resulting from our consideration of that consultation in time for the general annual renewal by the profession of PII in October 2015.

2.11 During 2013 and 2014 we have been considering the SRA's compensation arrangements, currently provided by the SRA Compensation Fund. We will continue to progress that review alongside our consideration of our requirements for firms which choose to hold client money (as the Fund primarily provides compensation to clients in respect of the misappropriation of their assets held by solicitors in client accounts). Our plan is that any proposals for the reform of our compensation arrangements will be published and consulted on alongside proposals on arrangements for the holding of client money in September or October 2015.

2.12 We will undertake a range of work through the year to support consumers to play an active part in the legal market and build their



confidence as purchasers. This will focus predominantly on individual consumers of legal services. We will consider how we can better use data and intelligence from the Legal Ombudsman and examine how the handling of first tier complaints might contribute to our strategic objectives. This work will be planned during the first quarter of this plan period.

2.13 The work on complaints will be supplemented by a greater focus on the quality of legal services that individual consumers receive. Our current research on the quality of advice in asylum will inform any reform activity in this area of practice. Furthermore, we will progress with the implementation of the [Quality Assurance Scheme for Advocates](https://www.sra.org.uk/solicitors/resources-archived/continuing-competence/cpd/accreditation/accreditation/) [https://www.sra.org.uk/solicitors/resources-archived/continuing-competence/cpd/accreditation/accreditation/] and consider what other elements of criminal practice need reform in the light of evidence covering police station accreditation, higher rights of audience and the treatment of vulnerable witnesses.

## **Other regulatory reform priorities**

2.14 The Legal Services Board is undertaking a major review into the cost of regulation. We welcome this review; throughout 2015, we will work with the Legal Services Board to support its research and analysis. This will include undertaking our own research into regulatory costs. Allied to this we will be considering the way in which the cost of regulation is reflected in the annual fee collection exercise, including the split in fees charged to individuals (the practising certificate fee) and firms (the turnover based entity fee). Our objective is to have undertaken sufficient analysis and consideration of these issues to enable consultation in 2016 with a view to implementing any changes to our regulatory fee structure in October 2016.

2.15 We have made significant reforms to our regulation since 2010 in order to liberalise the market for legal services and to introduce more proportionate and targeted regulation. As set out above, there is more for us to deliver within the current statutory framework for legal services regulation. We believe more could be achieved within an improved statutory framework for regulation. Throughout 2014/15 we will work with the Legal Services Board, Ministry of Justice and other regulators to identify options for reform and work to progress their development.

## **Strategic Objective 2**

**We will work with solicitors and firms to raise standards and uphold core professional principles**

### **Training for Tomorrow**

3.1 In 2014/15 our most significant area of focus will be to progress our work under the Training for Tomorrow programme. This will modernise the system for educating, admitting and training solicitors to ensure that it is fit for the current and future challenges posed by modern society and consumer needs and by the needs of a rapidly developing and changing legal services market. It will ensure that our education and training processes focus on assuring standards whilst encouraging flexible pathways to achieving those standards.

3.2 In October 2014, we published a consultation on the Competence Statement for solicitors along with the Statement of Legal Knowledge and a Threshold Performance Standard. Taken together, they define the standards required for admission and continued practise as a solicitor. They have been developed as the result of significant engagement with the profession that we have undertaken throughout 2014. We intend to maintain this high level of engagement throughout the consultation process as we move to settle what will be the key foundation for our new approach to education, admission and training.

3.3 We will continue to work with the profession to encourage a more diverse range of pathways to the education, training and experience necessary to develop future entrants to the profession. In particular we will work closely with firms and with government to enable the introduction of apprenticeships as a pathway to future qualification.

3.4 Throughout 2014/15 we will continue to work with the profession to assist them in preparing for the full implementation, in 2016, of the changes to the continuing professional training and development of solicitors that we announced in 2014.

3.5 Throughout 2015 we will be developing options for the future mechanism to assess individuals against the new competence requirements and other criteria for entry to the profession. We expect to consult on proposals at the end of 2015.

## **Focusing our regulatory activity**

3.6 In May 2014 we published a policy statement, [Approach to regulation and its reform \[https://www.sra.org.uk/sra/policy/regulation-reform/1\]](https://www.sra.org.uk/sra/policy/regulation-reform/1), in which we set out our analysis of our core regulatory purpose and our focus on regulating the conduct of solicitors and firms to support the core professional principles.

3.7 In section 4 of this plan we describe the major programme of internal change we will be undertaking in 2015 to improve our performance and support the delivery of justifiable, proportionate and consistent regulatory decisions. As a part of that work we will be implementing clear criteria and guidance to help our decision-makers assess, in a more consistent way, the thousands of issues that are referred to us each year. This will both aid the consistency of our approach and the allocation of





resources to ensure that we are addressing the most serious matters. In the second half of 2015 we will launch an exercise to engage the profession in validating those criteria to aid understanding of our approach.

3.8 We will learn from the practical application of these criteria and through engagement with those we regulate, the public and other stakeholders and evolve and improve them over time.

3.9 We will continue to work with the profession to help firms improve their diversity and to create a more inclusive profession where there are equal opportunities to develop and progress. In November 2014 we will publish an online tool for firms to enable them to compare their diversity with similar firms (for example, in terms of size and location) together with information about the steps they might consider implementing to improve their diversity. The information which enables this resource was collected from the profession in our 2014 diversity survey. We will be repeating that survey exercise in mid 2015.

3.10 We will continue to review, update and publish our Risk Outlook and other risk materials to engage with the profession about our regulatory approach and to support individuals and firms to identify and manage the risks to their own firms and practice.

## Strategic Objective 3

**We will improve our operational performance and make justifiable decisions promptly, effectively and efficiently.**

4.1 In 2014/15 we will make significant changes to the way in which we deliver our operational activities through the implementation of new processes, information systems and supporting guidance and criteria. These changes will be delivered alongside a major programme of change with staff across the organization to improve our ways of working, our leadership and management capabilities and to create a stronger focus on delivering high levels of performance.

### Improved information systems

4.2 We will implement, in three stages, significant changes to our core information systems. These changes comprise:

- in December 2014, the implementation of a new knowledge management system, utilising Microsoft Sharepoint, to enable the delivery of consistent information and guidance across the organisation to better support prompt and robust decision-making;
- in March 2015, the replacement of our outdated and fragile CRM with a new CRM utilising Microsoft Dynamics 2013, as a part of this



implementation we will move all of our major application processes online; and

- in July 2015, the implementation of significant further enhancements to the new CRM to fully support risk based regulation and enable the management and processing of our regulatory work on a single system.

## **Better processes and regulatory and management information**

4.3 The July 2015 implementation will be accompanied by the implementation of new business processes, fully aligned to the new CRM, new integrated risk categorisation and assessment rules and revised and enhanced regulatory decision making criteria and guidance.

4.4 Together, this significant programme of change will significantly enhance our capacity and capability to deliver effective regulation, robust, proportionate and transparent regulatory decision-making, more accurate management information and more consistent and accurate recording of regulatory outcomes. It will also enable improvements in the efficiency of our operational delivery which we will be able to realise in 2015/16.

## **Strengthening operational controls**

4.5 We will support these changes with further improvements to our operational management and control environment, including strengthening internal resource and improving processes for the quality assurance of our decision making. We will have completed the implementation of a significantly enhanced quality assurance process, with additional resource, by the end of October 2015.

## **Improving decision-making**

4.6 Successfully implementing this major operational transformation programme is central to our work to deliver against our ED&I strategy. It will improve the justifiability and consistency of our regulatory decision-making and provide us with the information we need to help identify any causes of disproportionate outcomes for BAME solicitors which arise from inconsistent or unjustifiable regulatory decisions. It will also enable us to be more open and transparent about our decisions and their impact on those we regulate.

## **Reporting on our performance**

4.7 We will support our performance in 2014/15 with an enhanced range of KPIs which will provide a more comprehensive range of measures of performance in our core operational functions, including indicators which enable monitoring and reporting on the whole lifecycle of cases.





4.8 We will also publish, in April and October 2015, reports on regulatory outcomes which will identify the overall pattern of decision-making and its impact on different categories of individual and firms. This will help to support our work to address disproportionality and our dialogue with the profession about the issue.

4.9 We will improve the way we measure and report on our performance and decision-making so that we can: track our performance, explain and be open about our decision-making, better identify and address issues when things don't go well, and be transparent about our levels of performance outside of the organisation.

### **Developing SRA staff**

4.10 Our significant investment in improved processes and information systems will be accompanied by an equal commitment and an extensive programme of work to develop and embed a high performance culture within the organisation and to develop leadership, and technical capabilities at all levels. During 2015 this work will be supported by the implementation of revised reward and performance management systems.

## **Strategic Objective 4**

**We will work with our stakeholders to improve the quality of our services and their experience when using them.**

5.1 The major changes we will be implementing to improve our operational performance, as set out in Section 4 above, are also fundamental to our ability to improve the quality of our services and the experience of those using them. We are determined to improve our performance, through enhanced systems, better leadership and training and a consistent focus on customer service to improve our delivery to all, including members of the public and those we regulate.

### **Keeping people informed**

5.2 By December 2014, we will implement a new approach to communicating with individuals who contact us with concerns about the conduct of solicitors and firms. This will include more relevant and clearer communication, providing better information about what steps we might take as a result of their information and, should their report lead to regulatory action, the outcome of the matter.

### **Making regulatory information available**

5.3 We will undertake work, by December 2014, to make available open data sets containing core information about regulated firms so that other



providers of information about legal services to the public can use the information, for example comparison sites that help consumers choose and use legal services.

5.4 In 2015 we will undertake the development of a new online regulatory register for use by members of the public. At present the SRA does not have such a facility, relying for the provision of online information on the Law Society's Find a Solicitor system. We believe that our new register will provide easy access to the public for information on who we regulate. We expect to implement the new system early in 2016.

## **Online renewals**

5.5 In 2015 we will begin the analysis necessary to inform the replacement of our online system for the annual renewal of practising certificates and the payment of regulatory fees. This system was implemented in October 2011 and, historically, has proved to be neither straightforward nor simple to use for those we regulate. We will be replacing the system in time for the annual renewal exercise in October 2016. However, a significant lesson learnt from the development and implementation of the current system is the need for us to engage early and in depth with the external users of the system during the analysis and development phase. We will begin this engagement in 2015. As a part of this work we will be examining the volume and detail of information that is collected from individuals and firms as a part of this process. We consider that there are opportunities to reduce the overall amount of information required and ensure that we collect only that which is essential to us for regulatory purposes.

## **Understanding and engaging with our stakeholders**

5.6 We will undertake, by the middle of 2015, an exercise to gather and understand stakeholder perceptions of the SRA. Concurrently, we will establish a programme of roadshows, events and engagement with the profession, seeking their input into the development of our regulatory approach and raising awareness of our work. This will complement our enhanced programme of work with consumer groups and the public.

## **Being an accessible regulator**

5.7 In late 2014 we will start work to change the way we communicate with the public and those we regulate, ensuring that our language and tone is accessible and relevant to the audience and the subject matter. During 2015 we will further develop our social media channels, helping us to reach stakeholders in the way that suits them best.

# **Annex 1**

## Our core service standards

We monitor and manage our performance against an extensive range of performance indicators and milestones to ensure that we deliver a good service and meet the commitments we have made in this plan. These are reported to our Board at its regular meetings.

Set out below are our core service performance indicators. We will report our performance in 2014/15, against these indicators, in our Annual Report.

| Business Area                         | KPI   | Explanation  |
|---------------------------------------|---|--|
| <b>Contact Centre</b>                 | 70% of calls to be answered in 60 seconds   | The Contact Centre is the primary entry point to the SRA for telephone calls and emails  |
|                                       | <b>Individuals</b><br>90% of low risk applications in 30 days<br>90% of medium/high risk applications in 3 months |  |
| <b>Authorisation</b>                  | <b>Firms</b><br>90% of low risk applications in 30 days<br>90% of medium/high risk applications in 3 months       | The Authorisation team consider applications from individuals (e.g. to be admitted as a solicitor) and firms (e.g. to be authorised as a recognised body).   |
|                                       | 80% of high risk assessments completed in 2 days  |  |
| <b>Assessment and Supervision</b>     | 100% of high risk assessments completed in 5 days   | Assessment and Supervision deals with issues reported to us about individuals and firms we regulate. These reports are assessed and then, where necessary, assigned to supervisors to investigate. For serious matters further specialist investigation may be commissioned from our Intelligence and Investigation team |
|                                       | 60% of high risk events files concluded in 6 months   |  |
| <b>Intelligence and Investigation</b> | 90% of same day "walk in" cases allocated in 1 working day  | The most urgent investigation cases (e.g. where we believe client money is at immediate risk, are allocated  |

|                          |  |   |
|--------------------------|--|---|
|                          | 90% of urgent "walk in" cases commenced within 3 days  | speedily for attendance at the firm's office by an investigator).   |
| <b>Client Protection</b> | 100% of interventions effected within 2 working days<br>80% of Compensation Fund applications closed within 12 months  | Our Client Protection team undertakes interventions into firms where there are grounds to suspect dishonesty or clients are at immediate risk. It also manages applications to the Compensation Fund from clients.  |
| <b>Enforcement</b>       | 70% of referrals made to the Solicitors Disciplinary Tribunal within 4 months<br>90% of referrals made to the Solicitors Disciplinary Tribunal within 8 months | Our Enforcement team deals with serious conduct matters in respect of both individuals and firms. The most serious issues are prosecuted by us before the Solicitors Disciplinary Tribunal.   |
| <b>Complaints</b>        | 90% of Stage 1 complaints considered and responded to in 10 working days<br>90% of stage 2 complaints considered and responded to in 20 working days           | These indicators apply to complaints made to us about our own service or performance. Stage 1 complaints are managed in the relevant business unit. Complaints which are unresolved at that stage pass to Stage 2, where they are considered by a central team.   |
| <b>Lifecycle</b>         | 83% of event files concluded within 12 months<br>Average days from assessment to SDT proceedings issued (November 2014 baseline - 550 days)                    | These are new indicators which we published for the first time in November 2014. They are designed to increase transparency about the overall time that it takes us to assess, investigate and address issues referred to us. We have not set a specific performance indicator for the average number of days from assessment to SDT proceedings, but during 2014/15 we will monitor this figure, and publish details, with a |

view to setting a target indicator in the future.

## Annex 2

### Resources

The majority of the funding we receive to deliver regulation comes from the annual practising certificate and entity fees which we collect in October each year. The balance to meet our budget requirement, above the sum collected through practising fees, comes from, for example, regulatory fees paid for specific activities (e.g. fees on the authorisation of new entities), cost recoveries and the Compensation Fund, which meets the cost of administering the Fund and of interventions. In Table 1 we have set out details of how our 2014/15 budget (our financial year runs from 1 November to 31 October) for our directly controlled costs will be funded compared to 2013/14.

**Table 1**

| <b>SRA income summary</b>                    | <b>2014/15<br/>budget<br/>(£000,000s)</b>       | <b>2013/14<br/>budget<br/>(£000,000s)</b> |
|--|---|---|
| <b>Individual and entity practising fees</b> | 30.9 <a href="#">1</a> <a href="#">[#note1]</a> | 30.9                                      |
| <b>Regulatory fees (applications, etc)</b>   | 3.3   | 5.4                                       |
| <b>Recoveries (cost orders, etc)</b>         | 2.0   | 2.5                                       |
| <b>Compensation Fund</b>                     | 11.3  | 14.0                                      |
| <b>Total SRA income</b>                      | 47.5  | 52.8                                      |

This income meets our directly controlled budget. Our support services (such as information systems, finance, human resources, etc) are provided to us by the Group's shared services function. In Table 2, below, we have set out our budget for 2014/15, including those elements in respect of the shared services we receive.

<sup>1</sup> Of this sum, £28.9m was collected in the October 2014 renewal and £2m was carried forward from reserves in respect of fees collected in the October 2013 renewal but not required in 2013/14 financial year.

**Table 2**

| <b>SRA expenditure summary</b> | <b>2014/15<br/>budget<br/>(£000,000s)</b> | <b>2013/14<br/>budget<br/>(£000,000s)</b> |
|--------------------------------|---|---|
|--------------------------------|---|---|

|  |             |             |
|--|-------------|-------------|
| <b>SRA directly managed budget<br/>(excluding the cost of interventions)</b> | 38.2        | 40.9        |
| <b>SRA directly managed budget for<br/>interventions costs</b>               | 9.3         | 11.9        |
| <b>SRA cost of shared services</b>   | 27.0        | 25.8        |
| <b>Total</b>   | <b>74.5</b> | <b>78.6</b> |

A break down of the our major areas of expenditure within our 2014/15 budget (excluding the cost of shared services) is set out in Table 3.

**Table 3**

| <b>SRA expenditure break down</b>                                  | <b>2014/15<br/>budget<br/>(£000,000s)</b> | <b>2013/14<br/>budget<br/>(£000,000s)</b> |
|--|---|---|
| <b>Staff expenditure</b>   | 28.1                                      | 27.1                                      |
| <b>Interventions costs</b>   | 9.3                                       | 11.9                                      |
| <b>External disciplinary and<br/>enforcement legal costs</b>       | 3.4                                       | 4.6                                       |
| <b>R-View<sup>2</sup> <a href="#">[#note2]</a> Programme costs</b> | 0.9                                       | 2.6                                       |
| <b>Other expenditure</b>   | 5.7                                       | 6.6                                       |
| <b>Total</b>   | <b>47.5</b>                               | <b>52.8</b>                               |

<sup>2</sup> The R-View Programme is delivering the SRA's revised business processes, training and risk assessment capacity alongside the implementation of improved information systems.