

# **Draft Business Plan and Budget, November 2020 to October 2021**

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June 2020

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# Foreword

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Our Business Plan and Budget sets out our planned work and budget allocation for what will be the first year of our new [Corporate Strategy 2020–23](#).

This is the first time we have consulted on our forward Business Plan and Budget. We are, of course, consulting against the backcloth of the Covid-19 pandemic. It will be some time before the implications of that, for the users of legal services, the wider economy and the profession itself, are clear and you can see that reflected in the plan itself.

We are building on what has been a busy few years for us, culminating in the introduction of our new Standards and Regulations in November 2019. The changes focus on high professional standards and consumer protection, underpinned by simpler, easier to understand rules that give solicitors greater flexibility over how they operate.

We continued to monitor and enforce how rules on the information law firms must publish to help consumers are working, and how law firms are complying with their anti-money laundering obligations. And, of course, we have prosecuted a range of cases in relation to sexual harassment and the inappropriate use of non-disclosures agreements, as law firms and others review their workplace culture.

2019/20 has also seen the conclusion of our Legal Access Challenge, funded by the Regulators' Pioneer Fund, which awarded £500,000 to innovative technological legal services products as part of our work to support access to legal services.

Improving how we do business has included a major investment in modernising our IT, Institute of Customer Service accreditation, increased openness about the work of our Board and a very welcome Stonewall top 100 LGBT-inclusive employers listing.

Many of these themes will continue into 2020/21. In addition to our core work to set and maintain the high professional standards that we and the public expect, we have significant work ahead on key areas. These include the introduction of the Solicitors Qualifying Examination, increasing our monitoring of Anti-money laundering arrangements, understanding the adoption of technology in the legal sector, establishing an office in Wales and playing our part in the UK-EU exit transition. As we look ahead, we are also acutely aware, as everyone is, that the implications of the 2020 Covid-19 pandemic on the legal sector and the wider UK and global economy are far from understood.

The proposed activities across our three strategic objectives are complementary and interlinked. We have also tried to set them in the context of our longer-term work to meet our objectives over the lifetime of the Corporate Strategy, how we allocate our

funding across the objectives, and how we set the contributions to the Compensation Fund.

I am looking forward to hearing views on our forward thinking.

Paul Philip, SRA Chief Executive

# Introduction

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1. We are the regulator of solicitors and law firms in England and Wales. We work to protect members of the public and support the rule of law and the administration of justice. We do this by overseeing all education and training requirements necessary to practise as a solicitor, licensing individuals and firms to practise, setting the standards of the profession and regulating and enforcing compliance against these standards.
2. We are the largest regulator of legal services in England and Wales, covering around 80% of the regulated market. We oversee some 200,000 solicitors and more than 10,300 law firms.
3. In 2019, we consulted on our new Corporate Strategy for 2020–2023 and published the final [strategy](#) and the [consultation responses](#) in March 2020. Since then, the Covid-19 pandemic has changed much of the legal and wider landscape, and it will be some time before we all understand the full and longer-term implications. We will work flexibly and responsively to deliver our strategy in the light of the impact of the pandemic on all parts of the community, including the vulnerable, and the profession itself.
4. The strategy sets out our objectives, as below, and the indicative activities and the outcomes that we anticipate achieving by the end of October 2023.
  - Objective one – setting and maintaining high standards for the profession and ourselves:

*We will set and maintain high professional standards for solicitors and law firms as the public would expect and make sure we provide an equally high level of operational service.*

- Objective two – technology and innovation:

*We will actively support the adoption of legal technology, and other innovation, that helps to meet the needs of the public, business community, regulated entities and the economy.*

- Objective three – anticipating and responding to change:

*We will continually build our understanding of emerging opportunities and challenges for the users of legal services, the legal sector and our role in effectively regulating it.*

5. We have woven work on improving access to justice into all three objectives. This is key in the light of the potential impact of the Covid-19 pandemic over the three years of the strategy.
6. As we say in the strategy, our ambition is to be a progressive and relevant regulator, able to anticipate and respond with agility to emerging opportunities and challenges for the legal sector in England and Wales. This will be built on the foundation of doing our core work well and delivering excellent service.
7. To meet our ambition, we will be:
  - Anticipatory: pro-actively looking at tomorrow's opportunities and challenges as well as today's.
  - Evidence and intelligence driven: to help us anticipate and understand the future and make proportionate, objective, justifiable interventions.
  - Responsive: looking to take advantage of opportunities and address challenges.
  - Collaborative: working with partners from inside and outside the sector to build strong relationships and target resources, share ideas and mainstream inclusive ways of working.
  - Agile: evolving our regulation and operating flexibly to support positive innovation and respond to emerging challenges.
  - Authoritative: contributing to policy debates and calling out issues that are not in our gift to resolve.
8. This business plan sets out detail of our activity for the first year of our new Corporate Strategy – the period 1 November 2020 to 31 October 2021 – our budget and how we will allocate our resources.
9. We have also provided some information on how our work programmes will develop over years two and three of our strategy. Inevitably, much of our work in years two and three will depend on what we do in year one – for example, where we will take steps based on the outcome of research, exploratory work or consultation. So, in some areas the proposed activities are indicative or will require work to turn into defined programmes. We will also need to make sure that we retain capacity to address new and emerging issues, and to start longer term programmes of work in year three that will feed into the business planning for the 2023–26 Corporate Strategy.
10. We have committed to annual consultation on our forward business plans and budget, so future thinking will also be informed by input and comment from our stakeholders.

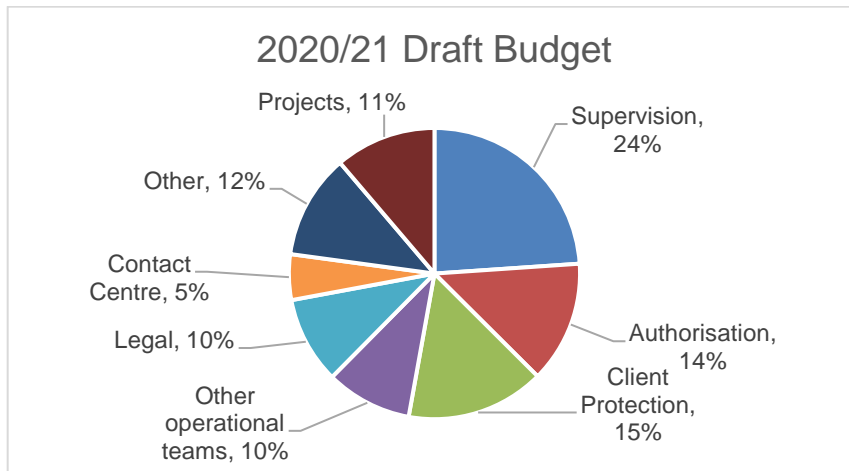
11. We will report openly and publicly on our progress, building on the suite of performance measures and accountability information that we developed in 2018/19. These are reported to our Board and published on our website on our enhanced [Board area](#). Our reporting includes balanced scorecards, key performance indicators, financial reporting and appropriate assurance on progress against each workstream.
12. In 2019/20, we worked closely with the Law Society to establish the SRA as a distinct legal entity within the Law Society Group. This will mean that both organisations can focus on our respective roles while working together wherever appropriate, which is all the more important against the backdrop of the Covid-19 pandemic. The new arrangement will not only be more effective but create more transparency for the profession and the public about our roles and responsibilities.
13. We have set out our plan against the backdrop of our anticipated budget for 2020/21 and are asking for views on that budget. There may, therefore, need to be some adjustment to our plans in the light of feedback on the budget as well as the activities themselves.
14. As we start to consider our longer-term forward budget, we are acutely aware of the current political and economic context. The impact of Covid-19 on the profession, consumers and, indeed, the wider economy is likely to be significant and long lasting. There is potential need for greater regulatory activity at a time of this significant financial uncertainty for the profession and law firms, at the same time as the economy is adapting to a post-Brexit transition environment. With this in mind, we want to avoid any increases in our part of the practising certificate fees (which also fund the Law Society, the Legal Ombudsman, Legal Service Board, Financial Conduct Authority and the Solicitors Disciplinary Tribunal) for the foreseeable future and will work towards this.
15. During the last five years, we have absorbed significant additional costs through efficiency savings. The costs resulted from inflationary pressures and new requirements placed upon us from changes in legislation and in our regulatory role. These include, for example, annual pay inflation of £4m over five years, £1m of additional costs in 2018/19 in response to new GDPR legislation and anti-money laundering (AML) requirements, and a further £0.5m in 2019/20 for additional AML requirements.
16. We continue to look for ways to make further efficiencies and we have identified a number of possibilities that will require investment and transformation, which will itself take time. We are planning, therefore, for further efficiencies to be delivered in years two and three of our plan.
17. Our focus must, of course, be on our core regulatory work, as many responses to our consultation on our Corporate Strategy emphasised. But we also have to



undertake projects that review the effectiveness of our regulatory model, support access to justice – again, as many stakeholders have stressed – and address public protection challenges where they arise.

18. The activities that we have set out across our three strategic objectives are complementary and interlinked. To avoid repetition in this business plan, each activity has been included under the most appropriate single objective. As set out in paragraph 11, we are developing appropriate measures for the plan as a whole and for each activity, so that we can check our delivery is on track, ensure that we have the right people and resources in place to achieve our aims, and that we can report effectively and publicly on our progress.
19. In relation to the resources we propose allocating to each of these areas, our overall budget is circa £71m – we have set out the detail at the end of this document. Of that, around 15% is allocated to overheads – the cost of, for example, premises, licences and utilities. A further 47% is our budget for staff, with some 38% covering non-staff costs, including interventions, legal costs, events and projects. The majority of our day-to-day expenditure is on our core work – largely licensing individuals and firms to practise, investigating and enforcing compliance against the standards we set and managing claims on the Compensation Fund. More information on how we work can be found in our [annual reporting](#) and the [Law Society Group Annual Report and Financial Statements](#).
20. We have set out our new principles for setting future Compensation Fund contribution levels in paragraphs 88 and 101.

21. The chart below shows how budgeted expenditure is split among our functions. This includes an allocation of overheads and other support functions.



<sup>1</sup>See footnote for more detail.

<sup>1</sup> Other operational teams include Business Support, Ethics Guidance, Anti-money Laundering and Adjudication. Other includes CEO's Office, Strategy, Policy, Regulation and Education, Regulatory Management, Research, General Counsel and Legal Policy.

## Objective one – setting and maintaining high standards for the profession and ourselves

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*We will set and maintain high professional standards for solicitors and law firms as the public would expect and make sure we provide an equally high level of operational service.*

22. In addition to our core work overseeing all education and training requirements necessary to practise as a solicitor, licensing individuals and firms to practise, setting the standards of the profession and regulating and enforcing compliance against these standards, we will undertake a range of targeted work programmes that support this key area of our work.

### Solicitors Qualifying Examination and solicitor competence

23. Changing the way solicitors qualify and join the profession is a priority for us. This is because we want to make sure everyone meets the same high standards however and wherever they learn and to contribute to a truly diverse profession by making it easier for people from every background to become a solicitor.

24. We will continue to work with key stakeholders, the profession, academics and education and training providers to develop the Solicitors Qualifying Examination SQE ahead of its introduction in autumn 2021. We will also work with our assessment provider to make sure we can introduce the SQE in Welsh in an incremental way, helping to meet the needs of the profession and the public in Wales. This will also be supported by establishing an office in Wales. By year 2022/23, we anticipate monitoring how the SQE is working, including the efficiency of the delivery model and the gathering of longitudinal information about candidate performance.

25. We recognise the importance of not only high standards at point of entry into the profession, but also throughout a solicitor's practice over many years, so we will also undertake a strategic review of our approach to regulating solicitors' continuing competence. This is likely to be a programme of work that continues over several years.

26. The quality of advocacy and criminal practice is an area that particularly affects the vulnerable in society. We plan to keep this under review in the light of the findings from our consultation on the regulation of advocacy. Part of this is looking at what we can produce to support the profession, building on our work to

support solicitors working in the youth justice system, and indeed the young people involved.

27. Access to competent police station advice is an important safeguard within the criminal justice system, especially for the vulnerable. We authorise providers of the Police Station Representatives Accreditation Scheme qualification and we want to enhance our quality assurance of this qualification by reviewing current arrangements this year and making any required changes in 2021/22
28. Looking ahead, we may also want to consider a suite of qualifications to address challenges and opportunities as the legal market and the profession develops.

## Anti-money laundering

29. We understand the damage that money laundering does, as criminals work to legitimise the money they make from crimes that so often affect the very vulnerable – for example, people trafficking – and support terrorism. Working with the profession and others, such as the Law Society, we are committed to meeting our obligations in legislation to preventing money laundering that involves the solicitors and firms we regulate.
30. In order to do this, we will expand our AML visits to visit all high-risk firms on a three-year rolling basis, along with visiting a sample of lower risk firms. Every month we will call in and analyse a sample of firms' AML policies, procedures and controls, or their risk assessments, and we are planning to undertake a thematic review into tax advice. In order to support the profession, we will publish what we learn from the reviews, as well as other guidance as needed to help firms get it right, including our work to support the implementation of the Sixth Money Laundering Directive. As part of making sure we meet high standards ourselves, and those required by Office of Professional Body Anti-Money Laundering Supervisors (OPBAS), we will start to review the methodology we use to risk rate firms and target our AML oversight, so that we can make changes in future.
31. We will report transparently on our AML work, directly to OPBAS and HMT, and through our Board, making sure we are fully accountable to the public and the profession. We currently spend around 2.5% of our overall budget on AML activities, which we anticipate will rise in 2020/21 to 3% of our budget.

## Our regulatory model, Standards and Regulations and Transparency Rules

32. 2018 and 2019 saw us introduce significant reforms for the sector and our regulatory model. We will work with the Competition and Markets Authority (CMA) to review the effectiveness of the pricing and transparency requirements we set for firms, and of the clickable logo we brought in to help the public understand the

consumer protections regulated firms provide. Our rolling programme of firm website reviews and enforcement will continue, and we will increase the resourcing of this work.

33. The CMA also asked us and the other regulators to develop the joint consumer website, Legal Choices. We run Legal Choices on behalf of the legal regulators and the website supports people from every community, including the vulnerable, to find the help they need. We will report on progress against our target of two to three million visitors at the start of this business year and work with the legal regulators to set out the plan for the 2020–2023 period.
34. We will undertake the year one evaluation of our new Standards and Regulations, which we introduced in November 2019. As part of our commitment to mainstreaming equality diversity and inclusion (EDI) throughout all our work, our evaluation approach will include an assessment of the EDI implications for both the public and the profession. Future years of the strategy will see us undertake further evaluation.
35. Our new Enforcement Strategy is now well embedded in the organisation and we will improve the monitoring of our investigation and disciplinary work by establishing an in-house ‘arms-length’ quality assurance team for all our disciplinary work. In years two and three of our strategy, we aim to commission external audits to report on the quality of our case handling and decisions, and we will be able to reflect the findings from the established in-house team and the external audit programme in ongoing improvements to our processes. This is also aligned to the drive from the oversight regulator, the Legal Services Board, to focus on assessing the quality assurance systems of the front-line regulators. This new work will cost around 0.5% of our overall budget.
36. Looking ahead to 2021/22, in further development of our disciplinary work, we plan to review our publication policy for disciplinary findings, and our fining bandings for the disciplinary findings that we make in-house.
37. We are planning to consult on introducing a claims fees cap this year, with a view to bringing in changes in 2021/22.
38. The Compensation Fund is becoming exposed to changing risks and it is important that we keep its purpose under review against the backcloth of the changing legal market and expectations of the public. We consulted on changes to the Compensation Fund in 2019/20 and, in the light of feedback, we will implement any changes needed to make sure that the Fund remains viable and meets the needs of both the public and the profession that funds it.

## Equality, diversity and inclusion

39. We will also continue to promote the diversity in the profession, so that it reflects and is accessible to the communities it serves. Part of that work is the collection and sharing of diversity data on protected characteristics and socio-economic status so that all those with an interest, including government, the judiciary, charities and the Law Society can see how the profession is developing. Our new IT systems offer the opportunity to improve how we do that and we will work to improve diversity data collection response rates on mySRA, offering a much enhanced picture of the profession, as well as through our biennial firm diversity data survey.
40. Building on our 2019/20 work to analyse and report on the profile of solicitors in our disciplinary processes, we plan to look at how best to understand the factors that bring the profession into our processes. We know that the patterns of over-representation of small firms, men, and the black, Asian and minority ethnic (BAME) communities that we see are widespread across regulators. These are difficult and often contentious matters and it will mean commissioning research and establishing an advisory group of expert voices to help us with these complex issues over the three years of the strategy. We will publish any research so that interest groups and the profession can join with us and others to address any underlying factors.

## UK-EU exit

41. We will continue to monitor how the January 2020 UK exit from the EU will change the way solicitors and law firms work. Our priority is to make sure that the public, from every community, can be confident that high standards are maintained in a changing landscape. In order to do that, we will work closely with the government and other agencies, including EU and international regulators, to ensure a smooth transition to any new arrangements.

## Developing our work in Wales

42. We regulate solicitors and law firms in England and Wales and around 2.6% of the practising solicitors and some 4% of the firms we regulate are based in Wales. The last few years have seen significant changes, including the 2019 report of the Commission on Justice in Wales, the Welsh government's plans to codify Welsh legislation, the commitment to Cymraeg 2050 – which aims to achieve one million Welsh language speakers in Wales by 2050 – and the work to include the healthcare regulators in the Welsh Language Measure.
43. We have increased our engagement with the profession, local law societies, the public and key agencies in Wales over the last few years. Building on that increased involvement, we have now decided to establish a new office in Wales. That will mean we can work more closely in partnership with different interest groups,

including the Cardiff office of the Law Society, on the key issues for Welsh consumers and the profession, and to make sure that our regulation meets the needs of the users of legal services in Wales.

## Continuous improvement

44. We are committed to working as efficiently and effectively as possible while providing good customer service. In order to do that, we are reviewing key areas of our supporting resources, for example, our premises strategy. This is all the more important as we operate as a distinct legal entity within the Law Society Group.
45. We will undertake a full review of the fees we charge solicitors and law firms and develop an updated approach to our regulatory fees model for introduction in subsequent years.
46. We are part way through our major Modernising IT programme, which will improve our core technology and help us to improve our customer service. This year we will bring in new case management systems and updated support for our disciplinary processes, as well as building the IT that we need for the introduction of the SQE. We will also explore the latest systems and techniques to support our disciplinary and wider work, in line with our commitment to promoting the use of appropriate technology in the sector. This will include software to support our transparency compliance work and our detailed forensic investigation work. In years two and three of our strategy, we will begin to deliver the benefits associated with the new IT – leading to more efficient and faster processing and improved levels of customer service.
47. These improvements will enable us to realise efficiency savings within operational areas as we move into years two and three of the 2020–23 Corporate Strategy.
48. We will build on our 2019/20 work with the Institute of Customer Service to develop an organisation-wide approach to understand what our service users think and to improve customer experience across everything we do. This is all the more important as we respond to the impact of the Covid-19 pandemic and how it will change the way we and many other organisations work.

## Resources

49. The majority of our resources are allocated to meeting this objective which, includes our core work to ensure high professional standards, as set out above. We expect to allocate around 92% of our total budget to this objective.

## Objective two – technology and innovation

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*We will actively support the adoption of legal technology, and other innovation, that helps to meet the needs of the public, business community, regulated entities and the economy.*

50. In setting our strategic objectives, we considered the challenges and opportunities likely to emerge in the legal sector and more widely. Technology was seen as having the potential to transform the way the profession works and how legal services are delivered, contributing to the regulatory objectives to increase access to justice, to promote competition in the provision of services and to promote the consumer interest.
51. During the consultation on our Corporate Strategy, there was considerable support for this objective, as well as recognition that the access to justice needs of the public from every community, especially the vulnerable, needed to be met in variety of ways. Since then, the Covid-19 pandemic has brought this into sharp relief as all parts of the legal sector, including the judiciary, have worked to adjust to more online and virtual delivery. Our research programme will look closely at how Covid-19 has and will affect access to justice. We, like others, also need to consider how best innovation and technology can help people, recognising that digital access varies, for example, many groups rely on mobile phone technology.
52. There was also feedback from the profession that stressed that we should make sure that we add value in what is a busy space, and which reminded us that doing more for small firms on both innovation and technology was important. Again, Covid-19 has already impacted on law firms of all sizes and the sector and is likely to bring further longer-term changes.
53. This first year of work in this area of our new Corporate Strategy will inevitably be largely exploratory as we seek to add real value in what is a fast-changing landscape. By the end of this year, we will have identified specific workstreams for the subsequent years. Examples or areas we are likely to take forward include research that looks at how best technology can help those with limited or no access to digital services, and work to facilitate more publicly available data about data in law firms and the justice system, which is often cited as one of the key barriers to the development of legal technology.

### Increase our understanding of the use of technology in the legal sector

54. We are committed to supporting fair, accessible and inclusive legal technology that has the potential to increase access to justice. In order to add value, we will undertake research to segment the market, with a focus on where and at what



level the adoption of new technology is taking place. Part of this is looking at what benefits and risks there might be for consumers, including the vulnerable (both long term and situational) and those in digital poverty, from new technology. This would also consider the impact on legal service provision that innovation and technology has had to date, and the changes already brought about by the global Covid-19 pandemic.

55. Our contribution will be most effective in partnership with others, so we will work with existing UK and international networks – including the Better Regulation Executive’s Regulator Forum, Innovation Network and the legacy of the Legal Access Challenge (LAC) network – and build new ones as needed. Part of that will be exploring and scoping the need for a specialist innovation and technology panel. We will also explore opportunities to join up with business schools, charities and others to develop collaborative innovation-based projects, and we will look at international developments in this area. This will set the foundation for future, long-term working over the lifetime of our Corporate Strategy.
56. We will also draw on feedback from the LAC as to where our regulations, and those of others, are creating pinch-points for the adoption of technology and explore solutions.

## Develop specific initiatives to promote and develop the use of legal technology and innovation

57. Building on the success of our 2019/20 LAC, we will look at how the second round of the Regulators’ Pioneer Fund, which will provide £10m of funding, can contribute further to increasing access to justice.
58. In 2016, we established our SRA Innovation Space to support firms to try new ways of working in a safe and managed environment that ensures public protection. Since the implementation of our new Standards and Regulations, many of the innovations in the existing space are now allowed without special provision. We are also engaged in the Lawtech Delivery Panel<sup>2</sup> work to secure government funding to support a legal sector technology sandbox. We will review how the SRA Innovation Space is working, and use information from our first-year evaluation of the new Standards and Regulations to look at how best to develop its focus and operation. Part of that will be considering how we can better help small firms to look at developing their services in an innovative way. We will also explore the opportunities to work in partnership with others, including law firms that have already adopted technology effectively, to ensure that the profession can put their ideas into practice.

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<sup>2</sup> <https://technation.io/about-us/lawtech-panel/>

59. We will also work to increase our guidance and support materials for the both the profession and the public. Building public trust in lawtech solutions is an important component of increasing access to justice. Producing relevant awareness-raising and support materials for the public is key to that. Responses to our Corporate Strategy consultation emphasised the importance of guidance for the profession. We have already committed to exploring guidance tailored towards particular products and services such as Digital ID checking, and to developing resources to assist legal technology start-ups secure investment. We will also look at further guidance for firms and solicitors, and for innovators, building up resources over several years.
60. Cybersecurity is an ever-increasing issue in the sector, not least because law firms not only hold client money but also valuable confidential data about their clients. The pressure on insurers to provide cover for this difficult to underwrite risk is a factor in the hardening professional indemnity insurance market, which increases costs for firms and, in turn, for the users of legal services. We plan to undertake research into cyber prevention methods and how other industries/regulators/jurisdictions have responded, as well as working with key stakeholders to undertake a review of how losses linked to cyberattacks and fraud can be better prevented using technology and innovation. 2022/23 will see us reviewing the impact of any interventions we make in this area.
61. The Government Reforming Regulation Initiative<sup>3</sup> aims to “ensure that regulation is sensible and proportionate” and strikes “the right regulatory balance between supporting excellent business practice and protecting workers, consumers and the environment”. It is important that we understand the implications for the legal sector in our regulatory model, how we work, and the services we offer for all our customers, so we plan to work with government to look at the opportunities.
62. We also recognise that technology and innovation crosses national boundaries and impacts on people from every community. We will build this into our engagement on the EU exit and work with international authorities, including through the International Conference of Legal Regulators, whose website ICLR.net we run.

## Resources

63. We anticipate allocating 4% of our overall budget to this strand of our work in 2020/21 and we anticipate increasing expenditure on this in years to come.

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<sup>3</sup> <https://www.gov.uk/government/consultations/reforming-regulation-initiative>

## Objective three – anticipating and responding to change

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*We will continually build our understanding of emerging opportunities and challenges for the users of legal services, the legal sector and our role in effectively regulating it.*

64. As set out above, in developing our Corporate Strategy, we looked at the challenges and opportunities likely to emerge in the legal sector and more widely. There was a clear and consistent theme around the rate of change (and of course the subsequent Covid-19 pandemic has highlighted both the local and global pace of change) and how we and the sector were equipped to deal with that change. We decided that we would build on our current sector risk analysis, which we publish through our Risk Outlook, and work across boundaries to support consumer protection and to speak up in line with the regulatory objectives where it is necessary to do so.
65. In delivering this objective, we will engage with our stakeholders and work closely to complement a range of voices in the sector, including the Law Society and other expert commentators. Our purpose is to add value where there are challenges or shortfalls in the current framework, rather than duplicate or distract from the role of others.

### Improving our understanding

66. We all live in a fast-changing world, as the Covid-19 pandemic has shown us. In order to improve our understanding of the implications of social, political, economic, international and environmental pressures, and to help us to spot trends early, we will enhance our in-house horizon scanning and intelligence gathering function. We will also work with others to develop our understanding of the legal services market from a longitudinal and economic perspective, so that we improve our understanding of consumer concerns and requirements
67. Access to good quality data is key to this objective and we will show leadership by sharing our own data as openly and widely as possible. In year three of our strategy, we will review how our data has been used and the impact it has made.
68. This will include commissioning research, including reaching out directly to consumers to listen to their needs, and monitoring the findings of research undertaken by others. We will share our data and publish authoritative reports on key issues.

69. We also want to look at analysis of the impact of the Covid-19 pandemic on the structure of the legal market over several years and any implications for how services are accessed by consumers.
70. It's important that we understand the views of our stakeholder and service users. Our work on customer experience regularly provides us with service user feedback and we will continue to listen to and build on what is important input. But we need to do more to capture wider views over the lifetime of our strategy. We intend to commission independent surveys of a cross-section of our stakeholders, including the profession, the public and opinion formers, as well as asking the organisations with which we work most closely for their views.

## Working in partnership

71. In our increasingly complex world, we know that we need to work with others to make a difference. That is all the more the case as key social, cultural and public policy issues can involve multiple sectors and organisations, as we saw with the #metoo movement, and is likely to be the case as we all address the implications of the Covid-19 pandemic. So we must work with regulators, the profession and representative bodies, the public and agencies across key sectors to share data, identify and address relevant public protection challenges and then work in partnership to find solutions together, where that is possible. As part of that we will engage with agencies in other jurisdictions to learn from their experience, share views and information and look at where change may be needed.

## Speaking up

72. As we have set out above, we want to work to address relevant public protection and public policy issues, using clear criteria, including consumer protection, to assess where we can add value. An example of where we may want to speak up may be on the evidence we have from our regulation that contributes to the understanding about the short and longer impact of the Covid-19 pandemic on the legal sector and how it works to meet the needs of consumers. In some instances, finding a solution may include being clear about what needs to change. When we have clear evidence and a considered position, we will speak up authoritatively, and often in partnership with others, including the profession and the Law Society, in line with the regulatory objectives we have a duty to promote.

## Public legal education

73. One of the three-year outcomes under this objective that we have set out in our strategy is that we will know that we are making a positive impact on how consumers and the public feel they are being served by legal service providers.

74. Part of that has to be increasing awareness of legal services and how to use them, which is likely to be all the more important in the light of the Covid-19 pandemic. We plan to develop a strategy for 2020–2023 to help us to identify opportunities to work with others to increase our provision of public legal education building on our work to date. That has included the development of our [Public Engagement Charter](#), our work with the Solicitor General’s Public Legal Education Panel and our work on further developing Legal Choices as set out in paragraph 30. We are already committed to our work to increase our guidance and support materials for the public on the use of lawtech to provide legal services, which will form a key component of our public legal education strategy.

## Immigration and asylum services

75. Issues around the accessibility and quality of legal advice have been raised with us by stakeholders including the Home Office, tribunal judges, charities such as Justice, and the Office of the Immigration Services Commissioner. People using immigration and asylum services are often very vulnerable and the implications for them of poor services or the inability to access support are profound.

76. We have undertaken a range of work in this high-risk area, including carrying out research and a thematic review into the quality of service delivery, and consulting on changes to our Standards and Regulations to confirm regulatory arrangements for immigration solicitors. In recognition of the challenges for people using immigration, we are already working with charities, consumer representatives, provider representatives, other regulators and the Legal Ombudsman to consider whether there is more we can do to help ensure immigrants and asylum seekers understand their rights and can access quality advice, and we plan to continue this work over the next three years.

77. Looking forward, the introduction of the new Settlement Scheme and proposed points-based system for immigration following our exit from the EU may raise new and pressing policy questions. We plan to do more to understand the implications of any potential changes and our regulatory response.

## Understanding patterns of attainment in education and training

78. As we set out in our [five-year review of our EDI work](#), there is well evidenced differential attainment affecting BAME students at all levels of education and training and professional assessment in multiple sectors. Our annual monitoring of the Legal Practice Course, Common Professional Examination, Period of Recognised Training and the Qualified Lawyers Transfer Scheme clearly demonstrates this, as do studies across many disciplines, including, for example, pharmacy, medicine and higher education as a whole.

79. We know that the SQE will not resolve the attainment gap, or its drivers, but we believe we can achieve a fair and consistent assessment through good design, question setting and marking, and close monitoring and quality assurance once the SQE is up and running. However, it is likely that the attainment gap will persist, as it does elsewhere, because the reasons seem to be complex and rooted in wider societal issues. This is particularly important because, as we have set out at paragraph 21, we want to make sure everyone meets the same high standards however and wherever they learn and to contribute to a truly diverse profession by making it easier for people from every background to become a solicitor.
80. We plan to share our data, commission research and work with others to increase understanding of these difficult issues, including how protected characteristics and social mobility intersect, and what might be done. This is likely to be the start of a project lasting several years. By 2022/23 we plan to look at what can be done to make a difference to the complex factors that result in the widespread patterns of differential attainment in higher education and professional assessment.

## Resources

81. We anticipate allocating a further 4% of our overall budget to this strand of our work in this business year and that is likely to increase over the lifetime of the Corporate Strategy.

# Budget 2020/2021

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82. Most of the funding we receive comes from fees paid by solicitors and firms. We collect these practising fees every October. The rest of our income is from other sources, for example:

- a. fees paid for specific activities, such as applying to set up a new firm
- b. recovering costs when we conclude a disciplinary case
- c. the Compensation Fund, as the fund covers the cost of managing the fund itself and any interventions into firms.

83. In table one we have set out details of our 2020/21 funding (our financial year runs from 1 November to 31 October) compared with 2019/20. We expect to produce a balanced budget in 2020/21 with no requirement to fund expenditure from reserves.

84. The figure for the Compensation Fund is the recharged cost of the overheads and administration costs of running the fund and any interventions.

## Table One

<b>SRA income summary</b>	<b>2020/21 draft budget</b>	<b>2019/20 Budget</b>
Individual and entity (firm) practising fees	54,799	54,080
Investment income	152	872
Regulatory fees (eg payments for applications)	3,069	3,069
Recoveries (eg cost orders)	2,040	2,040
Compensation Fund	10,212	10,212
Reserves	0	3,768
<b>Total SRA income</b>	<b>70,272</b>	<b>74,041</b>

In table two we have set out a breakdown of how we will spend our money in 2020/21.

85. The increase in staff expenditure is due to pay inflation and the final transfer of staff from Shared Services to the SRA.
86. The budget for projects in 2020/21 includes further enhancements to our regulatory systems. During 2019/20, we concluded the major phases of our Modernising IT programme, which represented a significant investment in our IT. This has allowed project expenditure to reduce significantly in 2020/21.
87. 'Other' costs include non-staff IT spend, consultancy, Board and committee costs, external advisers, including adjudicators and examiners, research, engagement activity and staff travel.

## Table Two

<b>SRA expenditure summary</b>	<b>2020/21 draft budget</b>	<b>2019/20 Budget</b>
Staff expenditure	36,251	34,406
Intervention costs	6,670	6,670
External disciplinary and enforcement legal costs	3,619	3,619
SRA cost of Shared Services and property	5,681	5,261
Projects	5,725	11,610
Other	12,326	12,475
<b>Total SRA income</b>	<b>70,272</b>	<b>74,041</b>

## Setting our Compensation Fund contributions

88. We are also, for the first time, setting out new principles for setting contributions to the SRA Compensation Fund.
89. The Compensation Fund is a discretionary fund of last resort, established some 70 years ago to protect consumers. It supports public confidence in solicitor firms



and the reputation of the profession. It is important that we maintain the viability of the SRA Compensation Fund to make sure it remains a key consumer protection for people accessing regulated legal services. This means that the fund must be sufficient to meet future demand while not imposing unnecessary financial burdens on the profession which funds it, the cost of which is ultimately passed onto consumers.

90. [The Compensation Fund Rules](#) set out how the fund operates and requires both regulated individuals and regulated firms to make an annual contribution, collected during the practising renewals period.
91. There is no legal right to a grant from the fund. These are discretionary and are limited to certain types of loss, namely where:
  - a. those for whom services are provided have lost money as a result of their solicitor or firm's dishonesty
  - b. the solicitor or firm has misappropriated or otherwise failed to account for their money, or
  - c. they have a claim which should have been covered by the firm's mandatory indemnity insurance, but where the firm has failed to take out a policy of insurance as required to under our rules.
92. We want to make sure that we are managing the fund in as effective a way as possible in light of its statutory purpose, our regulatory objectives and best regulatory practice. And, as its costs are ultimately reflected in the price of services, it is important that our policy and rules in this area make sure that:
  - a. funds are prioritised and are focused where they are most needed
  - b. the fund has a clear purpose and priorities
  - c. the fund is operated in a transparent way with decisions being made consistently and against clear, objective criteria.
93. Every year, our Board carefully considers and sets the contribution from the profession to the Compensation Fund. The contributions fund the costs of claims, reserves and the costs of handling the claims themselves, including interventions into firms where client monies and files are at risk.
94. The annual contribution level is informed by reviewing past claim levels, significant prospective claims and any trends, making assumptions on volumes and extrapolating historical data to forecast future receipts and payments. This includes looking at data relating to interventions, although it is difficult to estimate future claims against, or amounts recovered from, interventions in progress.
95. The contributions are collected as part of the annual practising renewal period and the levels have been notified within the Law Society Group consultation on the practising fees. The level of contribution itself has not been subject to consultation in the past, largely because much of the information used to set the

fund contribution is sensitive. We will however, as a distinct legal entity within the Law Society Group, ensure that the profession has the opportunity to comment on future contribution levels by including the proposed level in our consultations on, for example, our Business Plan or practising fee setting.

96. In order to support the transparency of our decision making, we are setting out four general principles for consideration when setting the annual contributions to the Compensation Fund. The proposed principles reflect practice to date, including in discussion at the Finance and Audit Committee and SRA Board over the years and is consistent with the approach we have articulated in our recent consultations.

## Principle one – The overriding principle will be to maintain the viability of the fund.

97. The Compensation Fund is a key consumer protection for people accessing regulated legal services, so it must be financially sustainable. This means that the fund must be, **first**, sufficient to meet anticipated future demand and to manage a level of unanticipated claims. **Second**, it must be maintained at a level that does not place unnecessary financial burdens on the profession which funds it, the cost of which is ultimately passed onto consumers.

## Principle two – We will ensure that the professional contributions to the fund are as manageable as possible for those we regulate.

98. In order to help firms and solicitors plan ahead, we will strive to avoid significant fluctuation and volatility in the contribution levels. This means that we must, as set out in principle one, ensure provision is sufficient to cover a level of unanticipated claims as well as anticipated future demand. We will do this by maintaining a reserve that at least covers future demand and takes account of any exceptional cases (such as high value multiple claims), while minimising year-on-year fluctuations. This will protect the firms (and the fund and therefore the public) from the inevitable uncertainties in predicting claims arising in any one year.

## Principle three – We will collect the contributions to the fund in a way that is manageable for those we regulate.

99. We will continue as a matter of general practice to collect the contributions annually, alongside the practising certificate fees, to minimise the burden of administration on firms. In line with the role of the fund in supporting public confidence in regulated firms and the reputation of the profession, we will continue to levy contributions from across all the regulated community. We will aim through the measure set out above to avoid the need to make additional collections in-year.

## Principle four – We will be transparent about the fund monies and their management.

100. In order to make it clear how fund contributions are used, we will publish the Compensation Fund financial statements annually. We will ensure that the profession has the opportunity to comment on future contribution levels by including the proposed level in our consultations on, for example, our business plan or practising fee setting. We will also provide accessible information for the public, including the vulnerable, about the Compensation Fund, how it operates and how to access the fund without using potentially costly professional support.

101. Overall, these principles taken together are designed to make sure we balance the need to maintain the viability of the fund with the need for contributions from the profession – the cost of which are ultimately passed onto consumers – to be proportionate.