

CLASSIFICATION – PUBLIC

**SOLICITORS REGULATION AUTHORITY
Minutes of the SRA Board meeting
held on 15 July 2015 at 1.45pm
at The Cube, 199 Wharfside Street, Birmingham, B1 1RN**

PUBLIC

Present: Enid Rowlands (Chair)
Julia Black
Graham Chisnall
Martin Coleman
Jane Furniss
Bill Galvin
David Heath
Cindy Leslie
Paul Marsh
Moni Mannings
Peter Phippen
Chris Randall
Elaine Williams
David Willis

In attendance: Paul Philip, Richard Collins, Robert Loughlin, Jane Malcolm, David Middleton, Juliet Oliver, Crispin Passmore and Dominic Tambling

1 APOLOGIES

1.1 The Chair welcomed everyone to the meeting including the journalists in attendance and the Law Society observer, Laura Wigan. Apologies had been received from Shamit Saggar.

2 MINUTES OF THE MEETING HELD ON 3 JUNE 2015

2.1 The minutes of the meeting held on 3 June 2015 were agreed.

3 MATTERS ARISING AND DECLARATIONS OF INTEREST

3.1 The Chair noted that David Heath had been appointed Chair of the Consumer Council for Water, Western Region and that the solicitor members had previously declared their interests as solicitors and therefore part of the regulated profession. No other interests were declared.

4 CHAIR'S UPDATE

4.1 The Chair asked the Board to join her in congratulating Jonathan Smithers on becoming President of the Law Society and thanked him for his warm words about the SRA in his inaugural speech.

4.2 The SRA's Parliamentary reception on 23 June had been attended by 27 MPs and peers and the Chair thanked those Board members who had been able to attend.

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4.3 The Chair thanked David Fisher for his work as Chair of the Business and Oversight Board (BOB) and noted that recruitment of an independent member of BOB was under way. Recruitment of a new Chair for the Audit Committee was also in progress and Graham Chisnall was representing the SRA on the appointment panel. The process of recruiting new Board members had also begun.

4.4 The Chair also thanked the communications team for its work on the new monthly report to Board members which was informative and accessible.

5 COMMENTS RELATING TO THE CONFIDENTIAL SESSION

5.1 The Chair reported that the Board had discussed the SRA's Organisational Culture Change programme. The Board had congratulated the executive on the work which had been done to date and had underlined its support for the continuation of the programme.

6 CHIEF EXECUTIVE'S REPORT

6.1 Paul Philip drew the Board's attention to paragraph 3 of his report and the publication on 25 June 2015 of a consultation paper on proposed arrangements for the regulation of SRA authorised firms undertaking consumer credit activities. It was hoped that details of final arrangements could be published in November 2015 to take effect from April 2016.

6.2 Paragraph 5 of the report noted that the withdrawal of SRA authorisation from solicitor insolvency practitioners would take effect from 1 November 2015. Paragraph 8 recorded the judgment in the Supreme Court on the appeal on the Quality Assurance Scheme for Advocates (QASA) case which had been unanimously dismissed. The scheme could therefore now be implemented alongside the Bar Standards Board and CILEx Regulation. Board members noted the significance of this decision which would enable the SRA and other regulators to move to effectively regulate the quality of criminal advocacy.

6.3 Paragraphs 14 and 15 of the report set out some of the provisions being made to increase accessibility of SRA material including through provision of Welsh translations and on-demand subtitling of webinars.

6.4 Finally, Paul Philip noted that the SRA had recently authorised Gateley plc which was the first stand alone law firm to be listed on AIM.

7 PROFESSIONAL STANDARDS

7.1 The Chair explained that the Board was keen to progress work on producing a policy statement for the SRA on professional standards and a framework to increase consistency in decision making.

7.2 Crispin Passmore reminded the Board of its previous discussions on this work, which sought to provide operational certainty and consistency, including an exercise in considering various scenarios and voting on their seriousness. Further work had been done on developing these scenarios and a survey of 10,000 solicitors would be undertaken the following week which would further inform the development of a full consultation on the draft policy statement and framework.

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This would run from October 2015 to January 2016 and would involve consumers and the public as well as the profession.

7.3 Jane Furniss, as Chair of the Equality, Diversity and Inclusion Committee, noted that the aim of this work was to improve consistency of decision making and the recording of rationale for decisions. This would provide an opportunity to address the disproportionality issue which saw a greater impact on BME solicitors than non BME for the same actions. Crispin Passmore undertook to engage EDI Committee members in this work.

7.4 The Board:

- a) noted the proposals for engagement with the profession;
- b) noted the proposals for engagement with consumers and the public; and
- c) noted the proposals for internal engagement.

8 SRA AMENDMENTS TO REGULATORY ARRANGEMENTS (RECOGNISED SOLE PRACTICE) RULES [2015]

8.1 Crispin Passmore explained that the Board was being asked to make changes to harmonise and simplify the regulatory arrangements for sole practitioners. Regulated sole practitioners were currently regulated very differently to recognised bodies and ABSs and were required to have an endorsement on their practising certificate renewed annually and the Board had previously agreed that this was unnecessary. The law had been amended to enable these changes which would take effect from November 2015.

8.2 The Board agreed to:

- a) make the SRA Amendments to Regulatory Arrangements (Recognised Sole Practices) Rules [2015] to come into force on 1 November 2015, subject to the approval of the Legal Services Board; and
- b) note the progress made across the SRA with regard to the transfer of recognised sole practitioners into the new regulatory regime from 1 November 2015.

9 2015/16 PRACTISING FEES AND COMPENSATION FUND CONTRIBUTIONS FINAL DECISIONS

9.1 Richard Collins said that the Board was being asked to make five determinations of practising fees and Compensation Fund contributions. TLS Council had approved the proposed fees at its meeting on 8 July and, if agreed by the Board, these were subject to the approval of the Legal Services Board.

9.2 The Net Funding Requirement (NFR) for the Law Society Group for 2015/16 had been set at £105.8 million, comprising: the SRA's requirements and TLS's requirement in relation to permitted purposes. The proposal was for the individual Practising Certificate fee to remain the same as for 2014-15 and for entity fees to remain broadly the same. Compensation Fund contributions would remain the same as for 2014-15.

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- 9.3 Enid Rowlands noted that the proposed fee levels would represent savings for individuals and firms in real terms and thanked Richard Collins, Helen Herniman and their staff for the work they had put in to this issue.
- 9.4 The Board agreed to make the following determinations, subject to the approval of the Legal Services Board:
- (a) the Practising Certificate Fee Determination [2015];
 - (b) the Recognised Body and Recognised Sole Practice Fee Determination [2015];
 - (c) the Licensed Body Fee Determination [2015];
 - (d) the Determination of Compensation Fund Contributions [2015; and
 - (e) the Determination of Compensation Fund Contributions for Licensed Bodies [2015].
- 9.5 The determinations under 9.4(a) to (c) were made under regulation 36(1)(b) of the Law Society's General Regulations, and 9.4 (d) and (e) under regulation 37. These set out the proportion payable by solicitors/firms of the total amounts set by the Law Society Council to be raised by practising fees and compensation fund levies.

10 ACCOUNTS

(i) *Reporting Accountant Requirements*

- 10.1 Crispin Passmore introduced the paper and reminded the Board that in 2014 a consultation had proposed removing the requirement for accountants' reports entirely. The Board had decided against that course of action but had asked for further consideration of how the burden of reports could be lightened. A three stage approach was being taken to this work. Changes to simplify the form which needed to be completed and an exemption for firms which only handled legal aid money had already been agreed. The proposals now before the Board focused on risk and reduced the level of prescription on the way accountants assessed compliance as well as exempting a greater number of low risk firms from the requirement to obtain a report.
- 10.2 It had been recognised earlier in the year that a very small number of the reports which were submitted led to any action but further work had been necessary to ensure that, for instance, the financial parameters on client account balances which would be used to allow exemptions were correct. Crispin Passmore acknowledged that the proposed levels might be too low but said that a balance needed to be struck and that the levels could be raised in future if that was judged to be desirable. He also acknowledged that there was a risk that firms would refuse work in order to stay below the threshold, but that this was inevitable at whatever level it was set. He also agreed that small firms could be risky but said that the level of funds at risk with these firms was relatively low.
- 10.3 The Chair supported the proposals which were about removing unnecessary bureaucracy but said that a further assessment should be made in two years' time.

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10.4 The Board:

- (a) noted the report summarising the outcome of the consultation on the reporting accountant's requirements;
- (b) noted the new guidance for reporting accountants and the new accountants report form; and
- (c) agreed to extend the categories of lower risk firms exempt from the requirement to obtain an accountant's report to include those who, during the relevant accounting year, have had an average client account balance of £10,000 or less, and a maximum client account balance of £250,000 or less.

(ii) *Overseas Accounts Requirements*

10.5 Crispin Passmore reminded the Board that it had discussed and agreed changes to the accounting requirements for SRA regulated firms and individuals practising overseas and their overseas practices, and for European Exempt Practices established in England and Wales, at its meeting on 11 March 2015. In order to get the new measures absolutely right a consultation had been carried out and the proposals before the Board reflected the outcome of that consultation.

10.6 The number of responses to the consultation had been small but this reflected the fact that only a small number of firms would be affected. In addition, staff had been in discussion with many of the affected firms for some time, as well as the City of London Law Society.

10.7 The Board noted the summary of the outcome of the consultation on changes to overseas accounts requirements.

10.8 In relation to the Reporting Accounts requirements and the Overseas Accounts requirements, the Board agreed to make the changes to the SRA Glossary, the SRA Accounts Rules 2011, and the SRA Overseas Rules 2013, scheduled to the SRA Amendment to Regulatory Arrangements (Accountants Reports and Overseas Rules) Rules 2015.

10.9 The Board agreed that the changes should come into effect on 1 November 2015 subject to:

- (a) the approval of the Legal Services Board; and
- (b) the requirement that any accountant's report required to be delivered to the SRA under Rule 50.4 of the SRA Accounts Rules 2011 in respect of the accounting period up and including 31 October 2015 must still be delivered.

11 CHANGES TO THE DELIVERY OF THE QUALIFIED LAWYERS' TRANSFER SCHEME (QLTS) ASSESSMENT AND PROPOSED INCREASE IN CANDIDATE FEE

11.1 Crispin Passmore reminded the Board that the QLTS assessment was provided by Kaplan. It was currently a paper based test that was only available in London. The Chief Executive had agreed to an application from Kaplan to run the assessment on-line and internationally. There were, however, increased costs associated with this and the Board was therefore being asked to agree to an increase from the

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current fee of £500 to £565. This amount was net of VAT which was for Kaplan to apply.

11.2 Martin Coleman reported that the Education and Training Committee had considered these proposals and challenged a number of points, all of which had been met in the proposals set out in the paper. The key point was that nothing new was being asked of those applying to the QLTS but that there would now be a more efficient method of delivering the assessment.

11.3 The Board:

- (a) noted the decision to permit Kaplan to deliver the QLTS on line and internationally, via a sub-contractual arrangement with Pearson Vue; and
- (b) agreed to increase the candidate fee for the QLTS MCT from £500 to £565.

12 ANY OTHER BUSINESS

12.1 The Chair thanked members for their contributions to discussions and reminded them that the next meeting on 9 September 2015 would run from 9.30am to 1.30pm and be held at the Grange Holborn Hotel.

12.2 The Board noted the minutes of the Education and Training Committee on 18 June 2015.

NEXT MEETING: WEDNESDAY 9 SEPTEMBER AT THE GRANGE HOLBORN HOTEL, 50-60 SOUTHAMPTON ROW, LONDON WC1B 4AR CUBE, COMMENCING AT 12.15PM

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Solicitors Regulation Authority Action Log: Public - 15 July 2015

Meeting date	Paragraph	Action	Owner	Date for action
3 Dec 2014	6.4	Bring further recommendations to Board on possible extension of post six year run off cover for one or two years	Crispin Passmore	September
3 June 2015	5.1	Ensure that solicitors are aware what proportion of the Group budget relates to the SRA.	Richard Collins/Jane Malcolm	Following approval of budget by LSB
15 July 2015	7.3	Involve EDI Committee members in work on professional standards	Crispin Passmore	During development of statement and framework

Solicitors Regulation Authority Board Record of Actions Completed: Public

Meeting date	Paragraph	Action	Owner	Date completed