

# **Business Plan and budget (November 2023 to October 2024)**

## **Foreword**

Our Business Plan and budget for November 2023 to October 2024 covers what we are planning to do in the first year of the work needed to achieve our new strategic priorities for 2023 to 2026. Those priorities and the associated deliverables are set out in our Corporate Strategy for 2023-26.

Our Strategy builds on work already undertaken in previous years while looking ahead to the years to come. Many of the commitments we make in our Business Plan also reflect that continuing work.

The three-year period covered by our previous Strategy will be remembered as a time of significant change, not least because of the impact of the Covid-19 pandemic and the war in Europe. It has also been a time of change for us. We have, for example, introduced the Solicitors Qualifying Examination (SQE), settled the future of consumer protection for post six-year negligence claims by bringing the Solicitors Indemnity Fund in house, welcomed the increase in our powers to fine traditional firms and those who work in them up to £25,000, and sharpened further our focus on anti-money laundering and on Strategic Litigation against Public Participation – SLAPPs.

These themes around high professional standards will always be key for us and our Business Plan covers what we will be doing to develop and evaluate the SQE, to ensure continuing competence throughout solicitors' careers, and to improve the quality and timeliness of our enforcement work. We'll also be doing proactive work this year to 'get ahead of the curve', by using our data and insights better, including for our Anti-money laundering work. And our work to drive improvements in both equality, diversity and inclusion and access to justice underpins all of our priorities.

We've made real strides in our innovation and technology work, and we will be doing more with small firms in this first year of our new Strategy, as well as delivering our Regulators Pioneer Fund project on dispute resolution technology solutions. I'm also looking forward to a full review of the impact and effectiveness of our current communications approach, and work on our own diversity, both of which are very much in line with our new values – proactive, inclusive, customer-focused and accountable.

As mentioned above, the landscape is always changing so it's timely for us to produce position statements about access to justice and Environmental, Social and Governance considerations which will set out

our analysis of the issues, the role of our regulation in relation to them and our regulatory expectations.

Finally, keeping our costs, and therefore the SRA-related part of the practising certificate fee, as low as possible has been a priority for us. We have absorbed inflation and driven efficiencies across the business while making improvements to our operations and taking on significant new responsibilities, for example in relation to anti-money laundering. However, we like everyone else, continue to face significant upward cost pressures which, even with our on-going commitment to efficiency and cost-control, we can no longer absorb.

Therefore, after being able to keep it relatively stable over many years, we have increased our part of the practising certificate fee. You will find further detail on that in the budget section.

### **Paul Philip, Chief Executive**

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## **Background**

We are the largest regulator of legal services in England and Wales, covering around 90% of the regulated market.

Our purpose is to protect the public by:

- ensuring that solicitors meet high standards, and
- acting when risks are identified

Our work includes:

- overseeing some 200,000 solicitors and around 9,500 law firms
- setting and enforcing standards for those solicitors and firms
- acting if things go wrong and enforcing compliance against these standards
- overseeing education and training requirements necessary to practise as a solicitor
- improving experiences for the public, including their access to legal services.

We take equality, diversity and inclusion (EDI) into account in our Business Plan 2023-24 and in our Corporate Strategy 2023-26, considering EDI impacts for the profession, members of the public using legal services and our responsibilities as a diverse and inclusive employer. We have published our impact assessment alongside this plan.

### **Our Corporate Strategy 2023-26**

Our Corporate Strategy states our mission - driving confidence and trust in legal services. It also sets strategic priorities we will work towards in order to support that mission.

Under each priority our Strategy confirms success outcomes for the three-year period as well as key deliverables. In turn, these will shape our work plans within the annual business plans during the Strategy's lifespan.

Our four proposed strategic priorities for 2023-26 are to:

- deliver high professional standards
- strengthen our risk based and proactive regulation
- support innovation and technology
- be an authoritative and inclusive organisation, meeting the needs of the public, consumers, those we regulate and our staff.

EDI considerations, and opportunities to improve access to justice, are built into each priority area, and inform our work.

## **Our Business Plan and budget 2023-24**

This Business Plan and budget describes our work plans for year one of our new Corporate Strategy. This runs between 1 November 2023 and 31 October 2024 and describes:

- activities that we will take forward during the first year of our Corporate Strategy, grouped under the corresponding key deliverables
- our budget for 2023-24.

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

We review our progress in meeting our work and budgetary commitments on an ongoing basis. As part of this we monitor our deployment of our resources, and make sure we are on-track to achieve our strategic priorities.

The SRA Board monitors our progress across the business year. It reviews key performance indicators, and progress across our business plan and budget. We report our performance and progress publicly in-line with our accountability statement - including through our Chair's blogs, and SRA Board meeting papers and minutes.

## **Our funding**

Each October we collect practising fees from solicitors and law firms. Income from those fees accounts for the majority of our funding, and our

fee policy confirms amounts that are payable. This accounts for around 69% of our total income.

Income from the Solicitors Qualifying Examination (SQE) is a further 14% and is offset by the costs of delivering the examination.

Around 13% of income is recovered from the Compensation Fund. This represents the cost of establishing, maintaining, protecting, administering or applying the fund.

Our remaining income comes from other regulatory activities, including fees from:

- applicants seeking to authorise legal service businesses
- applicants seeking admission to the roll of solicitors
- the annual 'keeping of the roll' exercise.

The chart below indicates the level of expenditure that we expect to allocate across our key functions in 2023-24:

## **Priority one - We will deliver high professional standards**

Our first strategic priority is to deliver high professional standards. This means setting, upholding and promoting high professional standards for those we regulate, in a way that is fair proportionate and robust.

We do this through core regulatory activity such as:

- setting the standards for individuals and firms that we regulate
- monitoring and enforcing compliance with those standards
- setting and overseeing qualification and continuing competence requirements for solicitors
- authorising solicitors and legal services businesses to practice

Our [Standards and Regulations \[solicitors/standards-regulations/\]](#) describe our expectations, with the SRA Principles at their heart - which comprise the fundamental tenets of ethical behaviour that we expect all those that we regulate to uphold.

While the foundations on which our regulatory approach rest remain strong, we must evolve to make sure that our regulation and its application remain appropriate and relevant to the market and wider environment within which we operate. This includes keeping pace with legislative change, emerging ethical issues and changing public expectations.

We need to be certain that we understand the impact and effectiveness of our work, and, where necessary, take steps to adjust our approach. This includes:

- evolving our regulatory requirements
- how we support those we regulate to meet our expectations
- improving the relevant parts of our operational activity.

Our programme of continuous improvement helps drive this, alongside our rolling programmes of evaluation and evidence-based policy development.

There are several areas of policy reform that we reached agreed positions on in 2022-23 and which we are in the process of implementing. These will be embedded in the forthcoming Business Plan year and we will start to monitor their impact. These include:

- Solicitors Indemnity Fund: this provides cover for professional negligence claims brought against firms that closed more than six years ago. We have brought the management and operation of the Fund into the SRA, and we begun taking on new claims under the new arrangements in October 2023. We will develop our corporate reporting to the Board and public accordingly. There will also be forward work with the Law Society to transition from, and plan to close down, the existing provider of this cover.
- Improving oversight of advocacy and police station assessments: following consultation, we are working to appoint a single provider of the Higher Rights of Audience Assessment and to bolster the robustness of the Police Station Representative Accreditation Scheme.
- Other policy changes: following consultation we have reintroduced the annual Keeping of the Roll exercise. We are also in the process of implementing changes to our financial penalties regime and approach to publishing regulatory decisions alongside new requirements around wellbeing in the workplace.

Furthermore, we continue to engage with CILEX following their approach to us to explore the transfer of regulation of CILEX members to the SRA, while retaining their distinct identity as CILEX practitioners and their route to qualification.

Our Corporate Strategy sets key deliverables for priority one that we aim to achieve during the strategy's three-year lifespan. We set these out below. We then explain what we will do in year one (2023-24) to work towards them.

## **Solicitors Qualifying Examination**

### **Corporate Strategy key deliverables 2023-26:**



- Deliver well-functioning SQE assessments, including the SQE in Welsh, and analyse and publish statistical data and feedback about the SQE and its impacts

In 2023-24 the SQE will enter its third year of operation. We have seen higher than anticipated numbers of candidates taking the assessments, both here and abroad.

Monitoring data indicates that the assessments so far are valid and reliable, successfully differentiating between candidates that are competent and those that are not.

We are committed to ongoing evaluation of the SQE. We learn more about its impacts and opportunities for improvement as more candidates go through the process allowing for fuller trend analysis. We will also undertake planned development work this year to maximise accessibility and the user experience.

Between November 2023 and October 2024, we will:

- Develop and commission the first independent evaluation study of the SQE. This will focus on understanding its market impact, and implementing plans to respond to differential outcomes, including any equalities and qualifying work experience impacts
- Finalise our work to deliver the entirety of the SQE in the Welsh language
- Make data about candidate performance available to help aspiring solicitors make informed choices about how they prepare for the assessment.

## **Continuing competence**

### **Corporate Strategy key deliverables 2023-26:**

- Improve our understanding of, and our response to, the continuing competency of all solicitors, firms and their employees

Staying up to date and competent throughout a solicitor's career is an important part of providing high quality legal services to those who need them. We are making good progress with our [action plan](#) [[/globalassets/documents/sra/research/sra-response-to-lsb-statement-of-policy---ongoing-competence-pdf-28-pages-366kb.pdf?version=490aa2](#)] for reviewing our approach to continued competence, however we know we have more to do.

Between November 2023 and October 2024, we will:

- Publish our annual report outlining the most significant risks around competence, and we will undertake thematic work to understand the levels of competence and any regulatory action required to address this in high-risk areas.

## **Consumer information**

### **Corporate Strategy key deliverables 2023-26:**

- Develop enhanced Transparency Rules and supporting resources for firms and consumers, improving the information available to consumers, particularly about the quality of legal services

We introduced reforms in 2018/19 designed to help people make informed choices about what to do and who to instruct when faced by a legal problem.

This package included the SRA Transparency Rules in 2019, which set new minimum standards of information disclosure on price, service levels, redress and regulatory status. We also introduced our Solicitors Register and, with our partner legal regulators, relaunched the consumer facing Legal Choices website.

Evaluation data indicates a better picture now than when we introduced the reforms. More consumers are shopping around, with more law firms publishing price and service information. However, it is clear that the provisions are not working as well as they might in some areas, meaning we may not be achieving the best possible results for consumers.

We have also developed a better understanding of quality indicators that consumers would value to help them make choices following the completion of a pilot in 2022/23.

Between November 2023 and October 2024, we will:

- Consult on improvements and potential additions to our transparency requirements, informed by evidence of their impacts, to make them more focused and better able to facilitate choice and comparison, alongside mechanisms to underpin long-term engagement with legal services comparison sites.

## **Anti-money laundering and financial crime regulations**

### **Corporate Strategy key deliverables 2023-26:**

- Deliver a timely and effective response to changes to the legislative developments in England and Wales, particularly in relation to AML and other economic crimes

Our anti-money laundering and financial crime activity has grown significantly in recent years, responding rapidly to new legal requirements including to accommodate national and international sanctions.

As covered in the next section of this Business Plan, we will continue to enhance our risk analysis and proactive activity to drive compliance with regulations.

These remain fast moving areas in terms of potential new legislation and regulations. We work hard to identify, influence and effectively respond to potential developments that may impact the legal services sector and our regulation of it.

Between November 2023 and October 2024, we will:

- Deliver any changes required by the Economic Crime and Corporate Transparency Bill, should it be enacted, bringing in a new regulatory objective relating to economic crime and giving us new fining and information gathering powers.

## **Equality and diversity in the profession**

### **Corporate Strategy key deliverables 2023-26:**

- Develop and progress plans of action to address the differential outcomes in professional assessments for aspiring solicitors from a Black, Asian and minority ethnic background and overrepresentation of individuals from these groups in our enforcement processes, based on the publication of research on these issues in 2024
- Deliver a programme of work to improve progression for women and solicitors from a Black, Asian and minority ethnic background, particularly in large firms, and to encourage firms to publish ethnicity pay gap reports

We are committed to do all that we can to make sure that regulation achieves fair outcomes for those impacted by it. This led us to, last year, commission research into two longstanding areas of concern, which are common across most professional service sectors:

- differential outcomes for candidates from Black, Asian and minority ethnic backgrounds in professional assessments
- overrepresentation of these groups in reports made to us and subsequently investigated by us.

Our Corporate Strategy confirms our aims and ambition over the coming three years to build our proactive regulatory activities. This includes using the findings from our bespoke research to achieve a better understanding of the issues of differential outcomes in professional assessments and insight into the factors which influence the profile of solicitors in our enforcement processes. This will also inform broader public policy debate and engagement with our stakeholders about these issues and identify opportunities for collaborative working to meet common goals.



In recent years we have taken action to improve the data that is available about diversity within the firms that we regulate, and we will continue to do so. We analyse this, and other data, and engage widely, to identify specific issues which we are well positioned to lead discussions on and influence improved outcomes for.

This includes helping to understand the barriers to career progression in legal services for people from specific communities and to identify other areas for improvement.

Between November 2023 and October 2024, we will:

- Publish our research findings for wider discussion in relation to:
- the differential outcomes for candidates from Black, Asian and minority ethnic backgrounds in professional assessments
- overrepresentation of solicitors from Black, Asian and minority ethnic backgrounds in reports made to us and subsequently our enforcement process.
- Develop a programme of work to encourage large firms to tackle retention and progression in particular for women and people from Black, Asian and minority ethnic backgrounds.

Improving the quality and timeliness of our investigation and enforcement work

**Corporate Strategy key deliverables 2023-26:**

- Continue to improve and maintain the quality and timeliness of our investigation and enforcement work

Our investigation work and the mechanisms we use to enforce our standards are critical components of our overall regulatory approach. We have made good progress in improving quality and timeliness by reconfiguring some of our initial assessment processes and joining-up operational activities in new ways across our frontline teams. We have ambitions to deliver bigger improvements here and our activity in 2023-24 will move us further along this trajectory.

Between November 2023 and October 2024, we will:

- Monitor the impacts of the improvements made to date, deliver training to fully realise benefits and deliver further opportunities to improve the way we work.

**Priority two - We will strengthen our risk based and proactive regulation**

Our second strategic priority is to strengthen our risk based and proactive regulation. This means delivering and supporting better

regulation through proactive and risk-based activity based on our data, insights and intelligence.

This will best place us to protect against the most significant risks to the public and the regulatory objectives in a diverse sector and fast changing environment, where risks constantly emerge and evolve.

It will also enable us to act in a targeted way, delivering robust and proportionate interventions which maximise the impact we get from our resources and avoiding unnecessary 'blanket' interventions.

Risk-based and proactive work must necessarily be informed by evidence and fast learning from our data, insights and intelligence. This will help us move at pace. It will also allow us to better identify challenges for the different segments of our diverse user and provider base. For example, we are currently prioritising work to support the in-house community in light of insights that we have been building. Appropriately sharing data, insights and research can be crucial for influencing broader public policy development and debate.

Our Corporate Strategy sets key deliverables for priority two that we will achieve during the Strategy's 3-year lifespan. We set these out below. We then explain what we will do in year one (2023-24) to work towards them.

## **Data, analysis and insights informing proactive regulation**

### **Corporate Strategy key deliverables 2023-26:**

- Develop and deliver a research, horizon scanning and insight programme, including a data collection, storage and analysis strategy, that focuses on generating the best possible insights to support better regulation
- Use data and insights from our engagement with the legal services profession to evaluate progress in terms of EDI
- Deliver a robust programme of thematic reviews on relevant subjects, supported by a clear rationale around selection and prioritisation of projects and demonstrating an impact on areas of risk or challenge for the sector
- Provide enhanced analysis of data about concerns raised with us, supporting proactive monitoring in areas that we identify as being of higher compliance risk, such as areas in which consumers are less likely to make reports to us
- Produce a new data sharing strategy that sets out clearly the data we collect and what data we share with third parties in the public interest

Research and analysis is at the heart of our regulatory framework. This helps to build our understanding of current and emerging market risks (and risks in the wider world), informing our possible regulatory responses and equipping our teams with the latest evaluation insights.

We continuously develop our research, horizon scanning and engagement functions. We share our assessments in research reports and communications such as our Risk Outlook.

Information and intelligence provided to us by members of the public, law enforcement bodies, and other stakeholders, forms a key part of our assessment of risks, and drives our regulatory response.

Greater sophistication in our data and analysis, increasingly joining up different data sets, will improve our ability to identify risks more quickly and with greater accuracy. This includes potential blind spots, for example in areas where there are limited consumer complaints.

In order to develop a research, horizon scanning and insights programme to underpin increasingly proactive regulation, we will put in place necessary arrangements to support, and keep up to date with, market leading analysis techniques.

This will inform and improve our proactive monitoring programme and the priority areas for our thematic review team and our other frontline teams. Our programme of reviews allows us to 'deep dive' into particular segments of the legal services market and to consider in detail the risks that are at play. And the extent to which consumers are being protected from those risks. It is an integral component of our evolving risk based and proactive regulatory model.

Between November 2023 and October 2024 we will:

- Develop a data strategy which improves the quality of our data and maximises the benefits we get from it, including our ability to monitor by diversity characteristics.
- Enhance and expand our data analysis capability and expertise to identify opportunities for increased proactive monitoring.
- Increase our ability to quickly review newly emerging risks by expanding our capacity to deliver thematic activity.
- Publish our firm diversity data with its new insight into the diversity breakdown at the most senior levels in law firms, improve the diversity data we hold for individuals and establish a framework to evaluate our progress around EDI.

## **Proactively regulating AML and the sanctions regime**

**Corporate Strategy key deliverables 2023-26:**



- Enhance our money laundering risk assessment model, adapting our targeted AML inspections and desk-based reviews accordingly. Our data collection, risk profiling and proactive inspection will extend to compliance with financial sanctions

Our response to AML and to other financial crime that can interplay with the legal services market has been bolstered significantly in recent years. We are well-positioned to progress further in developing our model of proactive, 'before the event' regulation. We have also quickly put in place a robust regulatory response to enforcing the sanctions regime following Russia's invasion of the Ukraine.

Our activity in 2023-24 will see us make significant progress towards building full market understanding of AML and sanctions compliance and the risks to it, being alert, and ready to respond, to emerging issues.

Between November 2023 and October 2024 we will:

- Reduce non-compliance with money laundering requirements and financial sanctions by extending our proactive work; enhancing our data collection to secure a market wide view of compliance; and carrying out more, well-targeted inspections and desk-based reviews

### **Priority three - We will support innovation and technology**

Our third strategic priority is to support innovation and technology. This means that we will keep up to date with and actively support innovation and technology that improves the delivery of legal services and access to them, particularly for individuals and small businesses, as well as supporting small firms to use technology effectively.

We are also interested in supporting innovation and technology that can improve the available adjustments needed by disabled solicitors and law firm staff.

Our work here builds on foundations already laid during the course of the previous strategy. This includes our successful delivery of UK Government Regulators' Pioneer Fund (RPF) access to justice projects and supporting innovators through our SRA Innovate programme.

We have forged partnerships with lawtech providers, law firms, academic bodies, advice agencies, other regulators, professional bodies and other groups. These have facilitated new solutions entering the legal services market to help improve experiences for the public.

Technology is fast moving. Opportunities it brings to the legal services market can be accompanied by risk, as well as challenges for and tensions with regulation. As technology develops and innovations

emerge within and around the perimeters of the regulated legal services market, our work under strategic priority three will keep pace. This means continually developing our capability to understand emerging technology and its potential impact and evolving our offering to make a difference in our sector. We will monitor significant technological developments and how they are being used by all types of providers through our horizon scanning work.

Our Corporate Strategy sets specific key deliverables for priority three that we will achieve during the Strategy's 3-year lifespan. We set these out below. We then explain what we will do in year one (2023-24) to work towards them.

## **Developing understanding and safe testing**

### **Corporate Strategy key deliverables 2023-26:**

- Introduce a safe testing environment, bringing together law firms and technology partners to test, develop and evaluate innovative or technology-based approaches to the delivery of legal services

As the digital age progresses and new technology solutions continue to emerge with market altering potential, a more sophisticated safe testing environment has the potential to help. This approach allows us to support technological development and adoption, observing how it can be used and the potential benefits and risks.

Uniquely, we will explore bringing together law firms and technology providers to align supply and demand. We will prioritise innovation that has the potential to improve access to or the quality of legal services. Or will have the potential to have a significant market impact.

Between November 2023 and October 2024 we will:

- Deliver a proof of concept to test demand and likely effectiveness of a new sandbox.

## **Supporting small firms**

### **Corporate Strategy key deliverables 2023-26:**

- Deliver a number of pilots, resources and guidance targeted at helping small firms to adopt appropriate technology solutions that can help the public, including vulnerable and marginalised consumers, to access legal services

Small law firms make up the majority of the provider base that we regulate. They play a crucial role in providing legal services to the public and in local communities.

However, our research shows that there are multiple barriers preventing many from engaging with technology that could improve the accessibility and quality of their consumer services.

Our guidance and support on adopting innovation and technology has developed well in recent years and received positive feedback. Our pilots on quality indicators and unbundling legal services also provide helpful insights and recommendations including on how technology can help law firms while improving consumer confidence. However, we could do more.

Our activity in 2023-24 will result in us better understanding the specific needs of small firms. And help us to develop a programme to deliver tailored support over the course of the strategy.

Between November 2023 and October 2024 we will:

- Work with small law firms and technology providers to produce a map of the specific areas where more resources and support are most needed and deliver pilots focused on particular technologies and themes.

## **Collaboration to improve**

### **Corporate Strategy key deliverables 2023-26:**

- Continue our collaborative working with a variety of government, cross-regulator and international initiatives, to support the development of innovation and technology in legal services and to ensure we are fully engaged in and up to date with the latest developments

Over the course of the previous strategy we raised our profile and credibility on technology and innovation matters with Government, and to enter debates and discussion with international communities and forums. This has enabled us to gain insight into wider activity and influence developments to take into account, and benefit, the UK legal sector.

This has included taking the lead in establishing the Government sponsored Agile Nations international regulatory co-operation initiative for lawtech.

We have also won funding from the RPF on three separate occasions to deliver access to justice focused technology and innovation projects. Collaboration across regulators has been crucial to the delivery of positive impacts for this sector. We are committed to furthering our achievements.

Between November 2023 and October 2024 we will:



- Deliver our Regulators Pioneer Fund project on dispute resolution technology solutions while expanding the profile of our national deprivation and legal services mapping tool.

### **Priority four - We will be an authoritative and inclusive organisation, meeting the needs of the public, consumers, those we regulate and our staff**

Our fourth strategic priority is to be an authoritative and inclusive organisation, meeting the needs of the public, consumers, those we regulate and our staff. This means that we place our customers at the heart of all we do, working as an authoritative, inclusive and responsive organisation.

This ethos extends across the different components of our regulatory framework, including:

- front line regulation
- our customer-facing teams
- our work to engage and inform the public about legal services and their rights when they access those services.

We are also committed to supporting our staff members to thrive in their roles, and to be valued, recognised for their achievements, and treated fairly.

We understand that we are well-positioned to speak with authority and in the public interest. We use a number of approaches to communicate directly with the public. This includes through our public legal education work, and consumer-facing information on the 'Legal Choices' website, which we run jointly with the other legal regulators.

We also deliver an extensive rolling programme of engagement with solicitors, their businesses, and the people who work in them. We are equipped to provide leadership and insights to the wider legal sector and to inform debate and influence public policy in important areas of public interest. These include access to justice, ethical conduct and behaviour in legal services, climate change considerations, and diversity and inclusivity.

Our work under this strategic priority includes a clear focus on delivering consistently strong levels of customer service. We will prioritise initiatives to support our customers to access and use our services in an increasingly digital-first age.

To deliver this priority it is important that we understand how we are perceived by the public, consumers, those we regulate and others. Therefore, we will undertake a large-scale perception survey in 2023-24 to benchmark our position and measure our impact over the course of the strategy. Key areas to cover will include:



- confidence in legal services
- the level of trust in us
- ease of interaction with us
- perceptions of how authoritative, fair and proportionate we are seen to be.

Our Corporate Strategy sets key deliverables for priority four that we will achieve during its 3-year lifespan. We set these out below. We then explain what we will do in year one (2023-24) to work towards them.

## **How we communicate**

### **Corporate Strategy key deliverables 2023-26:**

- Review and improve how we communicate - including how we write and engage with our customers and others, the information we make available and our communication channels, with focus on inclusive, user centred design principles

How we communicate is central to being authoritative, inclusive and delivering excellent customer service. We use a variety of channels and approaches to communicate with our stakeholders. We equip different consumers and legal service providers, among others, with information that is relevant to their needs at the points when it is most useful. Our website, social media channels and engagement events are crucial to this.

The work of our customer-facing teams such as our Contact Centre and our Professional Ethics helpline have equal importance in our overall communications approach. As do all of our operational teams who communicate with our customers in different ways.

It is important that we take the time to test whether our different communications are delivered in the way that our stakeholders find accessible and most helpful. And that they are delivered in a way that stands the best chance of achieving their intended purpose and impact. User centred design is central to this.

Between November 2023 and October 2024 we will

- Conduct a full review of the impact and effectiveness of our current communications approach
- Review how we communicate in Welsh and consider opportunities to expand our offering

## **Customer service, our resources and continuous improvement**

### **Corporate Strategy key deliverables 2023-26:**





- Be appropriately accredited for inclusivity and environmental management and extend our customer service accreditation across the whole organisation, as well as meeting our diversity targets for senior level recruitment and reducing our ethnicity and gender pay gaps
- Deliver a continuous improvement programme that results in better processes. We will have set revised measures for the timeliness and quality of our decision making and will be consistently meeting them

Our approach to managing resources is the foundation of our organisational capacity and capability. This must evolve to make sure that we have the culture, people, expertise, systems, processes and equipment that we need to deliver great customer service and meet our strategic ambitions in light of new challenges.

Our employer accreditations and external recognition are important to us. Both as opportunities to improve how we work and then maintain those performance standards, but also to be transparent about the ways we work and to be scrutinised and assessed publicly. We work continuously to make sure we can offer, and that we provide, inclusive and positive working environments and experiences to our people, and in turn, that we provide high standards of customer service to people who interact with us.

Our commitment to reviewing and improving our ways of working is supported by our Continuous Improvement programme. Through the programme we seek feedback from our workforce and our stakeholders about opportunities to improve our processes – from small changes in our forms or application processes right through to major programmes of reform and change.

These changes help us to operate more efficiently and to drive improvements in customer service, and in the timeliness and quality of our decisions and regulatory activities.

Between November 2023 and October 2024 we will:

- Work to maximise the performance of our people, processes, technologies, data and information, and to enhance the customer experience
- Demonstrate we are a diverse and inclusive organisation by delivering our action plans to increase diversity in senior roles, maintaining our status as a Stonewall Top 100 Employer and exploring other relevant external schemes
- Work to be better at 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 enforcement processes



- applying our continuous improvement methodology more widely across the organisation.

## **Insights and influence**

### **Corporate Strategy key deliverables 2023-26:**

- Use the insights from our operational and wider work to support and influence important public interest and social policy debates
- Publish policy statements setting out our position on access to justice, and on matters relating to Environmental Social and Governance (ESG), including our view of the key regulatory issues and obligations for those that we regulate

The legal services market is diverse and extensive, with hundreds of thousands of people employed within it. Millions of people access legal advice and representation every year. However, many more people and small businesses facing a legal problem do not get legal support, which can impact them financially, and reduce their ability to enforce their rights.

Issues that can be challenging to explore and improve include:

- the accessibility and availability of legal services
- the operation of law firms
- wider implications of the legal sector's contribution towards the operation of the UK justice system.

As part of our work we aim to bring our insights into debates about those issues, and in so doing to explore solutions and partnership approaches.

ESG issues are salient public interest and social policy debates, which interplay with the ethical responsibilities of the profession and where the public have increasingly high expectations.

We take our own responsibilities in these areas seriously and will show leadership by improving the visibility of our work. A key focus for this year will be to start to improve the behaviour of firms we regulate to deliver ESG benefits for society by raising awareness of regulatory expectations.

Between November 2023 and October 2024 we will:

- Produce regulatory position statements about access to justice and ESG. This will set out our analysis of the issues, the role of our regulation in relation to them and our regulatory expectations.

## **[Our budget 2023-24](#)**

## **Our funding model**

The majority of our funding comes from practising fees paid by individual solicitors and by legal service businesses. We collect these fees each October.

However we also receive funding from other sources to cover directly related SRA costs. This includes:

- recovery of some, or all, costs we incur from bringing successful disciplinary cases
- fees that are paid to cover our administrative costs for specific activities – such as considering authorisation applications for new firms
- Compensation Fund contributions to cover costs of managing the fund and required law firm interventions
- application fees and income from SQE assessments that cover costs of administering the SQE.

Income collected from practising fees is also used to fund the Law Society's work, and levies for:

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

## **Monitoring and review**

We monitor our budget and expenditure on an ongoing basis during the business plan year, and we review our financial targets. Our Board oversees this activity.

We also monitor and assess the impacts of our fees. This includes completing equality impact assessments for the practising certificate fee and the Compensation Fund fee. As part of this work we analyse data about:

- protected characteristics, as defined in the Equality Act 2010, of solicitors
- the diversity profile of law firms
- correlation between diversity data and the fees paid during the practising certificate renewal period each October.

## **Our income and budget summary**

The table below shows our income summary and total budget for 2023-24 (our financial year runs from 1 November to 31 October). For



comparison purposes we have included the same figures for our income and budget for 2022-23.

| <b>SRA income summary</b> | <b>2023/24 Budget<br/>£000</b> | <b>2022/23 Budget<br/>£000</b> |
|---------------------------|--------------------------------|--------------------------------|
| Practising fees           | 67,600                         | 60,500                         |
| SQE income                | 13,982                         | 12,711                         |
| Regulatory income         | 3,562                          | 3,411                          |
| Compensation Fund         | 12,142                         | 10,134                         |
| Interest income           | 555<                           | 555                            |
| Total                     | 97,841                         | 87,311                         |

Practising fees are expected to increase by 11.6%. However the individual fee is expected to increase by 7%, due to higher numbers of solicitors that mean the increase is below inflation.

Income from the SQE is dependent on numbers of candidates. While the numbers may vary from our expectations this poses no risk to our budget. This is because the income offsets the costs of delivering the SQE assessment and vice versa.

Regulatory income represents administration fees for processing applications, including:

- applications admission to the roll of solicitors
- authorisation applications for prospective law firms.

The increase is driven by increased requests for exemption from parts of the SQE.

Compensation Fund income represents the costs of running and administering the Fund. These costs are incurred by SRA and recharged to the Fund, including staff costs, and costs of our interventions (solicitor firm closure).

The increase in this income is driven by inflationary increases and a change in the allocation of overhead costs which will ensure a more appropriate distribution of costs across activities.

Interest income reflects interest received on working capital during the year. We hold significant cash reserves in the early part of the financial year as practising certificates are renewed. These funds are actively managed during the year to ensure we maximise returns.

### **Our expenditure summary**

The table below shows how we will spend our money in 2023-24 – again with comparator information for 2022-23.

| <b>SRA expenditure summary</b>                    | <b>2023/24<br/>Budget<br/>£000</b> | <b>2022/23<br/>Budget<br/>£000</b> |
|---|------------------------------------|------------------------------------|
| Staff expenditure                                 | 45,984                             | 40,631                             |
| SQE costs*  | 13,757                             | 12,506                             |
| Intervention costs*                               | 7,132                              | 6,665                              |
| External disciplinary and enforcement legal costs | 4,638                              | 3,938                              |
| ICT costs   | 8,825                              | 8,023                              |
| Property costs                                    | 4,484                              | 4,076                              |
| Projects  | 4,225                              | 4,625                              |
| Other   | 8,796                              | 6,847                              |
| <b>Total</b>                                      | <b>97,841</b>                      | <b>87,311</b>                      |

\*Excludes staff costs related to these activities

‘Other’ costs include, consultancy, Board and committee costs, external advisers, including adjudicators and examiners, research and engagement activity.

The majority of our costs are staff expenditure, and our headcount is expected to be around 770 in 2023-24. This represents an increase of more than 30 Full Time Equivalents as we increase resource in our Investigation and Enforcement team and anti-money laundering activity, as well as continuing to strengthen our risk based and proactive regulation.

Cost increases within non-staff costs are driven primarily by inflationary pressures and additional activities we will deliver to meet the ambition of our Corporate Strategy 2023-26. This includes additional investment in our SRA Innovate work and a data-driven approach to proactive regulation.

SQE costs are the external costs of delivering the examination and are fully offset by the costs paid by candidates. We anticipate an increase in numbers sitting the SQE in 2023-24.

We are reducing our budget on projects as part of a revised approach to project delivery. The reduction is offset by a commensurate increase in staff costs as we improve our ability to deliver projects in-house. This reduces our reliance on external partners and allowing greater flexibility in project delivery. This will support delivery of our Continuous Improvement programme, allowing us to respond sooner to opportunities that are identified for improvement.

## **Our proportion of the practising certificate fee for 2023-24**



For 2023-24 the SRA's funding requirement is £67.6m. The SRA's funding requirement from the individual practising certificate fee for 2023/24 is £162.

This is an increase from £151 in 2022/23. The table below shows the trajectory of the SRA's proportion of the practising certificate fee over recent years.

| <b>Practising year</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| SRA proportion         | £147           | £147           | £151           | £145           | £151           | £162           |

The individual practising certificate fee is calculated based on the number of currently practising solicitors, and is approved by the Legal Services Board.

Individual fees represent 40% of our overall funding requirement, with the remaining 60% charged to firms based on their turnover.

### **Considerations and longer term plans**

We have identified cost pressures, driven primarily by higher levels of inflation, as we have developed our plans for 2023-24. Some areas of our work require additional investment to meet the ambition of our Corporate Strategy for 2023-26.

However, we continue to look for opportunities to mitigate increased costs through efficiencies, and through our ongoing Continuous Improvement programme.

Considerations include inflationary pressures on our costs, staff expenditure inflation, and increased pressure on salaries as competition in the employment market continues to grow. As well as positioning us appropriately to attract and retain people, and secure our workforce in an increasingly competitive market, our funding will allow us also to increase our investment in new and important areas of activity. This includes:

- increased resources required within our investigation and enforcement teams
- improvements to our response to AML and financial crime
- proactive regulatory activities, and data analysis capacity.

Over the last nine years we have absorbed inflation and driven efficiencies, while making improvements to our operations through a continuous improvement programme. This is at the same time as we have taken on considerable new responsibilities, for example in relation to AML. We will continue to maintain focus on efficiency and cost control.

However, it is not possible to continue with this approach alone without impacting on the quality of our:

- core regulatory activity
- customer service
- ability to deliver on our strategic priorities.

This means we need to give careful thought to future budgets.

We established a reserves policy for the SRA in 2021 which outlines an appropriate level of reserves that we will hold. We are currently around £1m below the minimum level and have committed to moving to within the range over the course of our Corporate Strategy 2023-26.

Increasing reserves will be one of our considerations when looking at how we utilise underspends or efficiency savings we realise through our programme of continuous improvement.

Over the course of our Corporate Strategy 2023-26 we intend to continue to invest to meet our ambitions set out within it.

We expect the proportion of our budget funded through practising fees to increase by no more than inflation plus 2% annually, with an aim of limiting any increases beyond the first year to inflation. Inflation (CPI as published by the ONS) was 10.1% in March 2023. There will be an 11.7% increase in practising fees and a 7.3% increase in our proportion of the individual practising certificate fee.

Our Corporate Strategy for 2023-26 confirms our ambition to further build our proactive regulatory activities, underpinned by improved data. As we progress this during 2023-24 we will consider opportunities to improve how we use and communicate data relating to our fees and the Compensation Fund.

### **The Compensation Fund fee 2023-24**

The Compensation Fund contribution for individuals is £30 in 2023-24. This is no change from 2022-23.

The required contribution for SRA-regulated law firms is £660 - a reduction from £690 in 2022-23.

### **Total SRA proportion of individual fees for 2023-24**

The fee payable by individuals in respect of the work of the SRA, when the practising certificate fee and Compensation Fund contribution are combined together, will increase from £181 in 2022-23 to £192 in 2023-24, an increase of 6%.

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