

SRA BOARD
12 July 2017



CLASSIFICATION – PUBLIC

Chief Executive's Report

Purpose

- 1 This report sets out progress against our strategic objectives and provides an update on operational performance.
 - Section 1: reports on our priorities and progress against the 2016/17 Business Plan.
 - Section 2: provides an update on operational performance.
 - Section 3: provides details on publication and engagement activity.

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

SRA BOARD
12 July 2017



CLASSIFICATION – PUBLIC

Chief Executive's Report

Section 1: Priorities for 2016/17

- 2 This section provides an update focusing on developments and progress against our 2016/17 Business Plan.

Anti-money laundering (AML)

- 3 On 23 June, the Treasury announced that new money laundering regulations would come into force on 26 June. I informed the Board of the Treasury's consultation on the regulations and our response in previous reports. We are currently reviewing the full detail of the requirements and we will then work with other regulators to provide updated guidance for law firms. We recognise the short lead-in time businesses have been given to implement the new requirements and we plan to take a proportionate and pragmatic approach as firms take steps to comply with the new requirements. Our Ethics Guidance helpline will support Solicitors if they have any queries.

Sanders & Co – Brazilian Ecohouses

- 4 Sanders & Co passed £33m through their client account regarding investments in ecohouses in Brazil. Members of the public have suffered losses said to be £21m. Three solicitors were each suspended for 12 months. We successfully appealed the sanction regarding two of them and the High Court increased their sanctions to three year suspensions.

The Malins Judgment – position on dishonesty and integrity

- 5 The courts had settled on a position that there is a significant difference between dishonesty and lack of integrity. Mr Justice Mostyn disagreed in the case of *Malins v SRA*. We are seeking permission to appeal that. The SDT has generally declined to follow *Malins*.
- 6 A two judge Divisional Court in the case of *Williams v SRA* has taken the opportunity to disagree with Mr Justice Mostyn. Mrs Justice Carr said "I proceed on the basis, both on the authorities and as a matter of principle, that, in the field of solicitors' regulation, the concepts of dishonesty and want of integrity are indeed separate and distinct. Want of integrity arises when, objectively judged, a solicitor fails to meet the high professional standards to be expected of a solicitor. It does not require the subjective element of conscious wrongdoing." Sir Brian Leveson added "...I ought to make it clear that, in the absence of compelling justification, I would reject Mostyn J's description of the concept of want of integrity as second degree dishonesty. Honesty, i.e. a lack of dishonesty, is a base standard which society requires everyone to meet. Professional standards, however, rightly impose on those who aspire to them a higher obligation to demonstrate integrity in all of their work. There is a real difference between them".

SRA BOARD
12 July 2017



CLASSIFICATION – PUBLIC

Investment Schemes Warning Notice

- 7 On 23 June, we published another warning notice on solicitor involvement in fraudulent investment schemes (<http://www.sra.org.uk/sra/news/press/investment-schemes-comp-fund.page>). We publicised the new warning notice through a news release, social media and SRA Update, which goes to all the profession. We also shared the forecast of potential high value claims related to fraudulent investment schemes on the Compensation Fund and the consequent increase in contributions for 2017/18. The contribution figures were included in the Law Society Group consultation on the Net Funding Requirement. Reductions in the Practising Certificate fees have offset the rise in Compensation Fund contributions.
- 8 We are currently developing a campaign and plan to work with other agencies to raise awareness of investment schemes among the profession and the public.

Progress against our 2016/17 Business Plan

- 9 We are making good progress to achieve the objectives set in our 2016/17 Business Plan. Below, I highlight key areas of development to note against each Business Plan objective.

<p>Objective 1: We will reform our regulation to enable growth and innovation in the market and to strike the right balance between reducing regulatory burdens and ensuring consumer protection</p>	<p>On track</p>
---	------------------------

- 10 We are on track to deliver this objective.

Competition and Markets Authority (CMA) Report

- 11 The Legal Services Remedies Implementation Group met for the third time on 21 June to continue discussions with other regulators on how we take forward the recommendations set out in the CMA's report. Minutes of the meeting held on 12 May can now be viewed at: <https://www.gov.uk/government/publications/legal-services-remedies-programme-implementation-group-minutes-2017>.
- 12 Following the Boards approval, we published our response to the CMA's report and our action plan on 29 June, accepting the recommendations, and in line with the CMA's recommended timeline. We have also been working closely with the other regulators to draw up a development plan for Legal Choices, the website we manage on behalf of the legal regulators.

SRA BOARD
12 July 2017



CLASSIFICATION – PUBLIC

Looking to the Future

- 13 We launched our response and decisions on the next steps on the first phase of our Looking to the Future reforms in June. There has been extensive coverage in the legal press.
- 14 Alongside our response to the Looking to the Future consultation we also published the impact evaluation framework for our regulatory reform programme that will allow us to evaluate and assess the impact of our future reforms (<http://www.sra.org.uk/documents/SRA/consultations/ltf-cses.pdf>). We commissioned the Centre for Strategy and Evaluation Services and economist Dr Chris Decker, of Oxford University, to develop the framework.

Objective 2: We will work with solicitors and firms to raise standards and uphold core professional principles	On track
---	-----------------

- 15 We are on track to deliver this objective.

Solicitors Qualifying Examination (SQE)

- 16 On 15 June we published the tender for the assessment organisation to develop and deliver the SQE. This followed a detailed scrutiny and review process. We held a meeting for interested parties on 23 June. The tender material can be found at the following link: <http://www.sra.org.uk/sra/news/press/tender-deliver-sqe.page>.

Improving access - tackling unmet legal needs report

- 17 We launched our latest Risk Outlook paper on 28 June, ahead of our parliamentary reception. The Improving Access – tackling unmet legal needs report sets out the ways that law firms are working to provide accessible affordable services and how we as a regulator are helping (<http://www.sra.org.uk/sra/news/press/tackling-unmet-need-outlook-paper.page>).

Objective 3: We will improve our operational performance and make justifiable decisions promptly, effectively and efficiently	On track
--	-----------------

- 18 We are on track to deliver this objective.

SRA BOARD
12 July 2017



CLASSIFICATION – PUBLIC

Modernising IT Programme

- 19 The Modernising IT Programme continues to progress well. Following the successful solution design phase of work that took place in May with our Wave 2 Delivery Partner, Hunter Macdonald, we have now signed a statement of work (SOW) (within the framework contract we have already established) for the delivery of Wave 2 of the Modernising IT Programme. Engagement with staff on the changes that the programme will deliver continues. More detailed preparation and planning has also begun for Wave 3 of the programme (Wave 3 focuses on outward-facing user experiences, including the web and social media).

Practising Certificate Renewals Exercise (PCRE) 2017/18

- 20 The project to prepare for the 2017/18 PCRE is on schedule. 800 firms have been contacted to validate their turnover data to ensure that their information is correct in order for accurate bills to be produced in September 2017. IT development has also been completed.

<p>Objective 4: We will work with our stakeholders to improve the quality of our services and their experience when using them</p>	<p>On track</p>
---	------------------------

- 21 We are on track to deliver this objective.

Firm Diversity Data Collection

- 22 We are preparing for our next firm diversity data collection in the week commencing 17 July and have advised firms to start collecting their diversity data now. We are using our new diversity questionnaire, which has been made more inclusive by adding a transgender question and providing an option for those who do not identify as a man or a woman.

Annual Review

- 23 We launched our 2015/16 Annual Review to coincide with our Trust in the Market conference on 22 June and a copy has been circulated to the Board and key stakeholders. The document has been covered in the trade press and is published on our website - <http://www.sra.org.uk/sra/how-we-work/reports.page>.

Section 2: Operational Performance

KPIs

- 24 Below are the KPI results for May:

SRA BOARD
12 July 2017



CLASSIFICATION – PUBLIC

- 91% of conduct matters closed within 12 months of receipt in May against a target of 93%.
- 94% of Compensation Fund claims were closed within 12 months against a target of 90%.
- 95% of medium / high risk applications closed within 3 months in Firm Based Authorisation against a target of 90%. We achieved all of our KPIs in Authorisation in May.

Section 3: Publications and Engagement Activity

Public Experience of Conveyancing Research

- 25 We have announced our plans to research the experiences of people who have used conveyancing services offered by solicitors (<http://www.sra.org.uk/sra/news/press/conveyancing-experiences-research.page>). Around 1,000 former conveyancing clients will be asked their views on the legal aspect of their house purchase or sale. We will use this information to help shape the way we regulate.

LSB Updates

- 26 In June, the LSB published a document explaining its role and regulatory approach (http://www.legalservicesboard.org.uk/what_we_do/index.htm) with the aim of supporting transparency, consistency and predictability.
- 27 The LSB has also launched a formal consultation on a revised regulatory performance assessment framework (http://www.legalservicesboard.org.uk/news_publications/LSB_News/PDF/2017/20170620_LSB_launches_regulatory_performance_consultation.html). We circulated the LSB's initial proposals following its review of the framework to the Board in March and have already provided informal feedback to them.

BSB Consultation on Standard of Proof

- 28 We have published our response to the BSB consultation on moving to the civil standard of proof, supporting the proposals and suggesting they go forward without waiting for the SDT to change its standard. Our response was widely covered in the trade press.

Stakeholder Engagement

- 29 Our ongoing engagement programme with stakeholders continues. We held our second Trust and the Market conference on 22 June, attracting 110 delegates from regulators from all sectors, law firms, think tanks and consumer groups. Topics covered included enforcement, Brexit, workforce development and consumer information. SRA social media content (including Twitter, Periscope

SRA BOARD
12 July 2017



CLASSIFICATION – PUBLIC

and LinkedIn) generated over 1.3m impressions with over 500 people watching it live on Periscope. I followed up the event with an article in The Times Brief on the themes we discussed.

- 30 Our Parliamentary reception for MPs and Peers, hosted by Lord Beith, took place on 28 June. In addition to our Chair speaking, Lord Beith and Solicitor General Robert Buckland addressed attendees. We invited a range of key partners to join us at the event, including the Society of Asian Lawyers, British Nigerian Law Forum, Association of Women Solicitors (London), Black Solicitors Network and the Sole Practitioners Group.
- 31 Our presence at Pride in London was well supported, with staff joined by colleagues from the LSB, Legal Services Consumer Panel, CILEx Regulation, CLC and BSB. Participation in Pride means that we can send a clear message to the LGBT community that the law is a good career choice, and that legal services are relevant and accessible.

Author Paul Philip, Chief Executive

Date 29 June 2017