

# Business Plan and budget - November 2022 to October 2023

27 October 2022

## Foreword

Our Business Plan and budget confirms the work we will take forward between November 2022 and October 2023 and the ways in which we will allocate our budget.

This is the third and final year of our current [Corporate Strategy for 2020-23](https://sra/corporate-strategy/), and therefore an important connection point leading to our next strategy.

It's a good time to pause for a moment and reflect on the ways in which the world has changed since 2020. Our work during the first half of our current Corporate Strategy was of course delivered against the backdrop of Covid-19, and the pandemic's impacts have continued to influence global legal services markets, requiring new approaches from regulators.

One of the many legacies from this period has been the pandemic's accelerating effects towards technology and digital service delivery. Our work to build our capacity and strengthen our response for technology and innovation in legal services has been an important feature of our work across the strategy's lifespan.

The UK's exit from the European Union was another milestone. This brought changes to the legal landscape, new regulatory challenges and considerations for solicitors and their businesses, as well as changes for employers and their workforces. We worked hard to update our regulatory framework, working closely with government departments, legal service providers and the courts among others to ensure, as far as possible, a consistent approach and a smooth transition.

Despite these challenges there is much to celebrate as we look ahead to our next Corporate Strategy, creating a solid footing for our work between 2022-23 and beyond.

For example, the introduction of Solicitors Qualifying Examination (SQE) in September 2021 was a once-in-a-generation development and is already transforming professional education and training routes for future solicitors. During 2023 we will be ramping up our evaluation activity so that we can assess whether the SQE is meeting its objectives.

Our refreshed and relaunched research and analysis function, and our expanded profile in the technology and innovation sector, have also been important milestones in our journey since 2020. This includes a refreshed horizon scanning programme in place, new stakeholder relationships with lawtech and academic communities which have delivered flagship research

initiatives. We are now better positioned to access fresh insights about the wider legal services market, shape our regulatory response towards access to justice and the biggest risks faced by consumers.

Other areas have made similarly good progress, with work set to continue through into 2023 and informing the shape of our next strategy. This includes:

- Our work to secure good standards of advocacy and improved conditions for continued competency.
- A public legal education workstream that continues to expand its influence and reach.
- Our anti-money laundering activity that has grown significantly under our current strategy, responding rapidly as needed to accommodate national and international sanctions and new legal requirements.
- Our stronger and more meaningful presence in Wales, and our equality, diversity and inclusion-focused initiatives feed our projects, providing checks and balances that ensure we act fairly and transparently.

Our hybrid working model is working well and making good use of our refreshed technology and work spaces in Birmingham and London, as well as our new office in Cardiff.

Our workforce is diverse, which we celebrate through our thriving staff networks and underlined by our external achievements including our top 30 placing in Stonewall's Workplace Equality Index for 2022. Although we still have a lot more to do to increase ethnic diversity in senior positions.

Over the three years of this strategy we have tried to keep the practising fee levels for SRA related costs as flat as possible, despite some significant new pressures. We have done this by pursuing efficiency targets, managing budgets tightly and managing new demands (which are often out of our control) within existing budget lines.

This year, the cost of living pressures and demands of new activities, for example in relation to anti-money laundering and sanctions, mean that we are proposing an increase in the SRA practising fee requirement of £6. We are able to offset this with a £10 reduction in the individual Compensation Fund contribution.

It's certain that more will have changed when we develop our next Corporate Strategy. At the time of writing, conflict in Ukraine is continuing and households across England and Wales are facing increased financial pressure. Industry responses to environmental, social and governance considerations are continuing to take shape and legal services continue to move increasingly towards digital-led delivery. Our next strategy will need to provide us with flexibility of approach and the right tools to respond as we need to in an ever-evolving landscape.

We anticipate that the SRA practising fee requirement will increase in absolute terms over this period. This is because of inflationary pressures, increasingly pro-active regulatory activity, new activities and the need to

build our reserves to the required level set by our Board to ensure financial sustainability.

We will work hard to maximise our efficiency and manage these increases where possible to ensure a smooth trajectory for the practising certificate fee.

[Feedback from our stakeholders \[sra/consultations/consultation-listing/business-plan-budget-2022-2023/?s=c\]](#) has been instrumental in shaping our plans and our budget and I look forward to continuing our conversations during 2023.

**Paul Philip, Chief Executive**

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## **Introduction**

### **Who we are**

1. We are the largest regulator of legal services in England and Wales. Our work includes:
  - overseeing more than 214,000 solicitors
  - authorising more than 9,800 law firms
  - setting the standards and behaviours for those solicitors and firms
  - taking action if things go wrong
  - improving access to legal services.

### **Our Corporate Strategy 2020-23**

2. Our Corporate Strategy sets out our strategic priorities, three specific objectives, and indicative activities and outcomes that we anticipate achieving by the end of October 2023. During this time our priority areas are:
  - setting and maintaining high standards for the profession and ourselves
  - technology and innovation
  - anticipating and responding to change.
3. This Business Plan and budget covers our final year of activity under our current Corporate Strategy. This year we will begin to shape and engage stakeholders about our next three year strategy, building on what we have learned and achieved under the current existing strategy. This will be informed by our increasingly robust research and evidence base, including our refreshed horizon scanning function.
4. There will be big questions to consider going forward, including about our regulatory model, our approach towards innovation and technology, how we use our unique insight as the largest legal regulator to inform policy debates and what more we can do to improve equality, diversity and inclusion (EDI).

### **What we aim to do**



5. We will build on the work that we have done over the past two years. This includes a continued focus on activity to help improve access to justice for the public from every community across England and Wales, and to achieve good experiences for consumers. EDI remains at the heart of our work. These aims are woven into and drive:
  - our strategic objectives
  - activities we commit to in this Business Plan
  - the approach we take towards regulation
  - the allocation of our resources.
6. We are also focused on development and progression of activities that build our understanding of emerging opportunities, challenges and trends within the legal services sector in England and Wales. We use that understanding to design and deliver the best possible regulatory responses, informed by research, evidence and engagement with a broad range of stakeholders.
7. To achieve our aims, we develop business activities that are:
  - Anticipatory: pro-actively looking at tomorrow's opportunities and challenges as well as today's
  - Evidence and intelligence driven: to help us anticipate and understand the future and make proportionate, objective, justifiable interventions
  - Responsive: looking to take advantage of opportunities and address challenges
  - Collaborative: working with partners from inside and outside the sector to build strong relationships and target resources, share ideas and mainstream inclusive ways of working
  - Agile: evolving our regulation and operating flexibly to support positive innovation and respond to emerging challenges
  - Authoritative: contributing to policy debates and calling out issues that may not be in our gift to resolve.
8. Our work is underpinned by a commitment to communicate clearly and transparently with our stakeholders about the most serious risks, and to target our resources in ways that help us to manage and mitigate them. Our continuous improvement work support this, with oversight from our Board, by working towards our efficiency targets and prioritising initiatives that help us to improve our performance and enhance customer experiences.

## **Business Plan and budget 2022-23**

9. Our Business Plan and budget describes:
  - work we will take forward during the third and final year of our current Corporate Strategy, between 1 November 2022 and 31 October 2023
  - our budget, and the ways we will use it to deliver workstreams across our three strategic objectives.
10. Our work is described as activities under each of our three strategic objectives. The objectives are complementary and designed to interlink, and so are our work activities.

## **How we track and report our progress**



11. We monitor and evaluate our progress in delivering our work programme, and in-turn our progress towards meeting our strategic objectives.
12. Our evaluation process enables us to allocate the right people and the right resources towards the different areas of our work, and to keep track of progress in meeting our Business Plan commitments.
13. The [SRA Board](#) [/sra/how-we-work/our-board/board-members/] reviews our progress throughout each business year. The Board assesses information on our work programmes from across the organisation, including our key performance indicators, and our budget and expenditure.
14. The SRA Board periodically publishes information on our website, in-line with our [accountability statement](#) [/sra/how-we-work/our-board/accountability-statement/], about our performance and progress. This includes our Chair's [blogs](#) [/sra/how-we-work/our-board/news-from-the-board/], and our [Board meeting records](#) [/sra/how-we-work/our-board/public-meetings/archive/].

## **Acting fairly and managing the impacts of our work**

15. We work to understand and monitor EDI considerations across all our projects and core activities, including undertaking equality impact assessments, commissioning bespoke research, and engaging closely with our stakeholders. Our approach is increasingly intersectional, supporting us to explore the impacts of our work for protected characteristics and their crossover points, and to build our understanding of socio-economic factors.
16. Our approach evolves over time, informed by the outcomes from our [‘Five year review of our equality, diversity and inclusion work](#) [/sra/research-publications/promote-equality-five-year-summary/]. We publish information about our research and our impact assessments to make sure we are working transparently and involving our customers and stakeholders from diverse backgrounds and different communities.
17. We review our equality impact assessments of the practising certificate fee and of the Compensation Fund contribution annually. These explore the impact our fees may have across different segments of the profession and help us to make sure we are acting fairly and inclusively when setting our fees.

## **Our budget for 2022-23**

18. Our operational activities account for the majority of our day-to-day expenditure. This includes:
  - authorising individuals and firms to practise
  - investigating and enforcing compliance against the standards we set
  - handling claims on the Compensation Fund.
19. We are funded primarily from practising fee income collected from solicitors and law firms. We also collect income from our regulatory activities in other ways, such as fees that are payable when firms apply to us for authorisation to provide legal services.



20. We also collect practising fees on behalf of the Law Society. This funds levies for the Solicitors Disciplinary Tribunal, the Legal Services Board, the Financial Conduct Authority (Officer for Professional Body Anti-Money Laundering Supervision), and the Legal Ombudsman.
21. Our budget for 2022/23 is shown in the final section of our Business Plan. Throughout the Plan we confirm the percentage of the budget allocated to each strategic objective area.
22. Our budgeted expenditure is divided across our teams, alongside expenditure allocated to the delivery of our projects. The chart below shows the percentage amounts allocated to each area.
23. Our frontline regulatory activities take place across the areas described in the chart. These range from our large Authorisation and Investigation and Supervision teams, through to smaller ones like Professional Ethics and Adjudication (captured under 'other operational teams'), and teams such as our Strategy & Innovation Directorate, including Regulatory Policy and also General Counsel, including Legal Policy, Thematic, Quality Assurance and Relationship Management. Education and Training includes the costs associated with the Solicitors Qualifying Examination.
24. More information on how we work can also be found in our [reports](https://sra/research-publications/topic/about-the-sra/) [\[/sra/research-publications/topic/about-the-sra/\]](https://sra/research-publications/topic/about-the-sra/).

## **Objective 1. Setting and maintaining high standards for the profession and ourselves**

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

25. Much of our core regulatory activity is delivered through our first strategic objective, including:
  - setting the standards for firms and individuals that we regulate
  - enforcing compliance with those standards
  - overseeing requirements for qualifying as a solicitor in England and Wales, and maintaining competence after admission
  - authorising individual solicitors and legal service businesses to practise.
26. However our commitment to continuous improvement means that our work here includes ongoing evaluation and evolution of our policies and our procedures, stretching beyond our 'business as usual' activity. This supports us in securing consistently high standards of regulation and legal service delivery from the professionals and businesses that we regulate.
27. Under this strategic objective we also prioritise activities that embed high standards across our own operations, and as an employer. Continuous improvement is an ethos threading across our projects and our workstreams, and that helps us to continue learning and adapting to meet the challenges we face. As part of this we support our people





to be recognised, to feel valued and included, and to provide good experiences for our customers. A key focus of this year has been reducing the time taken to investigate complaints through our improved investigation and supervision processes.

28. Our workplans blend new projects and priorities with further progression of work that is already underway. In the remainder of this section of our Business Plan and budget we describe these work activities.

## **Solicitors Qualifying Examination**

29. Following its introduction on 1 September 2021, the Solicitors Qualifying Examination (SQE) is the new way for aspiring solicitors across England and Wales to qualify.
30. As the SQE marks its first anniversary we will continue to progress our work programme, including monitoring the quality of legacy qualifications while introducing new areas of focus alongside existing ones as we move ahead.
31. Between November 2022 and October 2023, we will:
- Complete SQE assessments that are reliable, fair and cost effective.
  - Progress our evaluation of impacts of the SQE's introduction on standards and pathways to qualification, including:
    - completing the first annual survey on qualifying work experience
    - completing a baseline perception study
    - undertaking an initial analysis of the cost of SQE training.
  - Continue to monitor equality considerations within SQE results and to work with disabilities groups to deliver efficient and fair reasonable adjustment processes.
  - Finalise our approach to publishing candidate performance data, including testing our online tool with:
    - candidates
    - education and training providers
    - researchers.

## **Continuing competence**

32. An important area of our focus is on making sure solicitors and the people they work with remain competent throughout their professional careers to deliver good quality legal services. In recent years we have reviewed and enhanced our approach. This includes working closely with the Legal Services Board (LSB) and others to enhance consumers' understanding of competence in legal services, and the steps regulators should take to secure good standards of competency.
33. We are delivering a phased programme of work on continuing competence. As part of this we are exploring improvements to our approach that make certain we are providing the right framework and conditions for consumers to receive competent legal advice and



representation. Our next steps will include a renewed focus on building assessment mechanisms into our work.

34. Between November 2022 and October 2023, we will:
- Enhance our data and analysis to inform our approach towards assessing continued competency, including to identify and assess the impacts of appropriate interventions.
  - Pilot and evaluate any potential new interventions, including exploration of necessary policy and / or procedural changes.

### **Advocacy standards and police station advice**

35. Good standards of advocacy and advice within the criminal and civil justice systems are vital to make sure members of the public get the representation they need, at the time they most need it. Our work here has improved our understanding of the challenges of advocacy, and how our approach needs to work in order to maintain the standards the public have a right to expect.
36. Our collaborative work with other legal service regulators, including on advocacy in the Coroners' Courts, has helped us to make good progress already by improving some elements of our approach. This creates a strong baseline for further progress in 2022/23 as we work to assure good standards of advocacy.
37. We are also well-positioned to continue delivering improvements to our regulation of the Police Station Representatives Accreditation Scheme qualification. We will also deliver the outcomes from our review of the scheme's quality assurance arrangements.
38. Between November 2022 and October 2023 we will:
- Continue our work to improve the criminal and civil Higher Rights of Audience assessments.
  - Improve our regulation and assessment of the [Police Station Representatives accreditation scheme](https://www.sra.org.uk/solicitors/resources-archived/continuing-competence/cpd/accreditation/police-station-representative-accreditation-scheme/). [\[/solicitors/resources-archived/continuing-competence/cpd/accreditation/police-station-representative-accreditation-scheme/\]](https://www.sra.org.uk/solicitors/resources-archived/continuing-competence/cpd/accreditation/police-station-representative-accreditation-scheme/)
  - Introduce expected behaviours for solicitors providing police station advice.
  - Review the outcome of our magistrates and higher court training record audits and consider whether further audits are required.
  - Continue to identify practice challenges and risks through our Advocacy Reference Group and update our advocacy resources to reflect practice challenges.
  - Explore how we can further support solicitor advocates to better engage with vulnerable clients.
  - Consider how we can support solicitor advocates to maintain their ongoing competence, for example, working with stakeholders to set up peer-to-peer networks or communities of interest.

### **Our standards and regulations**

39. Our Standards and Regulations sit at the heart of our regulatory framework. It articulates our regulatory expectations for solicitors, law firms and those working in them. Our rules are designed to strike the





right balance between certainty and flexibility in compliance terms, and we work to understand the impacts they are having in the legal services market. Through this activity we consider the performance of our authorisation, supervision and enforcement processes. And the ways in which they operate to make sure our Standards and Regulations are met by solicitors, law firms and their employees.

40. Our rolling programme of evaluation supports us to explore the effectiveness of our regulatory arrangements, and to progress opportunities for improvement. We commission independent research to explore impacts for different segments of the market, including consumers and legal service providers. Through this work we look at EDI considerations and assess the strength of our regulatory approach in ensuring consumers are well protected and are receiving good quality legal services.
41. We also strive to provide high quality supporting guidance, illustrating good practice and practical considerations for solicitors and law firms, segmented for specific groups in our regulated community. We have [guidance resources](#) [[solicitors/guidance/](#)], as well as a bespoke service through our Professional Ethics helpline.
42. Between November 2022 and October 2023, we will:
  - Implement changes to our Standards and Regulations, informed by our years one and three evaluation process and subject to consultation.
  - Finalise, introduce and embed post-consultation outcomes from our consultations on:
    - [health and wellbeing](#) [[/sra/consultations/consultation-listing/health-wellbeing-profession/?s=o](#)]
    - our [fining framework](#) [[/sra/consultations/consultation-listing/financial-penalties-2021/?s=c](#)]
    - our publications policy for regulatory decisions.
  - Consult on rules to protect consumers from excessive charges related to certain financial service claims.
  - Consult on changes to our transparency rules, taking into account:
    - findings about the impact of our existing rules in our 'year three' evaluation
    - the Competition and Markets Authority (CMA)'s recommendations
    - the evaluation of our quality indicators pilot which draws together law firms and review sites to test digital ways to help consumers assess quality when choosing a legal services provider. Also our unbundling pilot which tests ways in which consumers can do some of the work on a case themselves
    - the Legal Services Board's 'Empowering consumers' policy statement.

## Anti money laundering

43. Money laundering and financial crime remains a serious risk in the legal services sector, and a high priority for our regulation. Through our dedicated team we:



- deliver our anti-money laundering (AML) focus
  - drive forward our work to tackle financial crime
  - understand and respond quickly to the ever-evolving conditions for money laundering, including legislative change and the emergence of sanctions, to fulfil our statutory duties in this area.
44. A core component of our work is our programme of AML inspections. Here we engage closely with law firms of all shapes and sizes to review the strength of controls being applied across the market. We also act where we need to in order to improve individual law firm responses to AML. Legislation evolves at pace in this area, and we review and update our approach in response to new developments and requirements.
45. Between November 2022 and October 2023, we will:
- Continue to strengthen our approach to preventing money laundering and financial crime, including through proactive supervision, and investigation and enforcement activities.
  - Respond to changes set out in HM Treasury's review of AML and supervision.
  - Lead projects to understand areas of responsibility that we may receive through new legislation, potentially ensuring quality of suspicious activity reports.
  - Check the client lists of a sample of firms with exposure to the Russian market for potential sanctions breaches.
  - Carry out a thematic review into compliance with the financial sanctions and licensing regime to seek to understand the challenges faced by law firms and whether we can helpfully provide guidance in this area.
  - Respond with agility to changing national and international sanctions and any other relevant changes to the external environment.
  - Continue to refine our risk rating methodology for firms through our capture of new information about money laundering risks, allowing us to proactively target our supervision.
  - Carry out two AML-focused thematic reviews to build understanding of how firms are dealing with specific issues in practice.
  - Build our supervision programme to increase numbers of law firm inspections and desk-based review activity.

## **Equality, diversity and inclusion**

46. Our commitment to EDI is embedded across all our workstreams and objectives, from our day-to-day operations through to our horizon scanning and business planning. We are proud of the diversity of our workforce, which shows through our thriving staff networks and our continued strong performance in Stonewall's Workplace Equality Index. We also value the working relationships we have with stakeholders and representative groups, and which support us to monitor and respond to EDI considerations and impacts across our projects, and within the legal services market.



47. Securing robust diversity data on protected characteristics and socio-economic status of the individuals we regulate is a critical part of our approach. It provides a snapshot of the profession, which we use to understand barriers to entry and progression for different groups, and law firms use to benchmark the diversity of their workforces.
48. Good data also provides a solid footing to understand EDI considerations more holistically and to then shape our projects and areas of focus. One example is our annual analysis of the demographics of solicitors in our enforcement processes. The findings from this work have led to us commissioning targeted research into the over-representation of Black, Asian and minority ethnic people in reports we receive and those taken forward for investigation.
49. Between November 2022 and October 2023, we will:
  - Consider ways to improve our data to inform intersectional analysis and to enforce our requirements on firms including reviewing the diversity data that we collect.
  - Take forward initiatives designed to support retention and progression for underrepresented groups, with particular focus on large law firms.
  - Complete EDI research projects looking at the overrepresentation of Black, Asian and minority ethnic solicitors in our enforcement work, as well as the attainment gap in professional assessments and reporting back outcomes and potential next steps.
  - Promote rules and guidance to encourage fair treatment and high ethical standards across the legal market, including on professional health and wellbeing, sexual misconduct, and other EDI expectations.

## **Our work in Wales**

50. Our Corporate Strategy for 2020/23 confirms our intention to maximise the impact of our presence in Wales, and we have already made good strides. We are investing time to nurture our relationships with stakeholders across Wales, both within the legal services sector but also with consumer groups, and the Welsh government.
51. We have also made good progress to champion the use of the Welsh language. Our key publications are increasingly made available as standard in Welsh, resulting in equal accessibility for both Welsh and English speakers. We are looking forward to continuing our journey in Wales and working in new ways to further strengthen our presence.
52. Between November 2022 and October 2023 we will:
  - Participate and deliver events and activities within Wales, including attendance at Welsh political party conferences in order to build our understanding of Welsh issues and how we can target our regulation accordingly.
  - Progress initiatives that support us to build our understanding of consumer experiences in Wales.
  - Pursue opportunities to further increase our use of the Welsh language and continue the phased introduction of the SQE in the medium of Welsh.



## **Our people, our customers and our resources**

53. The final year of activity under our Corporate Strategy 2020/23 is being delivered within a fully transformed work environment. Access to our premises and our working arrangements were of course impacted by Covid-19. However our work to improve our core technology and modernise our case management systems had already been advanced before the pandemic's initial lockdown. This has helped build our resilience and position us well to respond quickly by redesigning our working arrangements. We head into our final year of activity under our current Corporate Strategy with a fully operational hybrid approach. This combines remote working with office-based collaboration time and is supported by our refreshed technology and modernised ways of working.
54. Our improved business space also underpins the practical delivery of our hybrid working model. Our relocated London and redesigned Birmingham offices provide modern collaboration spaces, alongside our new Cardiff office which opened in October 2022. The refreshed technology supports our teams to engage in new ways, while also equipping our people to work successfully from their homes. We are proud that, despite the challenges of recent years, our hybrid approach has delivered continuously strong levels of service from our teams on behalf of our customers, including the public, solicitors, law firm representatives and others. We will continue to strive to deliver excellent customer experiences in the final year of our current Corporate Strategy.
55. Between November 2022 and October 2023, we will:
- Deliver the third year of our Resources Strategy, focused on getting the most from our people, processes, technologies, data and information.
  - Build on our technology transformation to ensure we realise the benefits from our investment, increase our efficiency and effectiveness, and continue to improve the customer experience.
  - Maximise the benefits of our early move to a hybrid working model, new work spaces and improved workplace culture.
  - Maintain our Institute of Customer Service accreditation.
  - Strive to be better in what we do through the on-going delivery of our Continuous Improvement programme and embedding of our Continuous Improvement culture, including:
    - further reducing the time taken to investigate complaints through our improved investigation and supervision processes
    - applying our continuous improvement capability to our authorisation process.
    - Working to scope potential further improvements to our Solicitors Register to make sure that it provides information about individuals we regulate in an accessible way, and in line with any changes to our publication policy.

## **Public legal education and information for consumers**



56. Securing factual, reliable information for members of the public about legal services and ensuring that information is accessible and easily located at the point of need, remains an important consideration. The digital world brings new challenges, with multiple sources of information competing for attention and available at people's fingertips. Legal services are, for most of us, experienced infrequently in our lives, but often at important or challenging life stages. Our work to deliver public legal education, and accessible information resources for the public, can make all the difference in helping people to fill their knowledge gaps, and get legal support when they need it.
57. We have already made good progress here, through our public legal education workstream and through our continued response to the CMA's recommendations for regulators in this area. Our work to relaunch and champion the [Legal Choices consumer website](https://www.legalchoices.org.uk/) [https://www.legalchoices.org.uk/] is just one way in which we have approached this, and we are actively exploring fresh approaches for the immigration sector, on solicitor advocacy, and around lawtech. Digital offerings are however not a single solution. Therefore we engage closely with consumer groups and frontline advice agencies to understand how to provide information to the public and harder-to-reach communities in other ways.
58. Between November 2022 and October 2023, we will:
- Deliver a programme of focus groups and roundtables/workshops with our stakeholders to strengthen our understanding of the information needs of individuals and groups that advise them, and to develop resources and support where needs are identified.
  - Drive forward the third year of the Legal Choices website's development plan to improve the provision of consumer information and to test and monitor its use and usefulness.
  - Support consumers who are potentially at the 'point of need' of legal support/advice, through targeted social media campaigns and through partnership working with support organisations.
  - Progress public legal education around steps consumers can take to compare indicators of quality, drawing from the evaluation of our quality indicators pilot.

### **Our budget for Objective 1**

59. Most of our resources are allocated towards our work under strategic objective one. We anticipate allocating around 92% of our total budget towards this in 2022/23.

### **Objective 2. Technology and innovation**

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

60. Our Corporate Strategy 2020/23 describes our ambition to create good conditions for innovation in the legal services market across England and Wales. We want to champion lawtech and new solutions that mean



solicitors and law firms can provide their services in ways that correspond with the needs and expectations of different communities. We think this is a crucial component of our work to improve access to justice.

61. Digital tools and innovative solutions are increasingly influential and prevalent in the legal services world. Recently virtual courtrooms have been accepted as features of the justice system and consumers are increasingly starting their journey to find a lawyer with a web search. It is also now commonplace for legal advice and representation to be provided remotely through video calls, website chat services, and instant messaging.
62. However lawtech solutions are not always 'one size fits all' in legal services. Different solutions might be only relevant for specific areas of law and categories of legal service, for specific business models operated by law firms, and of course for consumers from specific communities or with certain legal needs. We have spent time researching this and building partnerships to understand more about the role of lawtech, and how we can best use our resources to have a positive influence in creating good conditions for it to be used.
63. Our [research with the University of Oxford](https://www.sra.org.uk/sra/how-we-work/reports/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/how-we-work/reports/technology-innovation-in-legal-services/] has been an important marker for our work, and the insights it provides on the changing use and adoption of legal technology across different segments. Our partnerships, some forged through our [SRA Innovate](https://www.sra.org.uk/sra/innovate/) [/solicitors/resources-archived/sra-innovate/] programme, others with the Lawtech UK Sandbox and similar forums, are strong and similarly position us well to make further progress under this strategic objective.
64. Our ambitions for 2022 and 2023 here are rightly challenging, and we describe these in the remainder of this section of our Business Plan.

### **Strengthening our partnerships and promoting access to justice**

65. As the largest legal service regulator in England and Wales we understand we are well-positioned to take a lead in exploring and shaping potential responses to access to justice issues. Our technology and innovation focus shines a spotlight on those issues, and we work with the public, the users of legal services, the profession and expert agencies to build our understanding of ways in which lawtech can help to tackle them and encouraging the testing of developments with consumers.
66. Our access to justice programme in Wales and Southwest England, delivered through funding from our successful bid to the Regulators' Pioneer Fund, shows this work in action. We built regional networks to explore ways in which we can leverage technology to respond to unmet legal need and benefit harder-to-reach communities and diverse groups. We will use that learning to inform similar approaches across



other regions. Through this work we are also considering risks that an ever-growing reliance and use of technology and digital-first service delivery might entail for specific communities and the rule of law. This will be a core element of our work to promote access to justice during 2022-23.

67. Our relationships with stakeholders and opportunities for co-operative work also make all the difference to our success in this area. Government agencies, sandboxes, and other regulators in our jurisdiction and beyond are all represented in our partnerships in the technology and innovation sphere. For example the International Conference of Legal Regulators (and ICLR net) Department for Business, Energy, and Industrial Strategy (BEIS), and the [Agile Nations forum](https://www.gov.uk/government/publications/agile-nations-charter/agile-nations-charter-accessible-webpage-version). [<https://www.gov.uk/government/publications/agile-nations-charter/agile-nations-charter-accessible-webpage-version>]
68. We value the collaborative relationships we have in place with law firms across the sector. These bring insights in terms of understanding how solicitors and their businesses can embrace technology and improve their legal service delivery while remaining compliant with our regulations. Stakeholders from lawtech providers, consumer organisations and academic communities are also valuable partners. With these we can explore the adoption of technology within the legal sector, and if they ultimately create added value and good experiences for different communities when they need legal help. Speaking to consumer groups, the public and organisations supporting them on the ground to understand their needs in practice is also a crucial aspect of our engagement work.
69. Between November 2022 and October 2023, we will:
  - Continue our collaboration with Ministry of Justice (Moj) and BEIS programmes on access to justice and technology adoption, including proactively seeking funding opportunities for consortia work that delivers new concepts in access to justice.
  - Convene a roundtable involving 'social good' investors to build and share understanding around any potential for legal services designed to improve access to justice to attract investment.
  - Support the development of new technology solutions to regional access problems, as identified in our Regulators' Pioneer Fund access to justice programme in Wales/southwest England.
  - Promote and embed benefits of innovation and technology in relation to unbundled legal services and providing consumers with quality indicators to help them identify and choose a legal services provider, as identified through our pilot activity in these areas.
  - Work with government departments and other regulators to influence initiatives to maximise their effectiveness and any benefits for this sector, such as:
    - being a bridge between legal services providers and BEIS and Industrial Strategy smart funding
    - supporting the Department for Digital, Culture, Media and Sport's Digital Identity framework programme



- contributing to the Regulator AI working group led by the Information Commissioner's Office.
- Enhance our [Expert Panel](/sra/corporate-strategy/expert-panel/) by adding at least one further lawtech representative.
- Continue to support the Government Agile Nations international regulatory cooperation initiative, which we chaired the lawtech strand of in 2021/22 - its inception year.

## **Evolving our SRA Innovate programme to support lawtech and understand risks**

70. Our partnerships are an important feature of our technology and innovation approach. We also work to provide strong and credible SRA-led solutions and opportunities for solicitors, law firms and lawtech stakeholders to work with us, and in doing so to drive innovation across the legal services sector. Central to this is our SRA Innovate programme, and we will continue to prioritise work to develop the programme and maximise benefits from its activities.
71. Another important element of our work is identifying risks and the potential impacts of technology and innovative practices in the sector. And to explore the interplay with those risks and our approach to regulation. Cybersecurity risks, for example, are high in the legal services sector with many law firms routinely holding client money and confidential client information. While technology solutions may be adept in supporting law firms to mitigate risks here, there are also important regulatory considerations that need to be included in that analysis.
72. Through our SRA Innovate programme, and our sandbox activity, we can work through these issues in real-time with law firms and lawtech providers. The insights from this give us a clearer understanding about barriers that can be imposed by regulation. In turn, we can then consider opportunities to reduce or remove those barriers or offer clarity on why we may be unable to do so.
73. During November 2022 and October 2023, we will:
  - Promote and refine our SRA Innovate programme, highlighting the support we offer to firms and lawtech developers. This includes SRA Innovate roadshows in 2023, dedicated sessions at our annual Compliance Officers Conference and other events.
  - Continue to promote and refine our 'front door' service for innovators and lawtech developers based on the feedback that we receive, including an improved route for start-ups to access bespoke advice.
  - Provide sector wide learning by regularly publish case studies and lessons learned from those that we support through SRA Innovate. We will also broaden the reach and impact of our technology update newsletter which provides the sector with insight into how this area is developing.



- Provide guidance on key barriers to the development and adoption of lawtech identified through our research and engagement, such as attracting investment and helping small firms identify compliant and effective technology.
- Monitor and deliver targeted research into emerging technology and innovation risks identified through the SRA's Horizon Scanning Programme to shape effective regulatory responses.
- Build on the successful pilots by considering other potential areas that may benefit from safe and controlled exploration within an SRA convened network.
- Develop our 'proof of concept' offering for start-ups to safely test new products and services against our regulatory framework. This could help proof of concepts to be developed and produce empirical evidence of business benefits and risk mitigation.
- Continue to support Lawtech UK as a lead member of the Regulatory Response Unit. Here we can explore additional measures to support the development and emergence of consumer-focused lawtech, such as sandbox approaches or accelerator programmes.

## **Our budget for Objective 2**

74. We expect to allocate around 4% of our total budget towards our work under objective two in 2022/23.

## **Objective 3. Anticipating and responding to change**

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

75. The legal services sector is diverse and ever-evolving, and like other professional service markets it can be impacted by developments within the sector itself, or by external factors. Sometimes those impacts are fast and far-reaching – with Covid-19 being a clear example – but they can also take effect incrementally and build over time. For these reasons, we build activities into our work to help us monitor and evaluate different areas of the sector to understand what is happening in the market. And how the firms and lawyers within it, and consumers who access it, are being impacted.
76. Our [Risk Outlook](https://www.sra.org.uk/risk/outlook/risk-outlook-2020-21/) [https://www.sra.org.uk/risk/outlook/risk-outlook-2020-21/] collates our analysis work and interpretation of risks and their impacts into one place and our horizon scanning programme is active in looking across the market. This identifies emerging trends and themes nationally and internationally that may potentially come to bear in some way in the legal services world.
77. There are always important issues on our radar and that we can provide unique perspectives on. We work to engage closely with our stakeholders to lead debate and discussion with them and to champion solutions and responses to the sector's biggest risks and issues. On



some of the key issues we co-produce plans, research and policy options with relevant stakeholders, including the LSB and the MoJ.

78. In the remainder of this section of our Business Plan we describe the targeted activities we will be taking in 2022 and 2023 in this area.

## **Research and analysis**

79. Our regulatory framework is informed by intelligence and data that helps us to build our appreciation of the impacts of social, political, economic, international and environmental pressures. We use horizon scanning, intelligence gathering techniques, stakeholder engagement and research to build this picture and remain alert and responsive to risks that emerge and are articulated during that work.
80. We share data and publish reports that communicate our assessment of risks and emerging issues. These often come out of consumer research that helps to crystallise the pinch-points that are being experienced by members of the public when they access and use legal services. We commission research to help us achieve this, and we monitor the findings of research undertaken by others. Our open book approach builds sector wide learning and provides the foundation to forging partnerships to try and address issues that are identified.
81. Segmentation is central to our approach to evidence gathering as legal systems, consumer needs, service delivery and market conditions are different, and will develop differently for different groups. This approach will help us target our work and target the different tools that we might utilise to address regulatory issues.
82. Between November 2022 and October 2023, we will:
- Build on our research into consumer segmentation, including working with the MoJ and others to identify, target and assess interventions for groups who are most at risk of not receiving access to justice.
  - Refine and rerun our pilot web-scraping exercise to map unregulated legal service provision. This will include a focus on the changing shape of the provision and the interplay with the regulated market to help identify emerging opportunities and challenges for the regulated sector and our role in effectively regulating it.
  - Design and publish regular and authoritative market insight assessments that make innovative use of data about the legal sector and forces impacting on it. For example, the incorporation of legal need and advice service mapping capability, developed in conjunction with the University of the West of England, and overlaying additional datasets.
  - Conclude and publish findings and responses deriving from our research projects. This will include our co-delivered quantitative analysis of the Professional Indemnity Insurance market and an econometric analysis of insurance premiums data that will assess law firm and consumer impacts.
  - Complete a public affairs analysis that explores views and perceptions from members of the public and opinion formers.



- Further embed outcomes from our research with the University of Oxford that address barriers to lawtech. We will also use targeted research to publish a series of 'myth-busting' reports for consumers and solicitors on key subjects. For example, the differing perspectives on artificial intelligence which will actively support firms with the adoption of legal technology and demonstrate our understanding of emerging opportunities for the legal sector.
- Complete and publish outcomes from two EDI-focused research projects (referenced earlier under Objective 1). This will make sure that we provide a high level of operational service which is free from bias and will improve stakeholder confidence in the way we regulate.
- Complete and publish our three-year evaluation of our Standards and Regulations, and of the SRA Transparency Rules, to provide empirical evidence of the impacts of our reforms and areas that may require improvement in order to best meet our objectives.
- Refine and publish our Risk Outlook products in response to stakeholder feedback about relevant hot topics. This will enable us to share our understanding of market shaping trends with firms and other stakeholders and support firms to assess their own risks.
- Deliver a 'deep dive' exercise with stakeholders into one of the biggest priority risk areas identified through our horizon scanning work. This will then provide sector wide understanding and shape an appropriate response in partnership with relevant stakeholders where appropriate.
- Continue to lead debate on legal sector research and risk priorities through our chair role of the regular Legal Regulators' Research Forum and the Cross Regulatory Risk Forum. This will enable us to share best practice and our understanding of market shaping trends with other regulators, to ensure better outcomes for consumers of legal services.

## **Leading debates and speaking up**

83. We engage closely with our stakeholders including other regulators, legal professionals and their representative bodies, members of the public, government agencies. Through those relationships we share data and explore opportunities to work in partnership to address regulatory issues. Discussion subjects can be varied, and can include technical regulatory issues, and access to justice considerations.
84. Our regulated community is large and diverse, and we understand that we are often uniquely positioned to comment and to lead debates with our stakeholders. At the more traditional end this includes responding to consultations or participating in calls for evidence, but we also proactively use our convening powers to initiate discussions on key issues, to involve consumer champions and regulators from other sectors in our events, and to participate in thinktanks and other collaborative forums.



85. We will build on the successes of our online events by enhancing our face-to-face events with more virtual engagement. We expect this to help extend our reach and increase the accessibility of key resources. Engagement events will include our well-established Compliance Officers Conference on 8 November 2022 - the largest free compliance event in the legal sector - alongside our innovation-themed events.
86. We expect subjects to be diverse and broad-ranging and going into 2023, we'll continue to lead and contribute to thought leadership, engagement, and debate in regard to:
- Access to justice - with areas of focus including improved experiences for vulnerable communities accessing the immigration and asylum sector and other communities. Also employing technology to improve service accessibility for remote and harder-to-reach regions of England and Wales.
  - Environmental, social and governance considerations - including leading work on how legal regulators might respond to the Government's review of regulation as set out in its '[The benefits of Brexit](https://www.gov.uk/government/publications/the-benefits-of-brexit)' [<https://www.gov.uk/government/publications/the-benefits-of-brexit>] paper. And continuing to develop our work with stakeholders on environment and climate change responses.
  - Changes to the legal landscape - including the future regulation of legal services informed by work to build a deeper understanding of the unregulated sector, and legislative change impacting our AML activity and other areas.
87. Between November 2022 and October 2023, we will:
- Identify opportunities to host - and take part - in events that facilitate discussion on strategic issues in the legal sector and beyond
  - Place opinion and discussion pieces in the media and other outlets to spark debate and stimulate discussion.
  - Deliver face-to-face engagement events with local law societies across England and Wales with our executive team and board members.
  - Deliver an event looking at the future development of regulation in the legal sector, bringing together key voices to look at priorities.
  - Increase the reach for our face to face and virtual events programme, focusing on areas such as anti-money laundering, the SQE, innovation and technology and continuing competence.
  - Continue to lead work across the immigration and asylum sector to raise standards, help the public access quality legal advice where needed and complain where the service that they receive falls short.
  - Explore approaches to help improve how the public and clients report concerns to us.
  - Deliver our annual Compliance Officers Conference.
  - Carry out work to understand the views of our stakeholders as part of our work to plan for our next corporate strategy.
  - Invite members of the public and groups that represent them to meet Board members in different areas of England and Wales.



### Our budget for Objective 3

88. We expect to allocate around 4% of our total budget towards our work under objective three in 2022/23.

### Our budget 2022-23

89. We keep our budget and expenditure under close review during each business plan period. The majority of our funding comes from practising fees that are paid by solicitors and legal service businesses. We collect practising fees every October.
90. We also receive funding from other sources, which is used to cover directly related SRA costs. These include:
- Fees paid to cover the SRA's administrative costs of specific activities, such as applying to set up and authorise a new firm.
  - Recovering some or all of the costs we have incurred in bringing a successful disciplinary case.
  - Compensation Fund contributions to cover the cost of managing the fund and necessary interventions into law firms.
  - Income from SQE assessments and application fees to pay for the cost of administering the scheme.
91. We also undertake equality impact assessments of the practising certificate fee and the Compensation Fund fee. This includes analysing data about:
- the protected characteristics, as defined in the Equality Act 2010, of solicitors
  - the diversity profile of law firms
  - how this data correlates with fees paid during practising certificate renewals.
92. Table 1 sets out our 2022/23 funding (our financial year runs from 1 November to 31 October) compared with 2021/22.

**Table 1**

| <b>SRA income summary</b>   | <b>2022-23 Budget<br/>£000</b> | <b>2021-22 Budget<br/>£000</b> |
|-----------------------------|--------------------------------|--------------------------------|
| Practising fees             | 60,500                         | 56,800                         |
| SQE income                  | 12,712                         | 7,940                          |
| Regulatory fees             | 3,411                          | 2,600                          |
| Compensation fund           | 10,134                         | 10,132                         |
| Recoveries (eg cost orders) | 1,657                          | 1,657                          |
| Investment income           | 555                            | 200                            |
| <b>Total</b>                | <b>88,969</b>                  | <b>79,329</b>                  |

93. While practising fee income for the SRA will increase in 2022/23, impacts for solicitors are mitigated through increased numbers of regulated individuals. Numbers of practising solicitors increased by 3.9% in the year to October 2021, showing no sign of reducing in the

current year. The SQE's introduction has changed the way people will join the solicitor's profession, with the full impacts yet to be seen, so we have not changed our assumptions about solicitor numbers for this year. We calculate the individual fee based on the number of solicitors currently practising, and the share of the practising certificate fee that is retained by the SRA is expected to increase from £145 in 2021/22 to £151 in 2022/23.

94. The first SQE assessments took place in November 2021, and numbers of candidates are expected to increase year on year. Income from the SQE offsets the direct costs of delivering it, and internal costs associated with monitoring the assessment provider and providing results to candidates.
95. Regulatory fees have increased due to applications for exemption from elements of the SQE and the reintroduction of the Keeping of the Roll exercise. This additional income is offset by increased costs of processing these applications.
96. Table 2 describes how we will spend our money in 2022/23. 'Other' costs include non-staff IT spend, consultancy, Board and committee costs, external advisers, including adjudicators and examiners, research and engagement activity.

**Table 2**

| <b>SRA expenditure summary</b>              | <b>2022-23 Budget<br/>£000</b> | <b>2021-22 Budget<br/>£000</b> |
|---|--------------------------------|--------------------------------|
| Staff expenditure                           | 40,690                         | 36,658                         |
| SQE costs*                                  | 12,505                         | 7,796                          |
| Intervention costs*                         | 6,665                          | 6,651                          |
| External disciplinary and enforcement costs | 3,938                          | 3,619                          |
| Property costs                              | 4,073                          | 4,096                          |
| Projects                                    | 4,625                          | 5,125                          |
| Other                                       | 16,473                         | 15,384                         |
| <b>Total</b>                                | <b>88,969</b>                  | <b>79,329</b>                  |

*\*Excludes staff costs related to these activities*

97. The SRA share of the practising fee has remained stable in recent years as shown in Table 3. The individual fees represent 40% of the overall funding requirement with the remaining 60% charged to firms based on their turnover.

**Table 3**

| <b>Year</b>    | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| SRA proportion | £155           | £148           | £147           | £147           | £151           | £145           | £151           |



98. We have identified cost pressures driven by the current financial climate as we have developed our plans for 2022/23, and there are also areas of activity that require additional investment to drive them forward. However, we have worked hard to mitigate these increased costs through efficiency savings, and through our formal continuous improvement programme.
99. Cost pressures include staff expenditure, expected to increase by £4m in the next financial year. Inflation is currently at levels not seen for more than 30 years, and this is already beginning to increase pressure on salaries in the employment market. As well as allowing us to continue attracting and retaining people and securing our workforce in this increasingly competitive market, this also allows us to invest in new areas of activity. Areas benefiting from increased investment will be:
  - Our Investigation and Supervision function and activity leading to reductions in time taken to investigate cases.
  - Increased focus on compliance with our transparency requirements and engagement from firms in relation to firm diversity data.
  - Our Legal and Enforcement team's activity to support increased demand and workload and supporting greater involvement at an earlier stage in ongoing investigations.
  - Improvements within our AML work to achieve more proactive supervision and to manage increased referrals from the National Crime Agency.
100. Efficiency savings delivered through recent changes to our office space in Birmingham have resulted in reduced property costs, amounting to over £1m in the current year. This efficiency saving has been partially offset by the impact of increased energy costs, and inflationary pressures on other costs.
101. Additionally, the continuing realisation of benefits from our modernising IT programme and a commitment to continual improvement have realised cost reductions totalling over £1m, particularly in relation to project expenditure.
102. Throughout the remainder of 2022 and into 2023 we will be preparing and consulting on our Corporate Strategy for 2023-26. The strategy will inform our expected budget over the coming years, and the likelihood is that the SRA practising fee requirement will increase in absolute terms over the course of our next strategy, for additional activities that are determined as the new strategy is developed, to cover inevitable inflationary pressures, and to build our reserves to the required level.
103. The assumptions underpinning this are:
  - Reserves will be at least at the minimum level in the policy by the end of the next corporate strategy.
  - We expect costs to increase in relation to activity covered by objectives two and three of the existing corporate strategy during the next corporate strategy.
  - We expect to do more proactive regulation, particularly in relation to anti- money laundering.
  - We expect inflation to return to closer to 2% over the next few years but not imminently and cannot continue to absorb



inflationary increases so these will be built in.

104. We will seek to mitigate these pressures as much as possible through continued efficiencies and to manage increases, where possible, to ensure a smooth trajectory for the practising certificate fee over the three years of the new strategy.

### **Individual practising certificate fee**

105. For 2022-23 the SRA funding requirement is £60.5m. The element of the individual practising certificate fee that funds the SRA is £151. This is an increase from £145 in 2021/22<sup>1</sup>

106. Our [fees \[https://www.sra.org.uk/news/press/2021-press-releases/pc-fees-comp-fund-2021/\]](https://www.sra.org.uk/news/press/2021-press-releases/pc-fees-comp-fund-2021/) are approved by the Legal Services Board.

### **Compensation Fund fee**

107. The Compensation Fund contribution for individuals is £30 in 2022/23, reducing from £40 in 2021/212. The contribution for firms is £690 reducing from £760.

### **Total fees for individuals**

108. The fee payable by individuals in respect of the work of the SRA, from the practising fee and compensation fund contribution, is therefore reduced from £185 in 2021/22 to £181 in 2022/23.

### **Footnote**

1. In 2021/22 the individual practising certificate fee was £266, of which £145 went towards the running costs of the SRA. The remainder of the fee funds the part of the work of the Law Society and levies payable to the Legal Services Board, the Legal Ombudsman, the Solicitors Disciplinary Tribunal and the Office for Professional Body Anti-Money Laundering Supervision.

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