Solicitors Regulation Authority

Consultation on Draft Business Plan and funding requirements 2026/27

May/June 2026

Contents

About this consultation

We are seeking views on our draft Business Plan and funding requirement for 2026/27.

The Business Plan describes our proposed work plans and funding requirement for the 12-month period between 1 November 2026 and 31 October 2027.

Practising fees and compensation fund contributions

Feedback from this consultation will be used to set practising fees for 2026/27, payable by regulated individuals and SRA-regulated firms.

Practising fees fund the SRA's regulatory requirements, alongside:

- permitted purposes work of the Law Society
- levies that are payable for the:
    - Legal Services Board
    - Solicitors Disciplinary Tribunal
    - Legal Ombudsman
    - the Financial Conduct Authority (Office for Professional Body Anti-Money Laundering Supervision).

Consultation feedback will also be used to finalise our proposals for the compensation fund contributions for 2026/27.

We assess the impact of our fees, compensation fund contributions and Business Plan, including for regulatory, equality, diversity and inclusion considerations. Through this consultation process we are also seeking feedback on this area.

Having your say

This consultation is open for your feedback from **Friday 8 May until 12.00 midday on Monday 22 June 2026**.

After the consultation closes we will review any responses we receive. In autumn 2026, we will publish our Business Plan and funding requirement, our fees, and a summary of responses and feedback.

Draft Business Plan and funding requirements 2026/27

The Business Plan covers November 2026 to October 2027 and sets out what is required to fix the SRA's foundations, strengthen its operations and build new capabilities that will put the organisation in a stronger position for the future. The plan bridges the gap to the introduction of a new corporate strategy covering 2027-30.

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

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

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

The specific proposals for 2026/26 include:

Priority one: operational excellence

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

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

1) Establish a proactive supervision function to undertake engagement directly with firms to identify, understand, and manage risks.
2) Strengthen risk-based prioritisation and early case escalation.
3) Expand an intelligence-led approach to risk.
4) Enhance risk insight through stronger data and analytics.

5) Improve the experiences of consumers in vulnerable circumstances when they engage with the organisation.
6) Strengthen and build on partnerships with other regulators to mitigate shared risks.

Priority three: focus on the biggest issues

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

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

Reserves

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

We intend to replenish reserves, targeting the minimum level within our approved reserves policy range, to provide flexibility to fund further change next year. This will be subject to the decisions made by the SRA Board.

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

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

Questions are set out for each of these areas, as well as on our assessment of regulatory, equality diversity and inclusion impacts.

Priority one – operational excellence

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

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

That means strengthening the core of our operations, including investing in technology and our reserves, as well as improving senior expertise and adding capacity, capability and skills in key areas. This will make us more resilient and establish firmer foundations to deliver to a higher standard.

Establishing these foundations is essential to being able to deliver effective regulation and protect the public.

Read more about our specific proposed plans for 2026/27 in this area.

Question 1

Do you have any comments on our proposed work commitments for 2026/27 under our 'operational excellence' priority?

Priority two – Develop the ability to proactively identify and address risk

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

The SRA needs to move away from a largely reactive, enforcement-led model towards one where we are better able to spot problems early and take action before harm occurs. This is essential to protecting consumers, driving the right behaviours in firms by prioritising issues posing the greatest risk, and targeting regulatory action where it will have the greatest impact.

This priority is about embedding an intelligence-driven, risk-based approach. It requires better use of data, stronger analytical capability and greater engagement with those who we regulate to secure action to address the risks identified.

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

During 2026/27, we will focus on strengthening risk identification processes, invest in new data and intelligence tools, and expand a proactive supervision approach. These foundations will allow us to act faster on emerging risks and better prioritise our regulatory response.

Read more about our specific proposed plans for 2026/27 in this area.

Question 2

Do you have any comments on our proposed work commitments for 2026/27 under our ‘develop the ability to proactively identify and address risk’ priority?

Priority three – Focus on the biggest issues

Strengthening the SRA's foundations requires us to have sharper focus and establish robust prioritisation. As the regulatory environment becomes more complex and demands on us increase, we cannot be effective if resources are spread too thinly or diverted from the issues that pose the greatest risk of harm to the public.

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

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

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

Inevitably, some activity we had anticipated progressing next year will need to be paused or rescheduled. Although our consumer empowerment work is important and there is more to do, this year we will prioritise work to safeguard client money and pause further work building on the evaluation of our transparency rules, and on quality indicators and digital comparison tools. Additionally, given the need to focus on our current remit, we will not take forward any further work relating to any potential redelegation of the regulation of CILEX professionals.

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

Read more about our specific proposed plans for 2026/27 in this area.

Question 3

Do you have any comments on our proposed work commitments for 2026/27 under our ‘focus on the biggest issues’ priority?

Summary of proposed fees

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

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

Whilst we know that expenditure will need to increase next year, we cannot yet be certain on how much in all areas. We must therefore have an appropriate level of reserves to manage this uncertainty.

The proposed changes to the funding requirement and fees are essential to getting the basics right, restoring confidence in our delivery and creating the conditions for a more modern, proportionate and effective regulator. Our draft Business Plan for 2026/27 follows thorough scrutiny and rigorous challenge by our Board. As a result of that challenge, we have reduced our initial proposed funding requirement. Any additional requirements above this level will be subject to Board approval for funding through reserves. The Board will, as in past years, focus closely on how additional funding is deployed.

Read more about the proposed 2026/27 fees.

Question 4

Do you have any comments about our proposed funding requirement via the practising certificate fee for 2026/27?

Question 5

Do you agree that the SRA's required proportion of the practising certificate fee is reasonable and appropriate?

Overview of income and expenditure

The SRA's funding sources

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

- 30% of the current year's income relates to education and training, arising from applicant fees for the SQE. This income funds the cost of delivering the assessment

- around 10% of income is made up from recharges of the costs we have incurred. These include costs where we have intervened into law firms, as well as in relation to handling claims made to the compensation fund

- remaining income comes from fees that cover our administrative costs for certain activities, such as our consideration of authorisation applications from new firms.

Tracking and reporting our progress

Throughout the 12-month period of our Business Plan, we will track and review progress in meeting our commitments, including performance against the published key performance indicator targets within our balanced scorecard.

During the business year, the SRA Board reviews the progress we have made. This is reported publicly in-line with our accountability statement, which includes updates published through our Chair's blogs on our website, the Board meeting papers and minutes, and other publications.

Read more detail on the impact of the fee proposals on SRA funding, including the total impact on each of our regulatory activities.

The compensation fund

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

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

The unexpected closure of PM Law Limited in February 2026 has contributed to a significant increase in applications to the fund. As of April 2026, the estimated total of current applications is more than £20 million, with further applications expected. As previously noted, we have also seen an increase in the number of interventions and the costs associated with administering interventions, such as storage costs.

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

Read more about the 2026/27 compensation fund proposals

Question 6

Do you agree with the compensation fund contribution for individuals for 2026/27?

Question 7

Do you agree that for 2026/27, we should maintain the apportionment of compensation fund contributions to 50% individuals and 50% firms as the current position rather than moving to 70% for individuals and 30% firms?

If you do not agree, please provide any insights and suggestions you have on why we should change for the year 2026/27?

Impact assessment

Our draft impact assessment considers:

- the proposed regulatory portion of the annual practising certificate (PC) fee for 2026/27
- the proposed compensation fund contribution for 2026/27
- the proposed activities outlined in the SRA's Business Plan 2026/27.

The focus of this impact assessment is on the equality impact of the quantum of the regulatory proportion of the practising certificate and the compensation fund contributions given that we are proposing a significant increase.

We appreciate that increasing the cost of regulation and consumer redress schemes affects all practitioners and this can in turn impact the way law firms and those employing solicitors operate. We have set out in the draft Business Plan the reasons why we consider these increases to be necessary and appropriate.

We will also further assess the impacts of specific work that we initiate under the priority headings outlined for consultation. And will undertake further impact assessments of new work that we begin under the headings outlined in the draft Business Plan.

Read the impact assessment in full

Question 8

Do you have any comments on the impact assessment of our proposed fees for 2026/27 and EDI-related work commitments for 2026/27?

Question 9

Do you have information that will help us to further build our understanding in relation to impacts on different groups of solicitors?

How to respond

Use our online questionnaire

Our online consultation questionnaire is a quick and easy way to take part in our consultation. You can save a partial response online and come back to complete it later, and you can also download a copy of your response before you send it to us. Alternatively, you can send a written response to us at businessplan@sra.org.uk.

Start your online response

The deadline for responses is 12.00 midday on Monday 22 June 2026.

Reasonable adjustment requests and questions

We offer reasonable adjustments, and our policy sets out how we can do this.

Please contact us if you need to respond to this consultation using a different format, if you have any specific requirements to help you respond, or if you have any other questions about the consultation process.

Publishing responses

We will publish a summary of responses to our consultation. As part of that we will publish and attribute your response unless you request otherwise.

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