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**SOLICITORS REGULATION AUTHORITY
Minutes of the SRA Board meeting
held on 14 September 2021 at 10.00 by Zoom**

Subject to final approval by the SRA Board at its meeting on 20 October 2021

Present: Anna Bradley (Chair)
Ann Harrison
Peter Higson
Paul Loft
Barry Matthews
Dermot Nolan
Geoff Nicholas
Vikas Shah
Liz Smart
Selina Ullah
Tony Williams

In attendance: Paul Philip, Robert Loughlin, Jane Malcolm, Juliet Oliver, Liz Rosser, Tracy Vegro, Chris Handford, Dominic Tambling

1 WELCOME AND APOLOGIES

1.1 The Chair welcomed Board members to the meeting. There were no apologies.

2 MINUTES OF THE PREVIOUS MEETING ON 20 JULY 2021

2.1 The minutes of the meeting held on 20 July 2021 were approved as a true and accurate record.

3 MATTERS ARISING AND DECLARATIONS OF INTEREST

3.1 There were no matters arising that would not be covered elsewhere on the agenda. All actions due had been completed or were in hand.

3.2 Interests were as previously declared and available to view on the SRA website. Members would declare any additional particular interest in an individual item if necessary.

4 CHAIR'S UPDATE

4.1 The Chair thanked Board members for contributing to the earlier workshop session on progress towards determining our long-term position regarding the role of post six year run off cover and the Solicitors Indemnity Fund. The Board had discussed the extensive programme of pre-consultation engagement underway to gather the views of a wide range of stakeholders including through a virtual reference group (VRG), surveys and meetings. The Board would consider proposals for consultation at its meeting on 20 October 2021. They requested that all options should be reviewed in the light of the evidence collected and that the consultation

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should then focus on those that had merit from a regulatory perspective taking due account of the SRA's statutory objectives.

- 4.2` The Chair confirmed that the recruitment campaign for two new solicitor Board members would go live later in the week. We would be sharing information on the vacancies through our networks and would also send details to Board members to enable them to share with colleagues and contacts.
- 4.2 The Chair reminded Board members that the October strategy meeting would take place in Manchester on 19 and 20 October. Details were being finalised, but the Board as a whole would be resuming face to face stakeholder engagement activities for the first time since the beginning of the pandemic.

5 CHIEF EXECUTIVE'S REPORT

- 5.1 The Chief Executive presented his report. The Board noted that staff had returned to the office for one day a week following some orientation sessions for those who had joined us since the beginning of the pandemic. Staff had been consulted on the new hybrid working arrangements and had been supported in a number of ways including a new homeworking allowance and funds to buy equipment needed for homeworking.
- 5.2 We had also appointed a preferred supplier for the refurbishment of floors 11 and 12 of our Birmingham office. Notice had been served on the lease for our London office which ran until March 2022 and future options for office space in London were being explored.
- 5.3 The CEO reported that the Solicitors Qualifying Examination regulations had come into force on 1 September 2021, in line with our work on the regulatory objective to encourage an independent, strong, diverse and effective legal profession, and preparation for the first SQE assessments in November was under way. We had been working with Kaplan, the assessment organisation for the SQE, on reasonable adjustments for candidates.
- 5.4 Following Board discussion in July we had also commissioned Kaplan to put in place infrastructure to enable remote proctoring of the SQE in 2022 if Covid-19 restrictions prevented test centres from opening. It was agreed that we should be clear about Kaplan's plans for dealing with enquiries from candidates experiencing technical problems.
- 5.5 We were in the final stages of preparing our first AML report to the Office for Professional Body Anti-Money Laundering Supervision under the 2019 money laundering regulations. The Board would be looking at our work on AML in detail at its December workshop but noted that face to face AML visits to firms had restarted.
- 5.6 The Board noted that we had submitted a bid to the Department for Business Energy and Industrial Strategy's (BEIS) Regulator Pioneer Fund, which focuses on deploying technology to support access to justice, and that the Government was

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- planning to announce the successful bids on 16 September 2021. If successful we would be working with others to demonstrate the feasibility of new legal technology tools and focusing on issues where there were significant access to justice problems in local communities, supporting our commitment to regulatory objective 3.
- 5.7 The Board also noted that we had relaunched our SRA Innovate webpages which now included new support content for lawtech innovators and law firms. Board members noted the need to look not only at how tech could be used to deliver services but also how it could be used to address inequalities in access to services. The need to continue to engage with all relevant government departments was also noted. It was noted that this work stream in particular illustrated the way we were implementing our new corporate strategy through partnership, collaboration and influencing work.
- 5.8 The CEO said that following scoping of a strategic review of fees, and having completed the initial assessment and analysis and other work, we had concluded that the time was not right to alter the overall structure of the practising certificate fees or split between individual and firm turnover in the short-term, although we would keep this under review. Proposals would be developed for some smaller changes including a new approach to maintaining the accuracy of our data relating to non-practising certificate fees on the Roll.
- 5.9 The Board discussed the data on investigations and noted that we continued to hit the target of concluding at least 93% of investigations within 12 months. It agreed proposals to introduce new targets to provide greater visibility of those cases. Board members also agreed that they would like further information and additional analysis about the 7% of investigations that extend beyond 12 months to better understand what could be done to reduce delays in the future.
- 5.10 The Board was particularly keen to increase the focus on dealing with all cases that were taking longer than 24 months and noted that the executive set a target of resolving as many of these as possible over the next 12 months, recognising that in some instances the delays were due to factors beyond our control. Board members discussed work already underway to tackle these complex cases and agreed that it would also be helpful for them to see more information about them in future. It was agreed that a further discussion should be scheduled on the handling of cases more than 24 months old.
- 5.11 The Board noted the outcome of a tender for providing legal support to our General Counsel and a forthcoming tender for our enforcement work. In response to questions from Board members it was confirmed that where contracts were being retendered we worked to make the process as open as possible so that new providers were able to compete effectively with incumbents.
- 5.12 The CEO also updated the Board on the learning that we could apply to our own work, and key areas of focus, from the Legal Services Board's report on its review of the Bar Standards Board's governance arrangements. This included making sure that Board papers and minutes were sufficiently clear on how the regulatory

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objectives are engaged and keeping our performance reporting and balanced scorecard under regular review.

5.13 The Board noted the Chief Executive's report.

NB: annex 2 of this paper will not be published because it relates to emerging strategy or policy

6 SRA THIRD QUARTER PERFORMANCE REPORT

- 6.1 The Board was asked to consider an overview of the performance report for the third quarter of 2020/21. Key highlights of the period included good progress in our preparations for SQE, with registration and booking opening for the first SQE assessment. and moving forward with our technology and innovation objective with the publication of the research commissioned from Oxford University
- 6.2 The Board noted the financial performance update at annex 1 of the paper. The report now included information on performance for the full year and, separately, from 1 June 2021 when Solicitors Regulation Authority Limited had begun trading. The position for both was positive.
- 6.3 The report also included an update on work to develop our investment strategy and reserves policy. The intention was to bring recommendations on this to the Board in December. One issue for decision by the Board was on our approach to ethical, or positive, investments, and opportunities for a separate discussion on this ahead of the December meeting would be explored. It was agreed that the Investments and Reserves working group and Audit and Risk Committee should also look at developing a framework for dealing with calls on reserves before reporting to the Board.
- 6.4 In response to questions from Board members it was reported that we would be meeting the Charity Commission in two weeks' time to discuss its latest request for clarification on the information we had provided in respect of our application for charitable status.
- 6.5 The Board noted the Business Plan update at annex 2 of the paper. Two activities were rated as amber (generally in line although challenge to maintain progress and deliver overall objective). One of these, relating to the monitoring of our investigation and disciplinary work had now been brought back on track. Corrective action had also been put in place for the other which related to the collection and sharing of diversity data through our biennial Firm Diversity Data process, which is part of our work on regulatory objective 6.
- 6.6 The Board also noted the list of achievements in the third quarter and their overall contributions to our strategic objectives which supported the delivery of our regulatory objectives set out in the Legal Services Act 2007.
- 6.7 The Board considered the latest iteration of the Balanced Scorecard at annex 3 of the paper. This included mean and median gender pay gap information for 2021.

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This information would be published along with that for the Law Society group for the last time this year, after which we would only publish our own information given our distinct legal entity status.

- 6.8 Board members noted the information in the scorecard and asked if further work could be done to better demonstrate trends and themes through the scorecard, perhaps by including data for a greater number of previous quarters.
- 6.9 The Board noted the content of the quarterly performance report and the commentary provided.

NB: annex 1 of this paper will not be published because it contains information which is commercially sensitive.

7 SRA STRATEGIC RISK UPDATE

- 7.1 The Board was asked to consider the Strategic Risk Register (SRR) for the third quarter ending 31 July 2021.
- 7.2 The Register would be discussed by the Audit and Risk Committee (ARC) at its meeting on 28 September 2021 and this would include recommendations from the Senior Management Team on changes to ratings for the Resources risk. ARC would also be reviewing the Mid-tier Risk Register which set out risks not considered appropriate for the SRR.
- 7.3 In discussion, Board members agreed that it would be timely to reconsider all risks on the SRR on a more fundamental basis. The board asked ARC to consider how the Board might be engaged in a deeper review. Board members also asked to see information on the diversity of the first tranche of SQE candidates when that became available.
- 7.4 The Board noted the Strategic Risk Register and the progress taking place on ongoing development of risk management.

NB: the annex to this paper will not be published as they include discussion of risk that might be exacerbated by publication.

8 POST CONSULTATION UPDATE ON PROPOSALS TO CLARIFY THE SCOPE OF CYBER COVER IN PROFESSIONAL INDEMNITY INSURANCE (PII)

- 8.1 The Board was asked to consider a report on the outcome of our consultation on the Minimum Terms and Conditions (MTCs) for solicitors' Professional Indemnity Insurance (PII) arrangements to clarify the scope of cover when a law firm has been subject to a cyber-attack/computer breach.
- 8.2 This Board noted that the proposed amendment to the MTCs aimed to clarify the protection currently provided to consumers within the existing MTCs when they suffered a loss because of a cyber event at a law firm. The clarification would support the regulatory objectives to protect and promote the interests of

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consumers and, as it supports public confidence, to protect and promote the public interest.

- 8.3 In response to questions from Board members it was confirmed that the proposed changes would make it explicit that solicitors' insurance would cover client losses due to a cyber event at a firm. It was noted that, as is currently the case, the insurance would not cover the firm's losses arising as the result of a cyber breach, for example those associated with rectifying any underlying problems. The changes would mean that it would not be possible for insurers to exclude cyber losses from policies.
- 8.4 Board members suggested that given the magnitude of potential losses through cybercrime it was important that we made firms aware of the risks involved. It was noted that we already did a great deal of work in this area, including regular sessions at our annual compliance officer conferences. These were well attended and there were plans for the relevant session at this year's conference to include representatives from the National Crime Agency, a major law firm, as well as an ethical hacker.
- 8.5 The Board agreed the response to the consultation and made the amendments to the MTCs. The response to the consultation would now be published and a rule change application submitted to the LSB with the intention of introducing the change as soon as possible and with maximum lead in time to the insurer reinsurance cycle, which happens at the beginning of each calendar year.

NB: annex 1 will not be published because it relates to emerging strategy or policy

9 SRA BUDGET 2021/22

- 9.1 The Board was asked to consider an update on the proposed budget for 2021/22.
- 9.2 The Board had discussed the draft 2021/22 budget earlier in the year as part of agreeing the practising fee requirement. The draft budget had been consulted on alongside the 2021/22 business plan, which set out activity to deliver the Corporate Strategy which in turn supported the regulatory objectives.
- 9.3 The significant changes from the 2020/21 budget were set out in a table in paragraph 15 of the paper and included staff cost pressures, costs associated with a return to office based working and additional research spend. There were also significant efficiency savings as a result of the changes introduced through the Modernising IT Programme.
- 9.4 The Board noted that following the establishment of Solicitors Regulation Authority Limited we now had control over our reserves and investments and that this would help us to manage costs where activity planned for 2020/21 was not completed by the end of the year and would therefore result in spend in 2021/22 to complete these activities.

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- 9.5 The Board also noted that the costs associated with the increase in National Insurance payments to pay for health and social care announced by the government the previous week were not reflected in the budget. Our intention was to cover these through the funds already allocated to staff costs.
- 9.6 The Board approved the budget for 2021/22 which would now be confirmed to the Law Society Council at its meeting in October.

10 REVIEW OF MEETING AND ANY OTHER BUSINESS

- 10.1 There was no other business. The next meeting would be held on 20 October 2021.