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*This paper will be published*

**Chief Executive's Report**

**Purpose**

- 1 This report provides an update to the Board on our priorities and any key developments that it needs to be aware of. It also provides information on important external developments and our engagement activity with key stakeholders.

**Recommendations**

- 2 The Board is asked:
  - a) to consider the Chief Executive's report
  - b) to delegate to the Chair the making of minor amendments to our Authorisation of Individuals Rules (AIRs) to allow solicitors to deliver immigration services to the public from Office of the Immigration Services Commissioner (OISC) regulated firms provided that they are individually regulated by the OISC (paragraphs 23 and 24).
  - c) to delegate to the Chair the making of the necessary revocation and commencement rules for the SRA Compensation Fund Rules 2020 to become effective (paragraphs 25 to 27).

**If you have any questions about this paper please contact: Paul Philip, Chief Executive, [paul.philip@sra.org.uk](mailto:paul.philip@sra.org.uk), 0121 329 6940.**

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## **Chief Executive's Report**

### **Update against priorities / key developments**

#### ***Covid-19***

- 3 The homeworking arrangements we put in place during the lockdown continue to work well. Our main priority continues to be the safety and wellbeing of staff. Office use is currently limited to a few essential business needs (such as a small number of staff collecting files and our Docucentre staff scanning post). We have informed staff that this is likely to be the case for the remainder of this calendar year. Work is taking place with staff over the next month to understand if any staff may need to access the office before then and we intend to pilot some additional usage for specific activities over the autumn where we consider it might enhance working practices (such as induction and some training).
- 4 We are continuing to monitor cases that have been delayed due to Covid-19. At the end of July, we had 77 cases (down from 120) that were showing delay due to Covid-related issues. The main reason for delay now is due to the impact of Covid-19 on third party organisations like the Courts, Police and other agencies.
- 5 The Legal Services Board (LSB) has asked us for the detail of the actions we are taking to understand the impact of the Covid-19 pandemic on those we regulate and on the regulatory objectives. We have provided it with an outline of how we are doing this.

#### ***Practising Certificate fees***

- 6 The LSB has approved the level of practising fees for 2020/2021 following our joint application with The Law Society (TLS) in July. The decision has been [published](#) on the LSB's website. The LSB sets some expectations for us to take forward in readiness for next year's application in its decision document, which include publishing a summary of responses to our consultation on the fees, greater clarity on our medium-term strategy and undertaking a full equality impact assessment.
- 7 At the end of July, the LSB [published a consultation](#) on its plans to increase practising fee (PCF) transparency in terms of how regulators spend the income. This includes new draft PCF Rules on how PCF income can be used (for what permitted purposes) and the criteria and supporting material that approved regulators must provide to the LSB before it decides to approve a PCF application. The consultation closes on 8 October 2020.

#### ***Solicitors Qualifying Examination (SQE)***

- 8 In July we published a suite of further information about the SQE, as follows:
  - The candidate fee for SQE1 and SQE2
  - The final Assessment Specification for SQE2
  - The final Equality Risk Assessment

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- The update report by the Bridge Group in relation to the diversity impacts of the SQE
- Details of adjustments to the transitional arrangements for the Qualifying Law Degree (QLD) and Common Professional Examination (CPE)

Media coverage has been limited and mainly factual.

- 9 On 31 July 2020 we submitted the final application for approval of the SQE to the LSB. It has indicated that it expects the approval process to take 90 days. We therefore expect a decision by the end of October. Following the submission of our application, we have continued to provide additional information online, including to explain the new route to qualification and transitional arrangements for those looking to qualify in the future. This has included a series of live webinars and the publication of new easy-to-understand infographics.
- 10 The Bridge Group report highlighted the need for full information about the SQE, to help candidates navigate their way through the new routes to admission. We will be publishing an Information Strategy later in September setting out our approach and explaining what information we will be publishing when.

***SQE transitional arrangements for the Qualified Lawyers Transfer Scheme (QLTS)***

- 11 We continue to review carefully the SQE transitional arrangements, particularly in the light of the ongoing Covid-19 pandemic. As mentioned above, in July we adjusted the transitional arrangements for the QLD and CPE to provide a longer overlap between old and new routes and therefore greater flexibility for candidates at a time of uncertainty.
- 12 Over the summer, Kaplan successfully ran a socially-distanced QLTS Multiple Choice Test (MCT) and two socially-distanced QLTS Objective Structured Clinical Examinations (OSCEs). This provided enough places for candidates who wished to attempt the assessments, but there were individuals who had registered for the assessment who were unable/unwilling to sit it due to uncertainty, travel restrictions or health concerns. This has created a back-log of demand.
- 13 Kaplan is putting arrangements in place to add capacity. It will run three, not two, OSCE sittings in 2021 and will run sittings in two locations, instead of the usual one.
- 14 We will also make two changes to our processes both of which add capacity to the system, but neither of which require changes to our regulations:
- Candidates who have passed the QLTS MCT have until 1 September 2022 to complete the QLTS OSCE. We will give individuals who are in this transitional cohort the option to take SQE2 instead of the OSCE, for a limited period up to 1 September 2023.
  - There are a small number of candidates who are exempt from the QLTS MCT because they are qualified lawyers who have passed the LPC. These

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candidates are not in the transitional cohort and must pass the QLTS OSCE and apply to us for admission by the time the SQE regulations come into force on 1 September 2021. We will permit these candidates to attempt the OSCE for the last time in July 2021 and apply to us for admission after 1 September 2021 when they have their results. This will make two OSCE sittings available to them in 2021.

***Legal Services Board review of diversity progress***

- 15 The Legal Services Board (LSB) published its [review of the progress regulatory bodies have made on diversity in 2019/20](#) in July, including its assessment of the [SRA's work](#). The LSB recognised the work we had undertaken in meeting its expectations for 2019 including our published disability inclusion resources, work on the equality impact of the SQE and the management of increased reports of sexual harassment and the inappropriate use of Non-Disclosure Agreements. In relation to their three new expectations (introduced in January 2020) of what good regulatory performance looks like for Equality Diversity and Inclusion, the LSB noted our understanding of diversity in the profession and our 'well-established' approach to gathering and analysis of data and trends, our work to identify the issues at entry and progression, and proposals for monitoring the profile of those subject to disciplinary procedures.

***Brexit***

- 16 The Government and the EU continue to work towards a trade deal, but it is unclear whether it will be achieved by 1 January 2021. Given this, we are continuing our planning for there not being a trade deal. We are engaging with government officials looking at mutual recognition of professional qualifications. Our approach to recognition does not depend on a negotiated trade deal, but it does require qualified international lawyers to qualify through the SQE, subject to any exemptions based on qualifications which are equivalent in content and standard. We have explained this position to the Government.
- 17 Once we are clear on the Government's position (likely to be during October), we will be asking for the Board to agree again to delegate Brexit rule changes to the Chair for sign off. We have a standing exemption with the LSB for 'no-deal' Brexit changes and so do not expect there to be difficulties with our application at this stage.

***Professional Indemnity Insurance (PII) October 2020 renewals***

- 18 We have previously highlighted to the Board that the PII market has been hardening and this has been compounded by the economic impact of Covid-19. The indication is that firms that are considered high risk by insurers will find it harder to obtain insurance cover, some firms will face significant premium rises and many insurers will be undertaking more rigorous due diligence including around the financial performance of firms.
- 19 In this context, a number of insurers have asked us to change our PII requirements, ahead of the October renewal round, around full cover remaining in

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the event of non-payment of annual premiums, run-off premiums and excess. We have engaged with insurers, committing to work with them to make sure our operational processes minimise the risk of non-payment. However, we have indicated that we will not amend our PII requirements at this stage and without evidence that to do so would be in the consumer interest. We, along with the Law Society, have also communicated to the profession tips for preparing for the October renewal round.

***Solicitors Indemnity Fund***

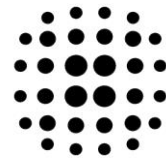
- 20 At its meeting in March, the Board agreed to establish a working group comprising the SRA, Law Society and Solicitors Indemnity Fund Limited (SIFL), to prepare for the wind up of the Solicitors Indemnity Fund (SIF). The work of that group was put on hold following the Board's decision in June to extend SIF's role in relation to post-six year run off cover claims, from 30 September 2020 to 30 September 2021.
- 21 Since then, together with the Law Society, we have been in discussion with insurers to support their work in exploring the development of products for post six year run off cover in the open market.
- 22 In the meantime, SIFL has been continuing to hold discussions with the market to explore the options for bringing the SIF to an end following the 30 September 2021 date, and arranging cover for any residual liabilities. Therefore, we propose to revive the working group meetings, with a view to developing a detailed action plan and taking this work forward over the coming months.

***Immigration rules***

- 23 In June, the Board made amendments to our Authorisation of Individuals Rules to allow solicitors to deliver immigration services to the public from Office of the Immigration Services Commissioner (OISC) regulated firms, provided they are individually regulated by the OISC. Following our application to the LSB for the amendments agreed by the Board in June, the LSB has issued an assessment notice saying it was content with the changes that we have made.
- 24 However, we need to make some minor amendments to these rules following discussions we have had with the LSB during the rule approval process. The amendments are presentational will not make any changes to the policy position that the Board agreed. The LSB has made a provision so that we can make these minor amendments.

**Recommendation: the Board is asked to delegate to the Chair the making of minor amendments to our Authorisation of Individuals Rules (AIRs) to allow solicitors to deliver immigration services to the public from Office of the Immigration Services Commissioner (OISC) regulated firms provided that they are individually regulated by the OISC.**

***Compensation Fund Rules 2020***

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- 25 In July, the Board agreed the final set of changes to how we operate the Compensation Fund and made the SRA Compensation Fund Rules 2020. We are now proceeding with our application to the LSB for approval of the changes.
- 26 For the SRA Compensation Fund Rules 2020 to become effective, we will need to revoke the current rules and commence the new rules.
- 27 We are planning for the rules to come into force ahead of the next contribution setting and in line with the IT changes being made to the case management systems to avoid the need for two significant business change cycles.

**Recommendation: the Board is asked to delegate to the Chair the making of the necessary revocation and commencement rules for the SRA Compensation Fund Rules 2020 to become effective.**

***Expert Panel***

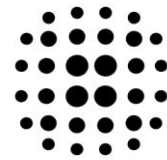
- 28 We held the first meeting of our Expert Panel on 7 September 2020. The Panel forms part of our policy development process and members were invited to offer views about legal regulation in the context of our new Corporate Strategy and the changing external environment.

***Second annual report into first-tier complaints handling***

- 29 Our second annual report relating to law firms' first-tier complaint handling was [published](#) in July and showed that firms maintained their improvement in handling complaints made to them, with 80% of complaints resolved by the firms themselves. We committed to annual publication of a summary report as part of our work to increase transparency for consumers, as highlighted by the Competition and Markets Authority in its 2016 market report.

***Transparency compliance work***

- 30 I previously updated the Board on the steps that we are taking to address non-compliance with our Transparency rules. This has included web-sweeps of firms' websites and contact with firms where we find evidence of non-compliance. It has also resulted in a small number of firms being referred into our disciplinary procedures for persistent non-compliance, where we have imposed internal sanctions including fines and rebukes.
- 31 Following a temporary pause of this work during the early stages of the Covid-19 pandemic, we have now re-commenced work to assess levels of compliance in this area. This has included a survey of 470 firms that we undertook in July. Early indications suggest that compliance levels are improving but there remains a small minority that have either not responded to our enquiries or have not provided sufficient assurance. We will be following these issues up over the coming weeks and will make further referrals into our disciplinary procedures if required. We will also be writing to further cohorts of firms over the next four months to assess ongoing levels of compliance.

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- 32 We have [published](#) new race equality resources, which include case studies from firms of good practice ranging from the role of employee BAME networks to specific recruitment initiatives. Over the coming months, we will be publishing videos from senior individuals in some of the key diversity groups in the profession on the importance of promoting race equality and other related topics such as quotas and targets with tips for firms.

***Thematic reviews published***

- 33 We have [published](#) a cyber security thematic review that analysed incidents and working practices across 40 firms that had reported to us they had been targeted by cyber criminals. The report linked to the resources we have published to support firms as they work in new ways because of the Covid-19 pandemic. Publication of the report attracted coverage across the legal media.
- 34 We have also [published](#) a thematic review and revised warning notice on solicitors' involvement with potentially dubious investment schemes, flagging the heightened risks to both vulnerable people and law firms in the light of the Covid-19 pandemic. The warning and report findings were extensively covered across the legal media.

***SRA TLS collaborative working protocol***

- 35 There are three areas listed in the protocol that we have agreed to work collaboratively with TLS on in particular: technology, anti-money laundering (AML) and equality, diversity and inclusion (EDI).
- 36 We have worked with The Law Society over the summer in a number of areas which are noted throughout my report. We continue to work closely on AML issues. Since the last Board meeting, we have met with the Law Society at Chief Executive Officer and at staff level to discuss working together and our policy position on the economic crime levy.
- 37 On EDI, we have been working with TLS, other legal regulators and key equality stakeholders to take a collaborative approach in addressing and responding to the Black Lives Matter movement. We also worked with TLS to promote our thematic review reported above into potentially dubious investment schemes and the warning notice. Amongst other activity, TLS shared a link to the warning notice in its Professional Update bulletin.
- 38 We will be engaging with TLS on the technology and innovation sections of our business plan in the coming months as part of future work planning.

***Kingly intervention***

- 39 On 12 August we intervened into Kingly Solicitors Limited, which has 11 offices trading under a mixture of names. It is one of our largest interventions and we are

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taking all appropriate steps to try and recover the misappropriated funds. We are supporting the affected clients and continuing to investigate.

***Modernising IT Programme (MIT)***

- 40 The new CRM for Authorisation (RegOps1) went live on 6 July 2020. This is a significant milestone in the MIT programme as it allows us to move away from several of our outdated legacy IT systems and forms the basis for the wider rollout of the CRM for our disciplinary and client protection work under RegOps2, which is on track for target delivery in December. Inevitably with an ICT project of this size and complexity there have been glitches and teething problems. We have been working hard, through enhanced hyper-care, to manage these as effectively as possible however, it is fair to say that operational standards have slipped during this period.
- 41 Preparations for the October Practising Certificate (PC) renewal period are progressing well across both business and technical workstreams. All planned development work has been completed with the focus now turning to various testing phases. In parallel to this, the project team continue to resolve outstanding defects relating to the core system in readiness for the renewals period next month.
- 42 External engagement has commenced with our 'Get Ready for PC renewal' communications campaign distributed to approximately 34,000 recipients last week. Further communications will be sent over the coming weeks with more detailed information, including guidance to address common queries being received by our Contact Centre.
- 43 As previously reported, our response to Covid-19 and increased home working included the delivery of a new telephony system. We have also just concluded a roll-out of Microsoft Teams across the organisation to benefit from this improved functionality for home working. In mid-September, we will migrate our systems onto a new Wide-Area Network with multiple links into the cloud/our systems. This will provide increased resilience at reduced costs as well as improved functionality for our home workers.

***Work on environmental issues***

- 44 We are accredited, jointly with TLS, against the International Standard for Environmental Management (ISO14001:2015) and we are audited every year by Lloyds Register. Trained staff carry out internal assessments of our performance against our annual targets around our use of energy, travel, our use of paper and waste, all of which we are meeting. As part of our work, we engage staff through our dedicated 'Green Living' intranet community and hold a range of events.
- 45 We reported, as required, for the 2016 and 2019 Energy Savings Opportunities Scheme, ESOS, and passed our audit. We are currently working on the report for Streamlined Energy and Carbon Reporting that is due this year.



**CLASSIFICATION – PUBLIC****External Developments and Engagement Activity*****Competition and Markets Authority (CMA) review update***

- 46 The CMA has confirmed that it will be starting its review of progress following the recommendations it made in its 2016 market study of the legal services market. It will be issuing a call for inputs in September and is aiming to conclude the review in December.

***Delay to the Regulators Pioneer Fund***

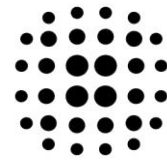
- 47 We have been informed by the Department for Business, Energy and Industrial Strategy that the second Regulators Pioneer Fund (RPF) has been suspended in light of the Government's Comprehensive Spending Review launched in late July. We were successful recipients of funding from the first RPF with our Legal Access Challenge, which the World Economic Forum is using as a case study for its programme to 'support governments to learn about ground breaking experiments in regulation and adopt more agile practices themselves'. Given the rise in public borrowing to fund Covid-19 support schemes, the RPF, which is discretionary spend, may be affected.

***Equality and Human Rights Commission report***

- 48 The Equality and Human Rights Commission (EHRC) publication: Inclusive Justice, a system designed for all, set out three recommendations for relevant bodies to take forward. They include how codes of conduct and standards should be amended to include disability awareness as a professional requirement and that disability awareness should be a mandatory element of continuing professional development for those working in criminal law. We have responded directly to the EHRC referring to our work on disability in the workplace and our guidance on Principle 6 (our approach to EDI).

***Stakeholder Engagement***

- 49 Our ongoing engagement programme with stakeholders continues. Our latest quarterly meeting with the City of London Law Society (CLLS) took place on 7 September 2020, discussing a range of topics including the SQE, anti-money laundering, the government's economic crime levy consultation and coronavirus.
- 50 Party political conferences have been moved online as virtual events in the light of the Covid-19 pandemic. We usually undertake a series of events where delegates and elected representatives discuss key issues for consumers and the profession. We will provide those opportunities virtually with sessions in partnership with the Institute for Government on widening access to the increased use of technology at the Labour party conference and on the role of government and regulators in enabling businesses to innovate and harness technology at the Conservative party conference. We are also organising an event at the Liberal Democrat conference on how Lawtech can help people better understand their legal rights.

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- 51 We have continued our support for the Social Mobility Business Partnership (SMBP), hosting sixth form students from the Birmingham area at the end of July for a virtual day of activities to boost their skills and give them insight into working in a professional environment. We also agreed to support Aspiring Solicitors, which aims to increase diversity in the profession by working with law firms to provide resources and mentoring to students from underrepresented groups to help them access to the legal profession. Founder of Aspiring Solicitors, Chris White, will be speaking at an event on 7 October 2020 discussing class and race in the legal profession and we will be developing a range of activities with this group, in particular to promote the SQE.
- 52 In July, we held our first in a series of three events following the resurgence of the Black Lives Matter movement. Chaired by Anna Bradley with Paulette Mastin, Chair of the Black Solicitors Network, Sam Smethers, CEO of the Fawcett society and John Oladeji, co-founder of Black men in law, the event discussed promoting race equality in the context of Black Lives Matter and focused on practical tips that firms can put in place. This is now available on our website - [www.sra.org.uk/race](http://www.sra.org.uk/race).

**Author** Paul Philip, Chief Executive

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