

**SRA BOARD**

20 October 2020

**CLASSIFICATION – PUBLIC**



*This paper will be published*

**Monitoring of SRA Investments**

**Purpose**

- 1 This paper provides the Board with proposals for monitoring SRA investments once Solicitors Regulation Authority Limited begins trading.
- 2 The Board is asked to:
  - a) approve the proposal for the short term development of our strategy and approach to investments and reserves and confirm membership of the working group
  - b) approve the proposal for oversight of investments in the long term.

**If you have any questions about this paper please contact: Liz Rosser, Executive Director of Resources, [liz.rosser@sra.org.uk](mailto:liz.rosser@sra.org.uk) 0121 329 6468.**

**Equality, Diversity and Inclusion considerations**

- 3 We will take account of any EDI and ethical considerations in developing our future investment strategy.

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## **Monitoring of SRA Investments**

### **Background and context**

- 4 Investments within the Law Society Group are currently overseen by the Group Investment Committee which includes representatives from both SRA and TLS.
- 5 Once Solicitors Regulation Authority Limited begins trading, we will be in control of our own cash and investments. These will include reserves, practising certificate revenue and the balances held in the Compensation Fund. The Board will require a mechanism for monitoring these funds.
- 6 The establishment of Solicitors Regulation Authority Limited will see us receive initial reserves from the existing Cazenove Capital portfolio currently held by the group. Cazenove currently report performance of these investments to the investment committee.
- 7 Additionally, during October and November we will collect c.£52m-£53m<sup>1</sup> in practising certificate revenue to fund activities throughout the year. These balances are typically held in the Law Society Barclays deposit account.
- 8 At the end of September 2020 the Compensation Fund held balances of c.£60m with contributions of up to £14.5m to be collected during October and November. The balances are currently held in bank deposits and short term cash deposits.

### **Considerations**

- 9 The Board will be ultimately responsible for the investment of the SRA's funds and the use of its assets to achieve its objectives. It can delegate responsibility for day-to-day management of investments but must be involved in agreeing investment objectives including consideration of the risk we are willing to take. An investment policy will need to be developed and agreed.
- 10 The Board agreed at its meeting of 14 July 2020 to accept the investments on the same risk appetite as agreed by the Law Society, a medium risk rating, with a view to reaffirming the risk profile in the future.

### **Proposal for approval**

- 11 Our proposal is that a small working group of Board members is established to work closely with the Executive Director of Resources and Director of Finance to develop our strategic approach to investments and reserves.
- 12 We suggest that this comprises the Chair of the Board and Chair of the Audit and Risk Committee as a minimum.

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<sup>1</sup> The total budget for SRA Practising Fee revenue is £54.8m, the bulk of which is received as part of the practising certificate renewals exercise with the balance being received throughout the year.

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- 13 We then intend to determine our strategic approach to our investment portfolio, working capital and the reserves held in the Compensation Fund. We will also work to determine our reserves policy.
- 14 These strategies will be brought back to the full Board for approval.
- 15 Once we have agreed the strategic direction we propose that, in the longer term, oversight of the performance of investments will be by the whole Board. This will be reported quarterly to the Board and Cazenove Capital will be asked to address the Board annually on the performance of investments.

### Next steps

- 16 In the short term the SRA will receive an initial reserve from the Cazenove Capital portfolio once Solicitors Regulation Authority Limited begins trading. All other cash balances will be held in a Barclays deposit account.
- 17 We will return to the Board to present a proposal for a strategic approach to managing investments to ensure we maximise our return on investments within an agreed risk profile.

### Recommendations: the Board is asked to:

- a) **approve the proposal for the short term development of our strategy and approach to investments and reserves and confirm membership of the working group**
- b) **approve the proposal for oversight of investments in the long term.**

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### **Supporting information**

#### **Links to the Corporate Strategy and/or Business Plan**

- 18 An appropriate and well implemented investment strategy is key to delivering the budget expectations and maximising income. This underpins our ability to deliver the activities in the Business Plan and the Corporate Strategy.

#### **How the issues support the regulatory objectives and best regulatory practice**

- 19 Our Corporate Strategy supports the regulatory objectives and the budget underpins the Strategy. Publication of the Corporate Strategy and the Business Plan supports the better regulation principles of accountability and transparency.

#### **Public/Consumer impact**

- 20 The Corporate Strategy and work programme, which the budget supports, includes a number of priority activities which are designed to specifically address our public/consumer obligations.

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

- 21 This paper proposes a collaborative approach with the Board to establish the future investment strategy.

#### **What equality and diversity considerations relate to this issue**

- 22 We will take account of any EDI and ethical considerations in developing our future investment strategy.

#### **How the work will be evaluated**

- 23 Performance against the budget is published quarterly through performance reports to the Board. The Board will be updated quarterly on the performance of investments.

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