

## Business plan 2009

Last updated 21 January 2009

[See SRA business plan 2010 \[https://higher-rights.sra.org.uk/sra/corporate-strategy/business-plans/business-plan/archive/sra-business-plan-2010/\]](https://higher-rights.sra.org.uk/sra/corporate-strategy/business-plans/business-plan/archive/sra-business-plan-2010/)

### Introduction

1. This is the SRA's second business plan, and covers the calendar year 2009.
2. The SRA's purpose is to set, promote and secure in the public interest standards of behaviour and professional performance necessary to ensure that consumers receive a good service and that the rule of law is upheld.
3. Our principles are that we will
  - be fair and consistent in our contacts with the public and the regulated community;
  - be inclusive and actively promote equality and diversity in the way we undertake all our activities;
  - act independently of, but in consultation with, our stakeholders including consumers, the profession and its representative bodies, the judiciary and government;
  - operate in accordance with good regulation principles, adopting a [risk-based approach to regulation \[https://higher-rights.sra.org.uk/archive/risk/\]](https://higher-rights.sra.org.uk/archive/risk/);
  - be open and accountable;
  - demonstrate value for money.
4. The SRA has no representative role on behalf of solicitors. In anticipation of the requirements of the [Legal Services Act \[https://higher-rights.sra.org.uk/sra/legal-services-act/\]](https://higher-rights.sra.org.uk/sra/legal-services-act/), the Law Society decided to separate its regulatory functions from its representative ones. The SRA is an independent regulator acting solely in the public interest.

### Planning background

5. The SRA Board published its strategy setting out its strategic objectives in late 2006 and its first business plan early in 2008. Since its establishment in 2006 the SRA has been pursuing a major programme of reform.
6. This reform has been directed in particular towards
  - the development of a body of new policy, rules and regulations for assuring the quality of the profession, and for the regulation of legal services bodies (firm-based regulation) under the provisions of the Legal Services Act 2007, and
  - the overhaul of our inherited business processes in order to make them fit to deliver modern, risk-based regulation.
7. The SRA has published its first strategic plan, covering 2009–12, building on the work which has been undertaken since 2006. The strategic plan sets out in more detail how the SRA intends to achieve its objectives. It will be reviewed at



least annually, and will provide the framework within which each annual SRA business plan will be developed and implemented.

8. The SRA has also consulted on its draft equality and diversity strategy and action plan. This strategy sets out our approach to the promotion of equality and diversity as

- a fair employer, recruiting, developing and retaining a diverse and talented workforce;
- a fair regulator, open, proportionate, non-discriminatory and transparent in the way it regulates a diverse profession;
- an inclusive, consumer-focused organisation.

The associated Action Plan provides the detail of how this be achieved, drawing on the recommendations of an [independent review by Lord Ouseley](https://higher-rights.sra.org.uk/ouseley/) [https://higher-rights.sra.org.uk/ouseley/], who reported in August 2008.

9. Each of the Board's [Committees](https://higher-rights.sra.org.uk/sra/how-we-work/our-board/committees/) [https://higher-rights.sra.org.uk/sra/how-we-work/our-board/committees/]— Compliance, Education and Training, Rules and Ethics, and Client Protection — has developed its own workplan for the delivery of the strategic objectives. The SRA's constituent directorates produce annual directorate business plans setting out their key objectives.

10. During 2008 the SRA has developed a timetable for its business planning, and begun regular review of the suite of key performance indicators and the Strategic Risk Register which have been introduced. The Board has established a Scrutiny Committee which has been developing its role of providing the Board with the assurance that there are adequate internal controls in place to manage material risks to the achievement of the SRA's objectives. More work is required fully to embed the planning process, and this will be a priority for 2009.

## **Progress during 2008**

11. During 2008 the SRA made significant progress towards its aim of providing a coordinated approach to ensuring that solicitors are able to achieve and maintain the high standards of professional competence needed for successful modern legal practice. This work was carried forward through a series of initiatives including the finalisation and implementation of the new legal practice course, the review of accreditation schemes, pre-qualification work-based learning and transfer arrangements into the profession for qualified lawyers. We also continued to press forward with the development of arrangements for entity-based regulation flowing from the provision of new forms of legal practice under the Legal Services Act.

12. Some progress was made on the difficult issue of the Law Society Group's corporate governance arrangements — the mechanisms through which the relationships between the SRA, the part of the Group which undertakes public interest regulation, and the corporate and representative functions of the Society, are managed. This is of critical importance for a number of reasons, including public confidence in the ability of the SRA to put the public interest at the heart of its operations, and satisfying the requirement placed on the Legal Services Board under section 30 of the Legal Services Act to make rules for internal governance of approved regulators to ensure that the exercise of regulatory functions is not prejudiced by representative functions. Dialogue between the Society, the SRA and the Legal Services Board will be essential.



13. The delegation of rule-making powers from the Council of the Law Society to the SRA Board in July was a positive and welcome development. The establishment of a Corporate Review Group, which first met in the same month, was a constructive step forward, although the SRA would have preferred it to have been embedded in the Society's formal governance arrangements. During 2009 we will also work to further develop the relationship between the SRA and the Law Society in its representative role as primary consultee for the profession.

14. One significant area of disappointment in 2008 has been in relation to the implementation of new IT systems to replace the legacy systems inherited from the Law Society. In 2006 we identified the introduction of new IT as fundamental to our ability to deliver our strategic objectives. The SRA's work is currently dependant on two main systems which date from the 1990s, and do not meet the needs of modern, risk-based, information-led regulation. New technology will enable us to gather and analyse information more effectively; make better use of information in the proactive identification of regulatory risk; deliver effective entity-based regulation under the Legal Services Act; and allow solicitors to conduct their business with us online.

15. In consultation with the Law Society's IT department, we had selected a suitable product in 2007. We intended to complete the first stage of the implementation — decommissioning the ROAD system — in the summer of 2008, but unfortunately the timetable for implementing a new system to replace the old ones has been subject to very substantial delay. We are continuing to work closely with the Law Society in order to resolve outstanding issues, and ensure that the SRA obtains the IT which it needs to carry out its role as an efficient and effective public interest regulator.

## **Performance against 2008 Key deliverables**

16. The SRA's initial business plan set out a series of Key Deliverables for 2008, grouped under headings derived from the gap analysis undertaken in 2006. A summary of what has been achieved against each individual Key Deliverable is given below.

### **Standard setting**

#### **Objective 1: Accreditation scheme reviews completed**

A consultation on SRA professional accreditation schemes was completed, and the responses reviewed by the SRA's Education and Training Committee. The committee agreed to develop a strategic approach to SRA accreditation schemes within the wider context of a regulatory quality assurance strategy. This work is currently under way. Work is also continuing on updating the current schemes to ensure, for instance, currency with the state of the law. In order to allow time for both the development of wider strategy and the updating of individual schemes, the committee has extended the deadline for re-accreditation of members of schemes where no re-accreditation process currently exists until the end of 2009.

#### **Objective 2: New work-based learning scheme piloted**

The work-based learning pilot commenced in September 2008 and will run for two years. It forms part of the work of agreeing and implementing new processes

in relation to pre-qualification standards. The pilot has two components.

- First, a number of candidates are undertaking work-based learning within the framework of existing training contracts. Their work will be reviewed over a two-year period, and assessed against objective standards (the work-based learning outcomes) in order to ensure their competence to practise as solicitors. The SRA has worked closely with the employers (eight private practice firms and an in-house legal department) to ensure the systems of review and assessment is effective.
- Second, other candidates who do not have training contracts but are undertaking commensurate work in legal environments are to be reviewed and assessed by an external provider (another provider may be added). The SRA has worked closely with the provider on the design of the programme, its standards, procedures, criteria etc. All aspects of the pilot will be the subject of extensive evaluation by an external evaluation consultant (not yet appointed) and a full report delivered in 2010 after the two years' period has concluded.

### **Objective 3: Review of Qualified Lawyer Transfer Arrangements**

Revised guidance on qualified lawyers' transfer took effect on 1 September 2008. The Education and Training Committee has set up a group tasked with a full review of the transfer arrangements. A consultation on proposals for reform of the amendments has been launched. The objective is to agree new processes by 2011.

### **Objective 4: Proposals for Legal Disciplinary Practices and entity-based regulation agreed**

This forms the first stage of the work of implementing new forms of legal practice pursuant to the provisions of the Legal Services Act 2007. In order to enable the delivery of the licensing and regulation of Legal Disciplinary Practices in 2009 changes to all necessary rules and regulations, including the Solicitors' Code of Conduct 2007, were drafted and an application for approval under Schedule 4 to the Courts and Legal Services Act has been made. Guidance and processes have been developed and tested to operationally implement this in 2008 application forms.

The criteria for passporting of partnerships and sole practitioners has been defined and tested. The decision-making criteria has been drafted and is due to be approved by the end of quarter four in 2009. Delegations are being developed by a cross-directorate working group to maximise efficiencies and knowledge sharing.

### **collection, analysis and communication**

#### **Objective 5: Information audit and review for SRA delivered**

The audit was undertaken, and the information is being analysed. Following completion of analysis an initial report will be circulated before the end of quarter 1 in 2009 covering function and format of information held, sharing, duplication and gaps. The work has identified the need for further information gathering and analysis to deal with a number of key issues relating to the SRA's capture and use of information, including: who uses the SRA's main systems and ad-hoc

databases and why; the reasons why information not based on risk is being captured; who is sharing information and why; the level and reasons for duplication of material; the tasks supported by each information resource and potential gaps.

The information strategy for the organisation was ratified by the SRA Board in May 2008 and has resulted in the Information Unit conducting analysis to support:

- Criteria application in decision making, relating to character and suitability. The pilot was launched in September 2008 enabling the recording of criteria against outcome in the regulatory system. The analysis of the pilot is due in December 2008.
- Volumetric analysis in relation to the introduction of entity-based regulation completed in October 2008.
- Analysis of information requirements to facilitate a risk-based approach to regulating entities commenced with recommendations as to information to collect and approach for renewal of information and its storage to Board sub-groups completed November 2008.

### **Objective 6: Stage 1 of IT project delivered (including ROAD decommissioned)**

The objective of completing Stage 1 of the IT project was not met as a result of factors outside the control of the SRA.

The work which the SRA had undertaken since mid-2007 in preparation for ROAD decommissioning was formally closed in April 2008. It is intended that this work will still support the development of the new technology which is needed to support the delivery of the SRA's Strategy, including the implementation of entity-based regulation. The SRA is working with the Law Society's IT department on a business case setting out the deliverables which the SRA requires.

### **Objective 7: Online registration introduced?**

Business requirements were identified at the end of 2007, but the initiative could not be progressed as a result of factors outside the SRA's control. In September 2008 work started again for the purpose of checking previous business requirements and identifying new ones.

### **Objective 8: Consumer engagement programme in place**

A baseline research report from the 2007 consumer research study was published, setting out the key findings and learning points for the SRA. Work was undertaken on setting the agenda for the first professional regulators forum in October. The forum arose from discussions at the joint National Consumer Council/SRA consumer engagement event in December 2007 (at which the SRA's research was presented), and will focus on common challenges for professional regulators in engaging the public.

In the last part of 2008 work was being undertaken on preparing for a further consumer research study, preparing for an additional piece of research on consumer attitudes towards using solicitors for conveyancing, and developing a specification for consumer focus group meetings.

During 2008 the SRA website was segmented, providing dedicated web pages for consumers, including information on using solicitors.

### **Objective 9: Implementation of Risk Assessment & Designation Centre, systematic regulatory risk assessment process introduced across SRA**

The new risk assessment process was fully implemented in early 2008 through the creation of a Risk Assessment and Designation Centre (RADC) for all non-confidential reports of possible misconduct; and the upgrading of assessment processes applied to all confidential reports by the existing Fraud Intelligence unit. The new approach applies consistent, comprehensive and transparent risk scoring to all reports, while still protecting confidential sources. Work is then designated to individual units according to the urgency, risk score and regulatory treatment required, according to agreed and clear rules. The processes and scoring are subject to operational, quality assurance and policy oversight in order to adjust and continuously improve the approach in the light of experience. Matters are fast tracked if necessary.

The proactive risk assessment work which has principally guided the activities of the Practice Standards Unit in its programme of advisory visits was integrated into the RADC during the summer of 2008. It will now extend its support into admission and renewal assessment processes, with particular focus on the development of firm-based regulation; as well as refining background checks within the reactive risk processes.

### **Objective 10: New forms of inspection and investigation in place**

The most important initiative in this area during 2008 was the piloting of visits by advisory teams to large firms both in the City and elsewhere. The intention is to build on this work in order to strengthen the SRA's supervisory and support activities and improve the balance and proportionality of our regulatory coverage across the whole profession. Other initiatives have included piloting geographically focused visits, targeting possible major breaches of money laundering regulations, and a concentrated effort to investigate allegations of serious mortgage fraud.

### **Objective 11: Initial Compensation Fund review completed**

The Compensation Fund Rules have been revised in preparation for enactment of the Legal Services Act in 2009. Consultation was completed in July.

Contribution setting proposals for 2008-2009 were approved by the SRA Board and presented to Council as planned in May 2008. The Council did not accept the recommended full contribution rate of £300, but agreed to an alternative proposal to set a contribution of £150. The working party is currently reviewing criteria for fund reserve setting and the scope of recharges against the fund. Recommendations on the criteria for fund reserve setting and the scope of recharges will be presented to the Law Society Council in January 2009.

Comparative analysis of compulsory professional indemnity insurance, the [Compensation Fund](https://higher-rights.sra.org.uk/consumers/problems/solicitor-owes-money/claiming-compensation) and Statutory Trust Account distribution continues. A working party is reviewing policy, rules and guidelines in relation to provision of adequate public protection to identify and address any weaknesses or conflicts;



to identify gaps in coverage; and to establish where consistency of cover within the schemes would be both beneficial and achievable. Some findings have already been actioned, such as the inclusion of a £2 million grant limit in the revised Compensation Fund Rules. A report on all analysis to date will be presented to the SRA Board in December.

### **Objective 12: SRA equality and diversity strategy introduced**

The SRA Board considered and approved the organisation's first equality and diversity strategy and action plan at its meeting in September 2008. A public consultation on the strategy was launched in the same month. The SRA will be using a number of approaches to gain feedback on the strategy from its internal and external stakeholders, including direct engagement with the key equality target groups representing black and minority ethnic (BME) practitioners.

The equality and diversity strategy sets out the organisation's objective to move beyond legal compliance towards becoming a fair and inclusive organisation that sees the progression of equality and diversity as a key indicator for measuring its performance. The strategy and its associated Action Plan are designed to ensure that the SRA is, and is seen to be, a fair and diverse employer of choice, an open, fair, transparent, non-discriminatory and proportionate regulator, and an inclusive and consumer-focused organisation.

The pilot NVQ in Equality and Diversity was launched in December 2008. The organisation has committed to the Two Ticks principle. The Reasonable Adjustments in Communication protocol was delivered in July 2008, and the Discrimination Complaints protocol in October 2008. An Equality Impact Assessment has also been completed for Route to Registration (pre-admission training processes) Qualification and Admissions in December 2008.

### **Objective 13: Working party with representation from BME practitioner groups starts work**

In January 2008, the SRA Board approved the establishment of the black and minority ethnic working party to discuss the issue of statistical disproportionality in regulatory decisions. The working party was independently chaired by Anesta Weekes QC and the membership included nominated individuals from the Society of Asian Lawyers, the Black Solicitors Network, the Association of Muslim Lawyers, the Society of Black Lawyers and the British Nigeria Law Forum.

The working party supported the SRA in commissioning Lord Ouseley to undertake an independent review of the organisation's regulatory processes and practices. The working party was responsible for informing the scope of the review and received regular reports from the reviewer. It discussed the completed report in August 2008, and each member contributed a response as an addendum to the report when it was published later that month.

The SRA has taken steps to address the criticisms of its processes and leadership (see objective 12 above).

### **Objective 14: Reform of SRA regulatory decision making and adjudication completed**



The objective of this initiative is to modernise the SRA's decision making and adjudication by giving effect to the principles of regulatory decision making approved by the Board after a consultation in 2007. This will help the SRA to ensure that decisions are made transparently, consistently and in accordance with clear criteria.

Work undertaken in 2008 has included the [publication of regulatory decisions](https://higher-rights.sra.org.uk/consumers/solicitor-check/) on the SRA website; the development of decision-making criteria; and a rolling programme of audits of decision making across the SRA. A major recruitment exercise for a new Panel of Adjudicators to replace arrangements inherited from the Law Society was successfully completed in August 2008. The exercise involved an independent OCPA assessor. The members of the new Panel are currently undertaking a modular training programme, designed to support decision making in accordance with the Board's principles and the requirements of the equality and diversity strategy.

## **Organisational improvement**

### **Objective 15: Systems in place for monitoring budgetary and financial performance**

Key areas of improvement in 2008 have included: regular reporting by finance to the SRA's Scrutiny Committee; the movement of polluter pays credit collection to a centralised function; the introduction of monthly meetings between Compensation Fund and statutory trusts management and finance; and the development of new reports showing monthly and year-to-date movements in all directorates.

Efficiency gains in the management team activities for the Contact Centre have provided resources to develop improved management information.

### **Objective 16: Management information and key performance indicators in place across business**

Key performance indicators were identified for each directorate and, where processes already exist and data is available, management information is being produced to track performance. The KPIs are the subject of a regular reporting and review process at Board and senior management level.

Development of processes or data capture solutions outside the core systems are required to enable measurement against some of the KPIs identified for each directorate. The SRA's Management Information team is working with managers to develop the most effective solution for each area. New processes have been and continue to be developed to enable wider reporting in the Regulation Response, Inspection & Investigation and Client Protection Directorates and stand-alone databases have been developed for some functions of Regulation Response and Client Protection.

A review of all the KPIs is in progress to ensure that those being tracked continue to be relevant and to identify any additional or alternative indicators and related development requirements.



Management information for the Contact Centre has been improved and better data now exists for the KPI review.

### **Objective 17: New Human Resource policies introduced — performance management and support**

During 2008 the SRA developed a new performance framework in cooperation with the Group Human Resources, including core competencies for staff, in order to support the effective management of performance. The new framework will be implemented in 2009. The SRA also worked with Group Human Resources on redesigned HR policies for the Group, which align with SRA's business strategy.

The introduction of consistent grades and management support structure within the Information Directorate has ensured that no more than a 1:8 ratio in management across the directorate was in place in August 2008.

### **Objective 18: SRA corporate risk assessment process introduced**

In late 2007 and early 2008 the SRA's senior managers worked with external consultants on identifying strategic risks and associated action plans for a new Strategic Risk Register, replacing the provisional register which had been implemented by the SRA Board. The Register has been subject to periodic review by the Board and Scrutiny Committee, and progress has been reported to the Law Society's Audit Committee. It was used in the development of the risk sections in the SRA strategic plan.

In July the SRA appointed a dedicated Risk Officer, who set out a programme of further work for the last third of the year comprising risk awareness training sessions for business unit managers, followed by risk identification, analysis and action planning workshops for each of the SRA's directorates. This programme is designed to lead to the introduction of an updated risk management process from the beginning of 2009.

17. In summary, of the eighteen objectives, all except the two related to IT have been substantially delivered.

## **Key deliverables for 2009**

18. The Key Deliverables for 2009 are grouped below under the themes from the strategic plan, which themselves derive from the Strategic Objectives established in 2006. The Board will conduct a quarterly reviews of progress against milestones and measures during 2009.

### **Theme 1: Setting the standards**

- To set standards for entry to the profession, professional behaviours and continuing professional development so as to maintain and enhance the competence, performance and ethical conduct of solicitors and uphold the rule of law
- To set standards for organisations offering legal services

**These objectives will be delivered through the following actions and progress monitored by the associated measures and/or milestones.**

**Action**

- Development of pre-qualification reform, including continuation of work-based learning pilot. The work-based learning pilot runs until 2010 with cohorts for full and part time participants.
- The new legal practice course continues to be implemented, with some new courses commencing in 2009 and validation events for courses commencing in 2009.

**Key milestones/measures**

- Work-based learning pilot part time cohort commences in January 2009
- Work-based learning pilot further cohort commences in September 2009
- Training for external examiners (legal practice course) developed and delivered by March 2009
- Training for training contract monitors developed and delivered January to March 2009
- A project plan will be utilised for managing delivery of these projects, with progress against the plan monitored at each Education and Training Committee meeting during 2009.

**Action**

- Consultation on and agreement of new qualified lawyer transfer regime

**Key milestones/measures**

- SRA Board to approve the implementation plan and draft regulations in February 2009

**Action**

- Development and agreement of a comprehensive strategy to include all training and assessment provision

**Key milestones/measures**

- All elements of the quality assurance activity including the further development of effective risk assessment and inspection of training firms; the implementation of common standards for all assessment organisations; and the continuation of legal practice course and academic stage quality assurance activities, will be drawn together under one strategy by May 2009.

**Action**

- Coordination of any necessary revisions to the 2007 Code of Conduct in light of issues raised

**Key milestones/measures**

- Initial review of all outstanding issues by April 2009



- Analysis of the responses to the conflict/confidentiality consultation to the Rules and Ethics Committee by May 2009
- Identified changes agreed by the Rules and Ethics Committee by June 2009
- Some rule changes to SRA Board by December 2009

#### **Action**

- Undertake a general review of the Solicitors' Accounts Rules and consideration of the risks associated with holding clients' monies

#### **Key milestones/measures**

- Work to commence on scoping the project by June 2009
- Project plan and timetable reviewed by meetings of Rules and Ethics Committee throughout 2009
- Work commences in accordance with the plan in late 2009.

#### **Action**

- Continued development of regulatory approach to support implementation of new firm based legal services framework

#### **Key milestones/measures**

- Information requirements for 2010 collection exercises for initial applications completed by 30 June 2009 (end of quarter 2)
- Information requirements for 2010 collection exercises for renewal applications completed by 30 September 2009 (end of quarter 3)
- Work is completed to allow LDP and entities regulation to commence on schedule during 2009.
- Initial development work on ABSs is undertaken from July 2009

#### **Action**

- Implementation of the recommendations of the independent review through the equality and diversity action plan

#### **Key milestones/measures**

- Work to improve the way compliance with rule 6 is monitored will take place by March 2009
- Equality impact assessment on character and suitability completed by 31 January 2009
- Equality impact assessment on post-qualification accreditation scheme by 30 June 2009
- Equality Impact assessment on Criminal Records Bureau checks by 31 December 2009

### **Theme 2: Support and monitoring**

- To provide information, advice and support to those we regulate to help them comply with the standards set



- To operate processes to monitor compliance with standards, so as to identify cases requiring remedial, investigative or other regulatory action

**These objectives will be delivered through the following actions and monitored by the associated measures and milestones.**

#### **Action**

- Continued improvement of ethics guidance telephone helpline and correspondence service
- Provision of more guidance accessible through the website

#### **Key milestones/measures**

- In quarter 1: 75% of calls being answered within 60 seconds
- In quarter 2: 80% of calls being answered within 60 seconds
- In quarter 3: 80% of calls being answered within 45 seconds
- In quarter 4: 90% of calls being answered within 30 seconds
- 100% of correspondence dealt with within 10 days by December 2009
- Quarterly surveys of profession on guidance provided
- In April 2009 plan agreed for developing case studies on website

#### **Action**

- Development of a broader firm based supervisory monitoring and auditing function to ensure more effective proactive supervision across all regulated firms

#### **Key milestones/measures**

- At least five further pilot visits to large/City firms completed by April 2009
- Full SRA project launched in June 2009
- First phase of the project complete in December 2009

#### **Action**

- Development of a range of channels to communicate and engage effectively with the regulated community, including black and minority ethnic practitioners and large/City firms in accordance with the SRA's 2009 Communications strategy and action plan

#### **Key milestones/measures**

- Minimum of eight road shows delivered from March to December 2009
- Liaison with local Law Societies about communications with the profession by March 2009
- Regular liaison meetings to be delivered with BME group and City of London Law Society throughout 2009
- Research questionnaire targeted at those who have qualified to better understand the issues facing BME entrants through the training and character and suitability process to take place in January 2009
- Analyse results of usability testing of the website with the profession in December 2008 and again in September 2009 and update the site

accordingly

### **Action**

- Implementation of the recommendations of the independent review through the equality and diversity action plan

### **Key milestones/measures**

- Equality impact assessment on Certificate of Good Standing and Attestation completed by 31 March 2009
- Equality impact assessment on renewal form section 12 completed by 31 August 2009
- A programme of meetings to engage with key equality groups will be implemented from September 2008 through to September 2010
- Collaboration with equality target groups to organise workshops for raising the awareness of the SRA's role and expectations will take place in April 2009.
- Feedback from consultations will be monitored by equality strands from October 2008 ongoing to October 2010.
- The results of equality and diversity monitoring will be published on an annual basis, alongside the action taken to address disparities from March 2009.

## **Theme 3: Consumer protection, enforcement and discipline**

- To protect consumers by ensuring effective professional indemnity and compensation fund arrangements
- To tackle unacceptable professional or organisational performance, misconduct and dishonesty by firm, fair, timely and proportionate regulatory and disciplinary action

**These objectives will be delivered through the following actions and monitored by the associated measures and milestones.**

### **Action**

- Development of policy and rules which ensure provision of appropriate levels of financial protection to consumers of legal services, including groundwork in relation to alternative business structures

### **Key milestones/measures**

- Progress against project plan for delivery reviewed at each Firm Based Regulation Group and Financial Protection Committee meeting during 2009

### **Action**

- Development of proactive risk assessment to support firm-based regulation

### **Key milestones/measures**



- Full review of indicators used completed by June 2009 and revised processes in place
- By the end of September 2009 a strategic research capacity will have been developed. This will ensure the approach to information gathering and trend analysis takes account of socio-economic factors through horizon scanning and the development of the organisation's research database.
- Equality impact assessment on waiver/dispensation requests completed by 31 October 2009

### **Action**

- Building on the foundations laid in 2008 to undertake compliance visits and investigations during 2009 driven principally by referrals from the front-end reactive risk assessment

### **Key milestones/measures**

- Reporting on activities and outcomes by risk band, where IT permits throughout 2009
- Streamlined intelligence/risk processes/possible redeployment of resources in place by May 2009
- Timeliness standards in place across all Investigation and Inspection units from January 2009
- By April 2009 gaps in quality and efficiency standards in Investigation and Inspection units planned
- By December 2009 gaps in quality and efficiency standards in Investigation and Inspection units eliminated

### **Action**

- Improvement in timeliness and transparency of prosecutions brought in the [Solicitors Disciplinary Tribunal](http://www.solicitorstribunal.org.uk/) [http://www.solicitorstribunal.org.uk/] as part of a general streamlining of the investigation and prosecution process

### **Key milestones/measures**

- Over 2009 an average of 70% of SDT cases issued within six months of receipt into the Legal Directorate
- Over 2009 an average of 95% of SDT cases issued within 12 months of receipt into the Legal Directorate
- Single report and transparency projects completed by June 2009, implementation commences.
- Impact on caseworking processes/resources/reporting implemented by October 2009

### **Action**

- Planning implementation of new processes required following the cessation of the Office of the Legal Services Complaints Commissioner and the inception of the Office for Legal Complaints in 2010

### **Key milestones/measures**





- Proposals will be developed for approval by July 2009 for implementation in January 2010

#### **Action**

- Implementation of the recommendations of the independent review through the equality and diversity action plan

#### **Key milestones/measures**

- Research on the perception of BME solicitors and other equality target groups of the SRA will be undertaken in May 2009.
- Casework audits to assess the outcome of regulatory decisions will be implemented from September 2009.

### **Theme 4: Access to justice, transparency and consumer information**

- To promote choice, innovation and accessibility in the provision of legal services through various types of business structure
- To provide information to help consumers to make decisions about legal services and to understand the standards they are entitled to expect

#### **These objectives will be delivered through the following actions and monitored by the associated measures and milestones.**

#### **Action**

- Development and implementation of processes for passporting and licensing under firm-based regulation

#### **Key milestones/measures**

- Passporting of all partnerships implemented as of 1 March 2009
- Passporting of all sole practitioners implemented as of 1 July 2009
- Information Directorate Operational Team inducted and fully trained in the new regulatory framework for initial application handling by 31 March 2009

#### **Action**

- Development of a customer service standards policy and complaints function across the SRA

#### **Key milestones/measures**

- Customer service standards policy drafted by January 2009
- Centralised complaints handling function in place by February 2009
- Complaints protocol developed and implemented by April 2009
- Customer service training programme delivered by 30 June 2009

#### **Action**



- Development of the consumer engagement programme, including undertaking further consumer research, in accordance with the SRA's 2009 consumer engagement plan

#### **Key milestones/measures**

- Consumer workshops with consumer representative bodies will take place during March 2009
- SRA's consumer engagement strategy to be presented to SRA Board during March 2009
- Publication of results from SRA's consumer research study during March 2009
- Review of literature for consumers to be carried out in March 2009
- Publication of results from SRA's research study "Consumer experiences in conveyancing" during May 2009

#### **Action**

- Implementation of the recommendations of the independent review through the equality and diversity action plan

#### **Key milestones/measures**

- Equality impact assessment to be completed on the website by February 2009
- Initial equality impact assessment to be completed on printed publications by December 2009
- Equality and diversity will be embedded into customer service training for all staff by December 2009
- Analysis of online survey of all web users will be completed to build up a profile of those using the SRA website in February 2009.

### **Theme 5: Organisational improvement**

- To demonstrate value for money in all our dealings
- To attract and retain diverse, high-calibre staff who are committed to service excellence through continuous business improvement

**These objectives will be delivered through the following actions and monitored by the associated measures and milestones.**

#### **Action**

- Implementation of modern information technology to meet the requirements of efficient risk-based, information-led regulation

#### **Key milestones/measures**

- Submission of IT business case in January 2009
- A definition stage will be developed in the first quarter of 2009
- Some tactical changes will be delivered at the end of the first quarter
- The first major change to IT systems will be delivered through the customer engagement project.



- Analysis work and some implementation for the operational processing and information and risk analysis projects will take place before the end of 2009

#### **Action**

- Revising and extending polluter pays charges for approval in 2009 and implementation in 2010

#### **Key milestones/measures**

- Policy and regulations drafted by April 2009
- Policy and regulations approved by September 2009
- Policy and regulations implemented in January 2010

#### **Action**

- Continuing improvement of business planning processes, key performance indicators and risk management

#### **Key milestones/measures**

- End January – specialist consultants engaged
- Quarter 1 – delivery of operational KPIs
- Quarter 2 – delivery of strategic KPIs
- Improved operational resource planning by end quarter 2
- Thematic indicators in support of the Board's strategic objectives by end quarter 2
- Further measures to provide an evidence base to demonstrate progress in respect of principles of good regulation by end quarter 2

#### **Action**

- Implementation of improved performance management framework

#### **Key milestones/measures**

- Organisational development project to deliver its performance management framework at the beginning of January 2009
- The performance management framework will continue to be reviewed throughout 2009.
- Technical competencies developed, agreed and implemented by 30 June 2009
- Equality and diversity competencies included into the performance framework by January 2009

#### **Action**

- Development of internal communications to build staff morale and motivation

#### **Key milestones/measures**



- Staff newsletter re-launched as printed publication, the first in November 2008
- Communications forum established to feedback on staff communications in January 2009
- Fortnight ahead email for staff launched from January 2009
- Communications survey for staff to be carried out by December 2009, initially as part of wider staff survey

### **Action**

- Implementation of the recommendations of the independent review through the equality and diversity action plan

### **Key milestones/measures**

- Undertake a review of HRD policies periodically to ensure that they are fair and non discriminatory by June 2009
- The development of staff networks to provide a forum for individuals from different equality target groups to share experiences and provide feedback will be considered by June 2009.
- Equality and diversity will be embedded, where appropriate into learning and development programmes from September 2008 ongoing to 2010.
- All staff will be provided with knowledge, skills and competencies on equality and diversity from December 2008 ongoing to 2010.
- A review system to assess the effectiveness of the equality and diversity learning programmes will be implemented from August 2009.
- A staff attitudes survey to inform the HRD policies and equality and diversity learning programme will be carried out in December 2009.

## **Strategic risks**

19. As a result of the work done on the development of risk identification and risk registers during 2008 the areas where the SRA has identified risks in relation to the implementation of its objectives include

- The rules and standards for which the SRA is responsible
- Entry to the profession
- The maintenance of professional competence during practice
- Disproportionate regulatory impacts on BME solicitors
- Focus of resource on particular areas of regulatory activity
- Coordination of interfaces between stages in the SRA regulatory processes
- Identification and management of external change
- Meeting consumer needs and providing consumer information
- The Legal Services Board's criteria for regulation
- The governance arrangements affecting the SRA
- Dealing with conduct posing high risk to the consumer
- Changing the SRA's organisational culture
- The SRA's IT systems
- The SRA's resources
- Impact of changes in relation to decision making

20. Many of these risks are closely related to those which were set out in the last business plan. They may, of course, change as the SRA's risk registers are

reviewed and amended.

## 2009 Headcount and Budget

### Efficiency savings 2008

21. In its 2008 business plan the SRA set out the approach which it had chosen to adopt resource requirements. It explained that the need to maintain discipline on costs whilst at the same time introducing organisational reform — better, more effective regulation with new powers and more effective use of resources — was a difficult balance to achieve. Faced with a growing regulated population and a challenging strategy to implement, the SRA might have made out a case for expansion of budget and headcount. However, a number of factors had led the organisation to decide that it was preferable to keep headcount at 2007 levels. The proposed headcount for 2008 was therefore at a level equivalent to 2007, adjusted to reflect net transfers into the organisation from the Law Society, but with provision for some additional headcount for the delivery of essential projects.

22. During its first two years of existence the SRA's expenditure reduced in real terms. In 2007 there was an underlying underspend of approximately £1 million, and a larger underspend is also predicted for 2008.

23. Efficiencies realised in 2008 include:

- a. The Information Directorate has handled a substantial increase in application and data changes within resource levels comparable to those deployed in 2007:

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>Variance</b>	<b>Comment</b>
<b>PC renewal</b>	110549	114971	4%	-
<b>Admissions</b>	4387	4782	9%	8-month period like for like
<b>CRB</b>	5269	5601	6%	8-month period like for like
<b>Student enrolment</b>	9706	9995	3%	6-month period like for like
<b>Solicitor annual enrolment</b>	21959	22291	2%	6-month period like for like
<b>Solicitor annual enrolment</b>	£36,953.00	£33,048.00	-11%	-
<b>Data changes</b>	43594	47082	8%	9-month period like for like
<b>QLTT</b>	1676	3625	116%	8-month period like for like
<b>Stortext</b>	£42,000	£14,400	-66%	-
<b>Blue Pumpkin - process refined</b>	£21,000	£0.00	-100%	-
<b>Directorate re-structure savings</b>	£114,739	£88,954	-22%	-



- b. The Conduct Investigations Unit is on track to record a second year of substantial improvement in caseworking efficiency during 2008. We expect a 15% rise and are targeting a further 8% rise in 2009. This will effectively "save" 2.5 FTE (although the saving will be absorbed by increased volumes);
- c. The Regulation Investigations Unit has been performing at a high level for some time, is tracking a 3-4% improvement in 2008 and is targeted to achieve a further 3-5% to 95-97% in 2009. This will enable the unit to absorb extra workload with no increase in headcount.
- d. During 2008 the Forensic Investigations team has increased the number of inspections undertaken by approximately 20% on 2007 levels. This has been achieved in spite of the team having a lower establishment level for most of the year.
- e. In the Client Protection Directorate, claims investigation caseworker grades have been reviewed leading to the introduction of mixed grade 7 and grade 10 staff where previously all posts were grade 10. Two additional posts were required in the Interventions Team to improve operational control and accommodate growth in intervention numbers. One of the two posts has been restricted to a two-year contract. This growth has been offset by the removal of two posts from elsewhere within the directorate, leading to no growth in headcount despite an increase in demand.

## Resource requirements 2009

24. The approach adopted for 2009 is to continue to look for efficiency savings whilst allowing for some limited increase in headcount in areas where there is demonstrable growth in demand. There are a number of reasons for this approach:

- a. growth in several areas of regulatory activity is already apparent during 2008, including complaints (13% increase over 2007), interventions (40% increase) and Compensation Fund applications (1.7% increase);
- b. the uncertain financial and economic climate in 2009 will carry an increased risk of dishonesty and default;
- c. the delivery of firm-based regulation will require the implementation of new processes which will place additional demands on the organisation;
- d. additional resource will be needed to ensure the delivery of Lord Ouseley's recommendations and the SRA's equality and diversity action plan;
- e. there remains a number of gaps in the SRA's provision of specialist support posts, an inheritance of its organisational separation from the Law Society and the Legal Complaints Service.

Increases in headcount will be minimised by:

- a. efficiency increases; and
- b. the tactical use of fixed-term staff and outsourcing to meet temporary requirements.

25. Although the case for additional headcount is strong, the figures set out in the following section are subject to the following provisions:

- a. there remain underlying deficiencies in the current management data. These deficiencies mean that it is difficult to translate actual or anticipated growths in demand into specific headcount numbers. This issue will be addressed during 2009 through the development of robust metrics;





- b. there may be further scope for realising efficiency savings during 2009, but at the same time the SRA must be able to deploy its resources effectively in order to meet currently unquantifiable demands which may arise in the course of the year (for example, work-related to the Hunt review or the Legal Services Board). The SRA proposes to review this issue following the completion of the SRA IT business case in January 2009, which will include proposals on benefits realisation: at that point, it should be possible to quantify and schedule further efficiency savings and propose adjustments to headcounts and budgets.

## Headcount

26. SRA FTE headcount in October 2008 was 582; including 36 temporary staff and contractors as against a budgeted headcount of 600, i.e. there were vacancies equivalent to 18 FTE posts.

27. Although some difficulties in recruitment have delayed the achievement of budgeted headcount, FTE headcount has grown throughout 2008 and planned recruitment will take the SRA close to the budgeted figure by year-end. The Human Resources department is currently actively involved in the recruitment to a further 26.5 FTE posts, 12 of which are expected to be in place by the year-end. This results in a forecast year-end headcount of 59459 FTE — six below budget. This is the correct baseline for 2009.

28. The SRA's requirement for 2009 is for uplift from its 2008 year-end forecast of 40 FTE. This is represented by:

- a. Policy Inclusion Unit (responsible for Equality and Diversity) — 5.5 FTE in support of the SRA's equality and diversity action plan;
- b. Client Protection Directorate — 7.3 FTE (Archives, Interventions Officers, and the completion of recruitment for the Statutory Trust Project);
- c. Change Programme — 3.7 FTE (project management resource);
- d. Policy & Communications Directorate — 2 FTE (a Research Officer and a Scrutiny Committee Officer);

The remaining 21.5 FTE posts are required in response to growth in a number of areas of regulatory activity, including

- 3% general applications handling
- 4% practising certificate applications
- 8% record changes
- 116% qualified lawyer transfer applications<sup>1</sup> [\[#note1\]](#)
- 8 % record changes
- uptake in relation to firm-based regulation
- three yearly peak for authorisation to take trainees
- 20% increase in Conduct Investigation Unit activity
- 5% increase in Regulation Investigations Unit activity.
- In 2007 the monthly average of QLTT applications received was 209. From January 2008 this increased to a monthly average of over 400 applications, and by June 2008 the figure already exceeded the total number of QLTT applications received in the whole of 2007. This trend excludes a peak of 1488 applications received in August 2008, which was attributable to revised guidance taking effect on 1 September.

29. Headcount growth by Directorate is set out in the following table.



	Aug 2008	December 2008	December 2009	Recruit before December	Recruit in 2009	Growth December to December
<b>CEO</b>	4.00	5.00	5.00	1.00	-	0%
<b>Change Programme</b>	10.87	9.87	13.54	1.00	3.67	37%
<b>Client Protection</b>	85.22	93.62	100.92	8.40	7.30	8%
<b>Information</b>	97.04	106.64	113.94	9.60	7.30	7%
<b>Inspection and Investigation</b>	141.51	148.51	154.01	7.00	5.50	4%
<b>Legal</b>	35.22	32.02	33.02	3.2	1.00	3%
<b>Policy and Communications</b>	24.06	26.20	33.30	2.14	7.10	27%
<b>Regulation Response</b>	107.34	113.34	115.44	6.00	2.10	2%
<b>Resources</b>	8.34	7.44	9.44	0.90	2.00	27%
<b>Standards</b>	48.30	51.80	56.50	3.50	4.70	9%
<b>Total</b>	561.91	594.45	635.12	32.54	40.67	7%

Note: the figures for Policy & Communications include those for the Policy (Inclusion) Unit, which is responsible for implementation of the equality and diversity strategy.

## Budget

30. The proposed SRA budget for 2009 is £20,781,831.

31. This includes additional expenditure on Equality and Diversity of £164k and one-off expenditure on project headcount for the firm-based regulation and IT projects amounting to £146k.

32. Excluding the amounts above, the 2009 budget is broadly in line with the quarter 2 reforecast, adjusted for a number of cost centres (Finance, Human Resources) that have moved out of SRA and for a number of functions (recruitment, redundancy) that are being funded centrally.

33. Income is in line with the 2008 reforecast at £8.9m, although it was originally forecast to be £380k less. The closure of this gap has been attributed to firm-based regulation income and brings the 2009 budget figure in line with the 2008 quarter 2 reforecast. However, at the current time we have no view on either price or volume, and hence this figure includes a considerable amount of risk.

34. The growth in headcount has resulted in increases in base salary of £1.4m compared to the 2008 forecast. In the main this is offset by reductions in the National Insurance and pension line due to changes in the Society pension scheme.

## Temporary and agency staff



35. Temporary and agency staff have increased by £307k, but this reflects some re-allocation of consulting spend into staff expenditure.

36. The Compensation Fund recovery is broadly in line with the 2008 reforecast, but calculation of these have yet to be fully completed — see below.

37. The majority of non-staff expenditure, such as telephone charges and travel and subsistence has increased in line with headcount. However, a few areas are worth noting:

- a. Conferences and external meetings have increased by £124k, the majority of which is as a result of the introduction of client care events.
- b. Legal fees have increased by £710k reflecting the forecast increase in investigations and interventions as a result of the economic down-turn.
- c. Other professional fees appear to have reduced, but this is mainly as a result of re-classification into staff costs.
- d. Other administrative expenses have reduced by £196k reflecting the originally budgeted reduction in income.
- e. Expenditure on Legal Services Complaints Commissioner (LSCC) fees has reduced by £389k. This reflects the LSCC target of a 50% cost reduction, combined with an over-prudence in the 2008 reforecast.

## **Legal fees**

38. It is this reduction in legal fees where we are carrying the most risk. By their very nature it is difficult to forecast our actual requirements in 2009, since it is not possible to predict what cases might come over the next year.

39. The original proposal for legal fees was for an increase of £1.2m but, in order to meet the budget target figure, the SRA is prepared to reduce its budget for legal fees by £500k. This reduction is made on the basis that, in the event that the SRA needs to spend more on legal fees in 2009, such expenditure will be funded out of reserves, contingencies or underspend elsewhere within the Law Society Group.

## **Contingency and other areas of risk**

40. Although the budget has been calculated to be as realistic a forecast for 2009 as is possible, there are nonetheless areas of uncertainty.

41. The assumptions around staffing involve a relatively aggressive approach to recruitment early on in the year. Historically the SRA has had some difficulty in recruiting suitable staff and has had either to rely in part on temporary staff and contractors or go without. This, coupled with conservative assumptions over staff churn and the resulting potential vacancy factor, may deliver an under-spend.

42. Legal Services Complaints Commissioner costs are targeted to be reduced by 50% in 2009/2010. A contingency of 30% (£61k) has been included in anticipation that this stretch target may not be met.

43. Income was originally forecast to be £380k less than the latest figure. This increase has been attributed to firm-based regulation income and brings the 2009 budget figure in line with the 2008 quarter 2 reforecast. However, at the current time we have no view on either price or volume, and hence this figure includes a considerable amount of risk.

## **Unknowns**

44. The Compensation Fund re-charge includes an element for central costs such as Facilities, Finance and Human Resources. Until such a time that the central costs budget has been completed we are including the 2008 quarter 2 reforecast figure in the 2009 budget. Clearly any movement in this figure will be more than offset by movements in the cost themselves, and as such should not effect any decisions over approval or otherwise of the SRA budget.

## **Shared services and capital expenditure**

45. These are not included in the SRA budget. Central services such as Finance, Human Resources and IT are managed through the Law Society and costs are captured centrally. Group IT is responsible for delivering systems development across the Law Society Group and holds a centralised budget for this.