



Solicitors
Regulation
Authority

Draft Business Plan and funding requirements

November 2026 to October 2027

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Foreword from the Chief Executive

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

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

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

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

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

Moving forward, the SRA must focus on fewer priorities, move from a largely reactive to a proactive approach to regulation, and improve operational and technological capabilities to be better prepared for the scale and complexity of the challenges we face. It must focus more on the biggest risks impacting consumers and be more alert to issues on the horizon.

The volume of misconduct reports we receive continues to grow, impacting on the time taken to complete investigations and consequently the organisation's ability to meet both the public and the profession's expectations. Further improvements in operational delivery must therefore be a priority. The SRA must seek earlier engagement to help prevent issues from occurring rather than rely heavily on enforcement action after an issue has occurred. And it must set itself up for success in how data is collected, used and analysed to identify patterns of harm and make speedier decisions.

This Business Plan sets out how the organisation will address those challenges by undertaking a necessary transformation to fix its foundations, strengthen its operations and build new capabilities that will put the SRA in a stronger position for the future. This will require bold and sometimes difficult choices to modernise how the SRA works, whilst choosing to reduce activity in areas that are not an immediate priority. This work will be ambitious and wide-ranging, covering everything from investment in technology and new skills through to delivering new capabilities such as a wider menu of regulatory tools around risk identification and early engagement.

To do this, the SRA must have the right funding in place to bring the organisation back to a stronger financial footing over time and give us the flexibility needed to invest in the people, systems and tools required to deliver regulation that is timely, proportionate and effective. In practice, a programme of transformation will need to be 'dual run' alongside the delivery of our core regulatory activity.

The proposals set out in this plan will not be easy to deliver, nor was it an easy decision to propose increasing practising certificate fees given the pressures on solicitors and law firms. However, this plan represents a conscious decision to invest in the organisation now, rather than accept the higher risks and costs that would ultimately arise from continuing as normal.

By investing now to fix and strengthen the SRA's foundations, and by being transparent about the changes being made, we will create the conditions for sustainable improvement. We are confident a modern, trusted, effective SRA will better protect consumers, support confidence in the profession and play its part in supporting a world-leading legal services sector that is vital to the UK's future.

A handwritten signature in black ink, appearing to be 'SR', with a long horizontal stroke extending to the right.

Sarah Rapson
Chief Executive

Overview of the Business Plan

This Business Plan covers November 2026 to October 2027 and sets out what is required to fix the SRA's foundations, 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 intended both to make sure that the areas of highest risk are being effectively managed and to remove resources and attention from non-core regulatory activity.

The specific proposals for 2026/27 include:

Priority one: operational excellence

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

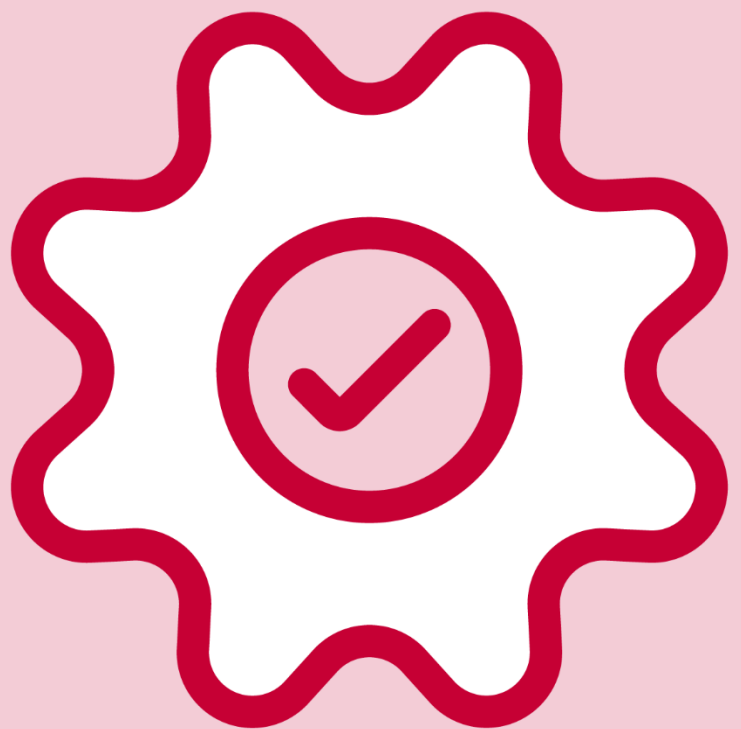
The SRA needs sufficient funding in place to deliver these ambitious priorities. However, over the course of the 2025/26 business year, we have been operating in a period of rapid change and growing pressure on core activities. This has required resourcing decisions to stabilise performance and manage 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.

1. Operational excellence





1. Operational excellence

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

Proposed plans for 2026/27

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

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

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

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

We will also continue a comprehensive end-to-end review of our caseload to confirm that cases pursued are proportionate, well-founded, and have strong prospects of success. We will continue to learn from adverse costs outcomes in the courts. This includes live investigations and matters referred to the Solicitors Disciplinary Tribunal (SDT). The review will be supported by improvements to the triage and handling of reports of misconduct, including greater automation, increased personnel and enhanced risk-based prioritisation.

1.2 Expand capability and capacity to deliver the new skillsets required

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

The basics need to be done well to tackle the longer-term strategic questions facing the organisation and to drive sustainable change. This investment in people is designed to build expertise and develop skillsets to support the organisation in meeting those aims.

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

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

This investment will also embed technology more effectively across the organisation in 2026/27 so that we can use data and digital tools such as artificial intelligence (AI) to prioritise work, identify risk earlier, and deliver regulatory outcomes more quickly and proportionately. This will require us to address historical challenges in our IT systems and modernise them to meet both current and future needs.

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

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

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

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

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

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

2. Develop the ability to proactively identify and address risk





2. Develop the ability to proactively identify and address risk

The experiences from the last few years have shown that we have sometimes not identified risk early enough to prevent 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.

Proposed plans for 2026/27

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

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

During 2026/27, we will continue and refine supervision pilots, testing new tools and approaches, strengthening collaboration across teams and establishing faster regulatory action where concerns escalate. Learning from this work will help us to understand risks better and inform longer-term decisions about our supervisory approach and any potential changes required to the regulatory framework.

The size and shape of the supervision function will evolve as we work through the pilot in 2026. We will be using resource and expertise drawn from existing functions within the organisation together with bringing in new capability.

2.2 Strengthen risk-based prioritisation and early case escalation

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

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

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

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

2.3 Expand an intelligence-led approach to risk

We will expand and embed advanced intelligence capabilities to support a proactive supervisory function and deliver an intelligence-led approach to investigations.

This involves enhancing our ability to identify connected cases, patterns of behaviour and emerging themes across firms and individuals. This will allow us to take a more strategic view of risk, engage in supervisory dialogue and to deploy specialist investigation capacity more effectively and act earlier where systemic issues are identified. In addition, we will use the insight gathered to develop a better understanding of current and emerging trends across the sector. Improved intelligence capability will support earlier, more targeted regulatory action, reducing reliance on reactive enforcement alone and strengthening overall consumer protection.

2.4 Enhance risk insight through stronger data and analytics

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

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

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

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

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

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

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

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

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

3. Focus on the biggest issues





3. Focus on the biggest issues

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

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

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

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

Over 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.

Proposed plans for 2026/27

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

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

This will include enhancing the effectiveness of external assurance and oversight, reinforcing the checks and balances provided by compliance roles within firms, and improving how we monitor firms undergoing significant changes to their structure, ownership or business model. This includes changes through mergers and acquisitions.

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

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

3.2 Boost consumer protection in high-volume consumer claims

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

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

As part of initiatives to build a supervisory regime, we will also be engaging with firms undertaking high volume consumer claims across the motor finance sector. We will engage through a joint regulatory taskforce which includes the Financial Conduct Authority (FCA), Information Commissioner's Office, and Advertising Standards Authority.

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

We will also continue to enhance collaboration with other regulators, ombudsmen and stakeholders to provide coordinated action and improved protection for consumers.

3.3 Enhance confidence in the SQE

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

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

Alongside this evaluation, we will use feedback from ongoing engagement with candidates, employers and the wider profession to inform continuous improvement.

We will consult on, and implement where agreed, any changes arising from our review of the Statement of Solicitor Competence and the Functioning Legal Knowledge that underpins the SQE. We will also repeat market research to understand how the SQE is perceived across stakeholder groups and track changes in confidence over time, as well as continuing to explore how best we can support candidates to choose training options appropriate to them.

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

The use of new technologies, in particular generative artificial intelligence (genAI), continues to develop rapidly. We are seeing new capabilities emerging at pace and increased use of AI by law firms, individual solicitors and consumers. Safe and responsible innovation has the potential to both support economic growth in the legal services sector and support consumers to access justice through more competitive and responsive service provision.

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

We will define more clearly what Innovate offers in practice and improve coordination across the organisation so that support is more accessible to firms. We will also expand our public-facing materials to encourage responsible innovation and use of technology across the sector.

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

Summary of proposed fees





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.

Annual practising certificate fee

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

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

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

Compensation fund

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

The unexpected closure of PM Law Limited in February 2026 has led to a significant increase in the value and volume of claims being made to the fund. As of April 2026, the total of current applications is over £20 million. Whilst some claims still need to be assessed for eligibility, further applications are also expected. As a result, the contributions to the compensation fund for 2026/27 must rise to reflect this.

In addition, we are also experiencing a higher number of interventions, with 35 between November 2025 and mid-April 2026, compared to 42 in the full 2024/25 business year. We also continue to incur high levels of storage costs for the documents and files that we seize from firms we have intervened in (both in the past and from current activity).

The contributions are expected to be £120 for an individual solicitor and £3,600 for an SRA-regulated firm. Further information about proposals relating to the compensation fund can be found on page 24.

Combined fees

The combined SRA-related total for the practising certificate fee and compensation fund contribution for an individual is expected to rise from £260 to £360.

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

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

Longer term considerations

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

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



Overview of income and expenditure

Background

The SRA's funding sources

The majority of the SRA's funding (57%) 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.

Expected income and expenditure summary for 2026/27

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

Overview of income for 2026/2027

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

Summary of income	2025/26 £m	2026/27 £m	Increase / (Decrease) £m	Increase / (Decrease) %
Education and training income	57.8	59.1	1.3	2%
Compensation fund administration costs recharge	18.3	19.0	0.7	4%
Subtotal	76.1	78.1	2.0	3%
Practising fees	86.5	111.5	25.0	29%
Regulatory income	4.1	3.1	(1.0)	(24%)
Subtotal	90.6	114.6	24	26%
Interest income	1.6	1.9	0.3	19%
Total income for the year	168.3	194.6	26.3	16%

Education and training income

Most of this income is generated by the SQE, which is dependent on candidate numbers. The income broadly matches the delivery costs for the assessment. The figure is expected to rise slightly in 2026/27 as the cost of the examination increases annually in line with inflation.

Compensation fund administration costs recharge

This income represents the recovery of costs incurred in operating and administering the compensation fund. We incur these costs and subsequently recharge them to the fund – which includes staff costs, and the costs associated with interventions into SRA-regulated firms.

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

Practising fees

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

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

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

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

Regulatory income

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

The lower expected income for 2026/27 reflects reductions in the fee for remaining on the roll of solicitors and expected applications for exemptions for the SQE and periods of recognised training.

Interest income

We hold extensive cash reserves in the early months of each financial year, as practising certificates are renewed and associated funds are received. This capital is actively managed throughout the financial year to secure maximum returns.

Proposed funding allocation for 2026/27

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

Overview of expenditure and changes

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

Funding allocation summary	2025/26 (£m)	Increase	2026/27 (£m)	Funded from practising fees (£m)
Education and Training	58.0	2.9	60.9	1.8
Investigations and Enforcement*	36.2	4.2	40.4	39.7
IT and change projects	21.9	1.3	23.2	21.6
Client Protection	16.8	0.5	17.3	0.0
Authorisation	11.1	0.7	11.8	8.5

Strategy, Innovation and External Affairs	8.4	0.8	9.3	9.1
Resources	7.8	0.7	8.5	8.3
Property	4.0	3.2	7.2	6.6
Other	4.2	1.5	5.7	5.6
Addition to reserves**	-	10.3	10.3	10.3
Total	168.4	26.1	194.6	111.5

*Includes the costs to continue supervision pilots and establish a supervision function.

**Included in the funding request is £10.3 million to replenish reserves utilised during the 2025/26 year. £2.7m of reserves were used during the 2024/25 financial year and we are currently forecasting a contribution from reserves of up to £11.5m in the 2025/26 year.

Education and training costs

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

Investigation and enforcement

The investigation and enforcement function makes sure solicitors are working to high professional standards, by taking appropriate action when solicitors and firms fall short of them. The function receives reports on solicitors and considers whether the matters raised meet the threshold for a formal investigation.

Some investigations lead to regulatory action such as issuing a fine, sending a letter of warning or putting conditions on how someone can practise. We refer some cases to the SDT, which has greater powers to sanction solicitors and firms in cases of serious misconduct.

We recognise the significant increase in misconduct reports and think that consumers and the profession will not find it acceptable to see a material reduction in our performance as measured in the published key performance indicators and so we need to invest in investigation and enforcement resources.

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

Also included is the Anti-money Laundering (AML) team which plays a vital role in enforcing AML regulations within the legal profession via:

- publishing guidance
- conducting proactive supervision (desk-based reviews and onsite inspections)
- investigating suspected breaches,
- taking enforcement action where required
- working collaboratively with law enforcement agencies.

Whilst there is a future transition of AML supervision from the SRA to the FCA, the timetable for this is uncertain.

IT and change projects

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

Client Protection

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

There are several factors that have contributed to a rise in costs in this area. We are experiencing a higher number of interventions, with 35 between November 2025 and mid-April 2026, compared to 42 in the full 2024/25 business year. Additionally, we have experienced rising storage costs for the documents and files that we seize from firms we have intervened in (both in the past and from current activity).

Authorisation

The Authorisation function considers and makes decisions on applications for new law firms, and from individuals to be admitted as regulated solicitors.

Investment in Authorisation reflects the need to modernise customer contact and strengthen operational delivery as volumes and complexity continue to grow. Funding will support more consistent, timely decision-making, improved triage and clearer communication with applicants, while streamlining processes and systems.

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

Strategy, Innovation and External Affairs

This includes our Regulatory Policy, Consumer Policy and Engagement, Risk, Research and Analysis and Communications functions.

Resources

Within resources are key support functions including Finance, HR, Risk and Information Governance teams.

Property

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

Other

This includes the costs of our executive team, Board, Corporate Complaints, General Counsel, Regulation Management and Thematic teams.

Commitment to efficiency and effectiveness in our delivery

We recognise that the proposed funding increase is likely to be unwelcome and, for some, challenging. We have a strong internal financial control environment in place to make sure that expenditure is used wisely and delivers an efficient and effective organisation.

Managing cost inflation

The Office for National Statistics report on inflation (data for the year ended March 2026) reported CPIH at 3.4%.

We included this as our planning assumption at the time we set the funding requirement, for all costs, whether staff or procured cost. Clearly it could increase or decrease, and the current geopolitical uncertainty suggests more volatility is likely than we have seen over the past year.



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.

The compensation fund contributions for 2026/27 are expected to be:

- £120 for an individual
- £3,600 for an SRA-regulated firm holding client money.

The trajectory of the compensation fund contributions over time is as follows:

Practising year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Individual contribution	£40	£30	£30	£90	£70	£120
Firm contribution	£760	£690	£660	£2,220	£1,950	£3,600
Total contributions	£11.6m	£9.7m	£10.0m	£31.6m	£26.0m	£46.3m

We will keep the proposed level of contributions under review until later in 2026 to take account of any changing circumstances. In July 2026, we will submit an application to the Legal Services Board to approve the contributions for 2026/27.

Apportionment of fees

The proposed contributions to the fund are calculated based on 50% being collected from individual solicitors and 50% from firms holding client money. This has been the method for apportioning contributions for several years.

Ahead of setting fees for 2025/26, we consulted on an alternative proposal whereby 70% of the contributions would be collected from individuals and 30% from law firms. Part of the rationale for this was that the number of individual solicitors has increased significantly over time while the number of firms has decreased. In other words, there are fewer firms paying into the fund now, increasing the costs for those that remain. This can disproportionately impact small firms and those firms operating in less profitable but vital consumer facing areas of legal practice.

The consultation received mixed views and did not produce a clear consensus, with acknowledgement that any change would impact solicitors in different ways depending on how they practice. Part of the feedback we received was that we should not consider changing how fees are apportioned ahead of completing our wider work around protecting client money, which may impact on the compensation fund and those that contribute to it. As a result, we did not implement changes following the consultation.

The fee proposal for 2026/27 is based on the traditional 50/50 split between individual solicitors and law firms. However, given the significant increase in contributions required for 2026/27 and our assessment of the potential impact of this, we are inviting evidence and feedback on an alternative approach for this year of 70% of fees apportioned to individual solicitors and 30% to law firms for 2026/27.

As part of our review of the compensation fund arrangements under our consumer protection work, we will look at the apportionment between individual solicitors and firms. We will also look at wider questions, including whether the flat fee model for firms where all firms holding client money pay the same contribution irrespective of characteristics, such as size or potential risks presented to the compensation fund is appropriate. We will consider any changes in the underlying approach in the context of our broader work around the model of solicitors holding client money.

Management of the compensation fund

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

- 1) The overriding principle will be to maintain the viability of the fund.
- 2) We will ensure that the professional contributions to the fund are as manageable as possible for those we regulate.

- 3) We will collect the contribution to the fund in a way that is manageable for those we regulate.
- 4) We will be transparent about the fund monies and their management.

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

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

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



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