

SRA BOARD

28 June 2022

CLASSIFICATION – PUBLIC*This paper will be published*

**Business Plan and Budget for November 2022 to October 2023:
consultation feedback and next steps**

Reason for paper	This paper summarises feedback received from our stakeholders on our draft Business Plan and Budget for 2022-23, and our next steps for finalising the Plan and seeking approval of our fees from the Legal Services Board.
Decisions(s)	<p>The Board is asked to:</p> <ul style="list-style-type: none"> • note the summary of stakeholder feedback and our intention to publish a more-detailed analysis of responses and stakeholder views • delegate authority to the Chair to approve the final business plan and budget for publication, capturing any additional detail agreed by the Board during discussions • approve the SRA budget for 1 November 2022 to 31 October 2023 of £60.5m provided by practising fee income • note the expected amount for the practising certificate fee which the Board is likely to be asked to consider for approval following the Law Society Council's meeting.
Previous Board and committee consideration	The Board considered a draft of the Business Plan and Budget document at its meeting on 25 April 2022. Feedback from Board members informed the development of proposals for consultation.
Next steps	<p>We will work with the Chair to finalise the Business Plan and Budget document for 2022-23. We will continue engagement with the Law Society to finalise our fees before making our joint approval application to the Legal Services Board.</p> <p>We will prepare a full consultation responses document for publication alongside the final version of the Business Plan and Budget document for 2022-23.</p>

If you have any questions about this paper, please contact: Tracy Vegro, Executive Director, Strategy and Innovation tracy.vegro@sra.org.uk or Liz Rosser, Executive Director, Resources liz.rosser@sra.org.uk

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Business Plan and Budget for November 2022 to October 2023: consultation feedback and next steps

Summary

- 1 Consultation on our draft Business Plan and Budget for November 2022 to October 2023 took place between 6 May and 17 June 2022. We set out our proposed work activities and budget details for the final year of our current Corporate Strategy 2020–23.
- 2 The consultation also sought feedback on an equality impact assessment of our proposed practising certificate fee, and our proposed Compensation Fund contribution, for 2022-23.

Background

- 3 Our draft Business Plan and Budget for 2022-23 explains our proposed approach to meeting our overarching aim to improve access to justice, and to delivering our three current strategic objectives, which are:
 - setting and maintaining high standards for the profession and ourselves
 - technology and innovation
 - anticipating and responding to change.
- 4 The priorities and activities described in the draft plan reflect feedback provided by the Board about business and resourcing priorities, specifically at the meeting of 25 April 2022.
- 5 The Law Society has also completed consultation activity on its proposed activities and budget proposal for 2022-23. The SRA and the Law Society's post-consultation decisions on our respective business plans and budgets inform our joint application to the Legal Services Board, for the approval of practising fees for 2022-23.
- 6 Feedback from our stakeholders about our proposed approach, our proposed workstreams and activities, and about our proposed budget and fees was generally positive. This positive feedback from formal consultation was mirrored in that received through our consultation engagement programme, including our stakeholder events and webinar.

Engaging with our stakeholders

- 7 We received just 12 written responses to our consultation paper, submitted directly by organisations or by individuals through our online portal. Formal responses were received from:
 - Four individual solicitors
 - A trainee solicitor
 - A member of the public

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- A barrister
 - The Criminal Law Solicitors Association (CLSA)
 - The Law Society of England and Wales (TLS)
 - The Association of Consumer Support Organisations (ACSO)
 - The Legal Services Consumer Panel (LSCP)
 - A public body.
- 8 We also delivered a stakeholder engagement programme that, when combined with the written responses, resulted in engagement with close to 15,000 people – our highest-ever engagement results for our Business Plan Budget consultation activity.
- 9 It included delivering polls, discussion points and video content through our social media channels on our proposed work activities for 2022-23, alongside a webinar broadcast to present our consultation proposals.
- 10 The programme also included bespoke stakeholder events and use of some regular stakeholder meetings to discuss our consultation proposals, for example with the City of London Law Society. We also reach out to communities that we would otherwise be unlikely to hear from, such as charities and members of the public, adding significant value and expanding the breadth of stakeholder opinion captured during our consultation process.
- 11 Full details of our engagement programme can be found in annex 1.

Stakeholder feedback – proposed activities for objective one

- 12 We received general support from most respondents to our consultation about our proposals under strategic objective one, which account for the majority of our work and our resources. This included confirmation from the Legal Services Consumer Panel (LSCP) that it *“...believes that the SRA’s proposed activities for 2022-23 are precisely the right areas to focus on. We are in support of the activities listed under objective one of the Corporate Strategy.”*
- 13 We asked participants in our public focus groups in Wales and in England to rank a number of the SRA’s priorities. In both cases participants consistently chose *‘Setting the rules for solicitors and taking action against those who break them’* as the most important priority for us. This suggests strong public support for our focus on strategic objective one
- 14 TLS stated *“We broadly support the proposed work under objective one of the SRA’s corporate strategy and are pleased to see a continued prioritisation of this objective with a large proportion of budget ... allocated to it.”* The majority of individuals responding to the consultation also expressed support, with comments including our proposed activities were *“...sensible and relevant..”*, and that *“...there is a good variety of objectives and current issues.”*
- 15 We received endorsement of our proposal to move ahead with monitoring activity for the Solicitors Qualifying Examination (SQE). The Law Society suggested we explore the SQE’s impacts across all socio-economic groups alongside the protected characteristics. ACSO agreed, stating *“...it is vital that*

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the implications of the SQE route are monitored carefully, specifically in relation to the cost ... for aspiring solicitors...

- 16 Participants at our roundtable meeting with consumer bodies also discussed the SQE's impacts, and we heard suggestions that the SQE's modules might usefully include social welfare and pro bono services, as a way of introducing education around those areas for future generations of solicitors.
- 17 Our proposals on anti-money laundering (AML) activities were generally well supported, by ACSO and TLS in particular. Other proposals included planned development of the Police Station Accreditation Scheme around a statement of expected behaviours. The CLSA asked "*Is the SRA alleging that accredited representatives are behaving unlawfully? If so, how?*", while TLS called for exploration of possible overlap with its own Criminal Litigation Accreditation Scheme. Engagement with our stakeholders on all of our proposed workstreams will be important to help us explore these concerns, and respond to them as we move ahead.
- 18 ACSO expressed its support for our proposal to continue our work around health and wellbeing, arguing that "*Poor health and wellbeing can result in low morale, higher sick leave and bad decision-making.*" TLS felt our proposals in this area are currently unclear, and offered to engage further with us. During our meeting with in-house lawyers we heard feedback about the ways in which hybrid working arrangements and returns to physical offices had also impacted health and wellbeing in some areas of the solicitor profession.
- 19 We highlighted in the draft Business Plan the need to implement the outcomes of some of our recent consultations. This included the introduction of changes to the SRA's fining powers. TLS reiterated concerns raised in its fining powers consultation response, referencing views from members about us "*...acting as investigator, prosecutor and judge...*" with any new fining powers. We will engage with stakeholders closely as we move ahead with this area of our work.
- 20 Our proposals around public legal education (PLE), and the progression of our response to the Competition and Markets Authority (CMA)'s recommendations, were well-received by stakeholders. In particular we heard support for our commitment to increasingly segment and target consumer information activity for vulnerable groups, including within the immigration sector.
- 21 We also heard calls from stakeholders about the need to build engagement activity with legal service providers into this area of our work – including from the LSCP which stated that "*...the rules prescribed by the SRA must be complied with and equally important elements of the Transparency Rules eg pricing, must be comparable amongst providers*". TLS called for "*...proper evaluation of existing measures, including evaluation of findings to ensure new proposals are informed by robust evidence...*", and offered to work closely with us to explore impacts of any potential changes to our Transparency Rules.

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CLASSIFICATION – PUBLIC**Stakeholder feedback – proposed activities for objective two**

- 22 Our technology and innovation proposals received strong levels of support from stakeholders, in terms of their reach, ambition, and the positive impacts they have towards improving access to justice. This included ACSO, which confirmed it “...*agrees with the SRA that the proper use of IT within the legal services sector is a crucial component of the SRA’s work to improve access to justice*”.
- 23 TLS expressed general support, asking for “...*more alignment and stronger collaboration between us, particularly important in the current climate of limited resources and budget constraints.*” Participants at our roundtable with technology and innovation stakeholders also felt that we could prioritise engagement activities with solicitors and law firms to build their appetite for, and encourage them to explore, the adoption of new technology.
- 24 The LSCP confirmed it welcomed “...*the proactive stance the SRA has adopted and acknowledge the collaborative attitude in which it has operated*”. However it noted the need for even greater collaboration and engagement with consumer bodies under strategic objective two.
- 25 Other stakeholders felt that we might usefully prioritise exploration of specific risks for consumers under this objective. ACSO suggested exploring communities who have ‘digital with assistance’ needs. During our focus group with people who have experienced homelessness we heard from participants who felt less confident to use technology unless they could find someone to help them. Some consumer bodies also felt that digital exclusion in all its forms was very relevant for our work under strategic objective two, pointing out that some consumers who are digitally-literate, and not excluded in a skills context, are increasingly excluded through financial hardship.
- 26 Our focus groups with members of the public showed strong levels of interest in lawtech, including accessing legal services through apps that provided them with greater flexibility to unbundle the services and support they needed from lawyers. Concerns raised about tech products tended to relate to the practicalities of using them, as opposed to concerns more generally about using digital technology to access solicitors.
- 27 The CLSA was less fulsome in its response, asking “*Why is it the role of an independent body to work supporting Lawtech?*”. We have improved the ways in which we communicate the importance of this area of our work, how it fits with meeting our regulatory objectives, and the impacts we are having, including through our new ‘[Lawtech Insight](#)’ newsletter. We will continue to build our engagement on technology and innovation to help make sure solicitors can understand this area of our work and get involved.

Stakeholder feedback – proposed activities for objective three

- 28 Feedback from stakeholders was largely positive, specifically towards our proposed research programme. The LSCP welcomed our consideration of unregulated legal service provision, and our segmentation activity, stating that

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“...the findings and intelligence from this work would be of immense benefit in shaping future areas of focus or priorities, not just for the SRA, but for the whole sector.”

- 29 Segmentation was also highlighted by in-house solicitors, and we heard calls for more targeted SRA resources for this community of solicitors. Some consumer groups also called for tailored resources for law centres, and for solicitors and trainees working in them.
- 30 We also received feedback on our proposal to undertake analysis of the Professional Indemnity Insurance (PII) market. ACSO suggested the legal expenses insurance (LEI) market might also be explored in the future with more households expressing interest in LEI cover. TLS expressed its support, offering to work closely with us on the delivery of this project.
- 31 Our new horizon scanning activity was well-received by TLS which called for the SRA to be *“...brave in looking to longer horizons and considering the implication of possible futures in order to adequately plan and prepare the profession now for the profession of the future.”* TLS also confirmed its support for our proposed commitments to take forward EDI-focused research initiatives.
- 32 Our proposals in relation to potential areas where we might add to public policy debates were well supported, including using our research activities and the data and information we hold to feed-in contributions to current and future public policy debates. TLS confirmed that it particularly welcomed our proposal to engage around the Government’s ‘Benefits of Brexit’ paper.

Stakeholder feedback – our proposed budget and fees

- 33 In our consultation paper we described our proposed budget and our intended allocation of it across the activities described under each of the three strategic objectives. We also set out proposals for our regulatory fees for 2022-23.
- 34 Members of the public in our focus groups in both England and Wales agreed that our proposed distribution of our budget across the three strategic objective areas sounded right, supporting our proposal to direct the majority of our budget towards our objective one commitments. Solicitors and other individuals responding to the consultation were also largely supportive of the ways in which we propose to allocate our budget across the three strategic objectives.
- 35 Most individuals responding to the consultation also expressed support for both the SRA’s proportion of the proposed practising certificate fee, and for the proposed Compensation Fund contribution. Our consultation had also included an equality impact assessment of our proposed fees, and TLS confirmed that it welcomed this and would engage further with us about it.
- 36 We received feedback on our proposed Compensation Fund contribution from some stakeholders. While TLS confirmed its support for the proposed contribution amount, the LSCP highlighted concern that the proposed reduction in the contribution was not supported by sufficient detail about the rationale and drivers for the reduction and re-emphasised its calls for data transparency on

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claims paid-out, and on the dispensation of the Fund. The CLSA meanwhile suggested that we “...consider where the greatest call for compensation comes from, adjust the figures for the firms involved, and streamline any training to the areas which show the greatest professional deficits.”

Post consultation position for the Business Plan’s activities

37 The supportive responses and feedback we received during our consultation process do not suggest we should make fundamental changes to the business activities we commit to in our Business Plan for 2022-23. However, in light of some of the feedback we received, there is scope to make small amendments in the final version of our Plan. These include:

- Confirming how we propose to prioritise the delivery of objective one activities
- Referencing commitments to engage with consumer bodies in our technology and innovation activities, and to explore risks faced by digitally-excluded people, and others who are ‘digital with assistance’
- Using our data and market segmentation capacity to improve / create bespoke information for communities such as in-house lawyers and law centres
- Additional detail we might build-in around the rationale for our proposed reduction of the Compensation Fund contribution.

38 We will explore these potential amendments to emphasis and detail during our preparation of a final version of the 2022-23 Business Plan, and will agree these with the Chair, subject to the Board’s approval to delegate that activity to the Chair.

39 We will also share feedback from our consultation responses and events that are relevant for particular activities with colleagues and teams around the organisation, for consideration and capture within our workstreams.

Post consultation position for our proposed budget for 2022-23

40 In the consultation paper we described our proposals to secure income of £60.5m from practising fees, representing an increase of £3.7m from our 2021-22 budget. Following the conclusion of our consultation process we are not proposing to make any changes to this.

41 The Board is asked to now approve the SRA practising fee requirement of £60.5m, to be included in the Law Society Group’s practising fee requirement for 2022-23.

42 The Law Society has also confirmed that, following its own consultation on its share of the practising fee income, it does not expect any change from figures consulted on. Based on this, and on information provided from the Legal Services Board, the Legal Ombudsman, the Solicitors Disciplinary Tribunal and

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the Office for Professional Body Anti-Money Laundering Supervision, the Law Society Council will be asked to approve an overall practising fee requirement of £113.5m, representing an increase of £9.2m from 2021-22.

- 43 Subject to approval by the Law Society Council, the SRA Board will be asked to approve practising fees for 2022-23 at its meeting on 19 July 2022. Based on current numbers of practising solicitors we expect to recommend an increase in the individual practising certificate fee from £266 to £284 for 2022-23.
- 44 At the end of May 2022 there were almost 162,000 practising solicitors and Registered Foreign Lawyers, and there will be new additional entrants to the profession during the late summer and early autumn. Numbers of practising solicitors and Registered Foreign Lawyers in England and Wales have increased year-on-year for more than a decade now. This trend shows no sign of changing and, while the SQE's introduction is evolving the routes taken by people to join the solicitor profession, and we are monitoring those impacts, there seems little reason to assume that this trajectory will not continue.
- 45 In April 2022 the Board considered a presentation on the draft budget for 2022-23. This included indicative figures for the practising fee based on the information at the time, recognising that TLS and the other levies were yet to be confirmed. The presentation suggested a practising fee of £284 and an assumption that practising certificate numbers would not significantly increase would allow a draft budget including up to £1m to be added to reserves. The draft budget which was recently consulted on included £700k to be added to reserves.
- 46 At the time of writing there are almost 162,000 solicitors (and Registered Foreign Lawyers) on the Solicitors' Roll and that figure will increase to close to 165,000 by the end of the practising year due to the annual peak of admissions in August and September. Assuming no increase in overall numbers next year, but recognising that not everyone pays a full practising fee (discounts are available to some of those individuals, such as people on maternity leave, while others joining the profession part-way during the year pay a reduced rate), the equivalent of around 161,000 full practising fees can be expected in the year, equating to an individual fee of £284.

Recommendations: the Board is asked to:

- a) **note the summary of stakeholder feedback and our intention to publish a more-detailed analysis of responses and stakeholder views**
- b) **delegate authority to the Chair to approve the final business plan and budget for publication, capturing any additional detail agreed by the Board during discussions**
- c) **approve the SRA budget for 1 November 2022 to 31 October 2023 of £60.5m provided by practising fee income**

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- d) note the expected amount for the practising certificate fee which the Board is likely to be asked to consider for approval following the Law Society Council's meeting.

Next steps

- 47 We will finalise the Business Plan and Budget document for 2022-23, working with the Chair to agree a final version for publication, and continuing our engagement with the Law Society to finalise our fees before applying for approval to the Legal Services Board.
- 48 We will prepare a full consultation responses document to be published alongside the final version of the Business Plan and Budget document for 2022-23.

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Supporting information

Links to the Corporate Strategy and/or Business Plan and impact on strategic and mid-tier risks

- 49 This paper supports the finalisation of themes and activities for the SRA's Business Plan for 2022/23, delivering the third, final year of activity under the current Corporate Strategy for 2020/23.

How the issues support the regulatory objectives and best regulatory practice

- 50 The information relayed in this paper is relevant to the ways in which we approach our delivery of the Legal Services Act 2007's regulatory objectives, and meet the Better Regulation principles. The paper's recommendations are directly relevant to the progression of our work in developing our Business Plan and Budget, and the approach we take in articulating the work we will take forward in pursuit of those objectives.

Public/Consumer impact

- 51 The Business Plan and budget describes the ways in which we work to protect consumers, to empower them with good information, and to monitor and respond to access to justice risks. Through our consultation engagement programme, we have spoken to members of the public, consumer groups and charities to capture their views and insights.

What engagement approach has been used to inform the work and what further communication and engagement is needed?

- 52 Our draft Business Plan and Budget has been subject to a wide engagement programme, comprising channels for written responses to be provided alongside targeted engagement activity with stakeholders.

What equality and diversity considerations relate to this issue?

- 53 Equality, diversity and inclusion activities are central to the substance of our Business Plan and EDI considerations are woven into those activities. We also assess the equality impacts of our proposed fees and monitor those impacts across our work.

How the work will be evaluated

- 54 Feedback from the Board on the content of this paper will inform the finalisation of the Business Plan and Budget for 2022-23.

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Annexes

Annex 1 Stakeholder engagement programme