

SRA BOARD
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SOLICITORS REGULATION AUTHORITY
Minutes of the SRA Board meeting
held on 25 June 2024 at 09.00 via Teams

Subject to final approval by the SRA Board at its meeting on 9 July 2024

Present: Anna Bradley (Chair)
Claire Bassett (for item 5)
Ann Harrison
Paul Loft
Rob McWilliam
Lisa Mayhew
Vikas Shah
Liz Smart
Nicola Williams

In attendance: Paul Philip, Juliet Oliver, Liz Rosser, Alex Magloire, Ben Fisher
(for item 5), Dominic Tambling

1 WELCOME AND APOLOGIES

1.1 The Chair welcomed everyone to the meeting. Apologies had been received from Selina Ullah.

2 MINUTES OF THE PREVIOUS MEETING ON 14 MAY 2024

2.1 The minutes of the meeting on 14 May 2024 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 were completed or 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 told the Board that meeting dates for 2025 were being scheduled and asked for views on frequency, especially of performance reporting meetings. Board members confirmed that they were content to repeat the pattern for this financial year with three performance reporting meetings.

4.2 The Chair also said that in response to a letter from the Legal Services Board about the next regulatory performance assessment, which highlighted the need for transparency, she had discussed our approach to Board minutes with the CEO and Board Secretary.

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- 4.3 The Chair was concerned to ensure that there was a good audit trail of discussions that can run over several meetings and not just of final decisions. This is likely to result in fuller minutes. Since the LSB had acknowledged that redactions could be appropriate it had been agreed that we should draft minutes with the Board's needs front of mind, using redactions if necessary, for public disclosure purposes.

5 SRA REGULATION OF CHARTERED INSTITUTE OF LEGAL EXECUTIVES (CILEX) MEMBERS

- 5.1 The Board was asked to consider a paper on the proposal to regulate CILEX members and the outcome of our recent consultation on the regulation of non-authorised CILEX members (paralegals and students). The paper included a recommendation to accept the redelegation of the regulation of both authorised and non-authorised CILEX members based on the analysis of the merits of that proposal, and next steps.
- 5.2 The Board was reminded of previous discussions on this matter, dating back to 2022 when CILEX had first invited us to engage in formal discussions on the potential to redelegate the regulation of CILEX members and entities from CILEX Regulation (CRL) to us.
- 5.3 There had been two consultations on this matter, the first, on our regulatory arrangements for authorised CILEX members, had taken place in 2023 and the second set out the case for the SRA implementing regulatory arrangements for non-authorised CILEX members at the same time as authorised members. Responses to the second consultation, and our draft response to those, were annexed to the paper and the Board was asked to note that if it decided to accept the redelegation of the regulation of CILEX members then it was recommended that this should include non-authorised as well as authorised members. Both consultations were supported by regulatory and equalities impact assessments at annexes 6 and 7.
- 5.4 The Board was reminded of some of the elements of the case for this change that had been set out in February 2023, including that it would: support public confidence in legal services by simplifying the landscape; potentially introduce efficiencies and cost savings through reduced duplication; enhance consumer protection through the harmonisation of standards and through increased coverage for the Compensation Fund; and provide synergies for regulation of new services across the legal sector.
- 5.5 The Board heard that the Law Society had criticised the consumer research we had undertaken following our first consultation on the potential benefits of the proposed changes to regulation of CILEX members and that the Legal Services Consumer Panel (LSCP) had also expressed some doubts about the sufficiency of detail in the evidence we have produced on consumer views/impacts.
- 5.6 Further details of the evidence regarding consumer impacts was summarised in the regulatory impact assessment and this showed that the consumer views gathered as part of our consultation process supported existing and extensive evidence about consumers' knowledge of the legal services market and the potential benefits of consolidation. A further focus group held on 13 June 2024 had

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also supported our earlier findings. It had become clear following a further meeting with the LSCP that it wanted additional insight into communication with, and explanation of, the benefits of the proposed changes to consumers. We have this in hand and have been discussing with CILEX how to progress it.

- 5.7 The Board was reminded that we had previously stated that maintaining the distinction between the different roles of solicitors and CILEX members was important and that differences in practice rights would be clearly set out on our website. This would be supported by an expansion of the suite of consumer support information that we currently provide to aid consumers' understanding of the differing roles.
- 5.8 The Board discussed the different approaches to education for the two professions and agreed that adopting the current approach to CILEX member regulation was the right way forward. We will collect data on the way this works over time and work with CILEX to consider any case for amending these arrangements.
- 5.9 The Board also noted that CILEX had confirmed that it would pay our development costs in developing these proposals, whether or not the redelegation proceeds, and any implementation and transitional costs. The process used to record and allocate costs could be maintained to enable financial transparency in implementation and so ensure that each profession appropriately funds the costs of its regulation.
- 5.10 In response to questions from Board members about the method for allocating fixed costs to the direct costs of CILEX regulation, it was confirmed that the allocation method would be considered by Audit and Risk Committee and would also be reviewed by our financial auditors.
- 5.11 We had also been clear that the costs of regulating CILEX members would be met by authorised CILEX members (as currently). Although this reflected the current position, the question of whether non-authorised CILEX members should also pay fees would be kept under review, but was contingent on CILEX charter change, which we understand is in hand.
- 5.12 We were confident that the fees that we would need to charge CILEX members would be no higher than at present in the first instance and, indeed, given the savings that could be made, it was possible that fees would be lower. There was though some uncertainty around costs because given the public position of CRL in relation to these proposals we did not have access to detailed information.
- 5.13 The Board discussed the fact that regulatory model would be reviewed in the early years following redelegation to ensure that it was robust and met the public interest. And, of course, we were also committing to a post implementation review of the changes and project in general.
- 5.14 Board members discussed the resourcing implications of the next stages and of implementation. Board members asked for assurance from the Executive regarding management capacity to implement this proposal given other high-profile issues such as Axiom Ince and the LSB's review into the handling of this issue. In response the CEO said that he was able to provide that assurance and that once

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the application to the LSB was made, future work would essentially be operational and the detail dealt with beneath executive level.

- 5.15 The Board then asked the Executive to provide assurance in a future meeting on the detailed resource modelling to support implementation. Finally, the Board was again reassured that the relative scale of BAU activity was very small indeed.
- 5.16 Board members also asked about the Compensation Fund arrangements. The Board was reminded that 75% of CILEX members currently worked in SRA firms and so were covered by the Compensation Fund without directly contributing to it as individuals. In the first instance, a small number of the 20 firms regulated by CRL would be able to contribute to and benefit from the Fund. Our plan was to seek legislative change so that the remaining firms, and individual CILEX freelancers, could contribute to and benefit from the cover of the compensation fund going forward. Taken together this represents a tiny number of additional individuals and firms relative to the current coverage of the compensation fund.
- 5.17 The Board discussed the Law Society's (TLS) publicly stated opposition to the proposed redelegation. The CEO stated that we were satisfied it was within vires to develop the proposals and make an application to the LSB. Should the LSB decide that this proposal was in the public interest, the issue of whether it should proceed is one for the LSB.
- 5.18 Board members also asked about the proposed title of 'chartered lawyer' for CILEX's authorised members and noted that this was a matter for the professional body. Our consultation documentation referred to authorised and non-authorised CILEX members.
- 5.19 Finally, Board members reflected on the fact that this programme of work began two years ago and asked themselves whether a different climate should cause us to change our original view.
- 5.20 Board members agreed that if a decision was made to proceed, the Risk Register should be reviewed to ensure that all of the relevant risks had been identified and could be managed or mitigated. It was agreed to ask the Audit and Risk Committee to consider this at its next meeting.
- 5.21 Board members also agreed that if a decision was made to proceed we should publish a position statement which draws together the discussions that have taken place over a considerable period to provide a complete picture of the reasons for the decision and the way this would be taken forward.
- 5.22 The Board:
- a) agreed to accept the redelegation of the regulation of all CILEX members, and then (subject to CILEX's decision to redelegate) to:
 - b) approved in principle the regulatory arrangements (made available to the Board separately) on the basis that, if CILEX formally approves the redelegation, they will then be submitted to the LSB, with a view to the rules being made at the appropriate time when the SRA is empowered to do so

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- c) delegated to the Chair (i) final approval of any further amendments (not changing policy) to the regulatory arrangements and (ii) the ability to make the final rules at the point at which the SRA is empowered to make the regulations
- d) delegated to the Chair final approval of the necessary amendments to the SRA Articles (a draft of which had been made available to the Board separately prior to discussion with the Law Society) but which would need to be agreed with the Law Society before implementation of the redelegation.

6 BUDGET FOR 1 NOVEMBER 2024 TO 31 OCTOBER 2025: CONSULTATION FEEDBACK AND NEXT STEPS

- 6.1 The Board was asked to consider next steps for finalising our funding requirement from practising fees and seeking approval of our fees from the Legal Services Board.
- 6.2 The Board noted a summary of the feedback to date on the consultation begun on 23 May 2024 seeking views on the budget as well as the proposed Compensation Fund contributions for 2024-25. The majority of responses which had expressed an opinion on the practising fee had been supportive. The Board noted that a recommendation on the level of Compensation Fund contributions for 2024/25 would be brought to the July Board meeting. Responses to the consultation so far on this had been largely negative, as was to be expected given the proposed increase in the contributions. More detail would be provided in July.
- 6.3 The Board:
 - (a) approved the SRA's budget for 1 November 2024 to 31 October 2025, of £70.2m to be provided by practising certificate fee income
 - (b) noted the expected practising certificate fee, which the Board would be asked to consider for approval following the Law Society Council's meeting on 2 July 2024.

NB: Claire Bassett had indicated her agreement to these recommendations before the meeting and as she was unable to stay for this discussion agreed that the Board Chair could cast her vote.

7 MONEY LAUNDERING REPORTING OFFICER (MLRO) - YEAR ENDED 5 APRIL 2024

- 7.1 This item was deferred until the next Board meeting on 9 July 2024.

8 REVIEW OF MEETING AND ANY OTHER BUSINESS

- 8.1 There was no other business. The next meeting would be held on 9 July 2024 in Cardiff.