

SRA BOARD

21 January 2020

CLASSIFICATION – PUBLIC*This paper will be published***Approach and timetable for developing the 2020/21 SRA Work Programme and Budget****Purpose**

- 1 This paper outlines the approach and timetable for finalising the SRA Work Programme and setting the SRA Budget and for 2020/21.

Recommendation

- 2 The Board is asked to:
 - a) note the approach and timetable and comment as appropriate.

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

This paper is marked official because it contains sensitive financial and operational information as well as referencing early policy proposals.

Equality, Diversity and Inclusion considerations

Consideration	Paragraph nos
<p>The process for setting our work programme will include consultation with the legal sector and beyond. The consultation itself will seek input into, and comment on, the consideration of any EDI issues and implications for the proposed workstreams. Our approach will be fully accessible and we will reach out to a wide and inclusive range of consumers, public and the profession through a variety of channels, including events and social media.</p> <p>The overall Law Society Group practising fee consultation is led by the Group. We will promote the consultation widely to support an inclusive approach and encourage responses from all parts of the profession.</p> <p>For the first time, we will this year also undertake a full consultation on the Compensation Fund contributions. Compensation Fund contributions may be a particular burden on small law firms, which we know have a higher proportion of BAME solicitors and partners than large firms.</p>	14

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SRA Budgeting and planning process

- 3 The consultation on our new Corporate Strategy 2020-23 closes shortly and we will report back with an analysis of responses and seek approval for our proposed final strategy at the March 2020 Board meeting. The next step will then be to develop appropriate workstreams through our business planning process and, for the first time, we intend to consult on our annual work programmes. While some of the Strategy requires a continuation of components of our existing work programme, there are several areas where we may need to do things differently.
- 4 We will need to ensure that sufficient resources are devoted to these and other areas of development and that these resource requirements are reflected in future budgets and projections. These future budgets also need to take account of the changing external environment and any particular pressures that this might place upon us as an organisation – for example the likely requirement to increase our activity on Anti-Money Laundering which has been discussed previously by the Board.
- 5 Our financial year and business planning cycle run from November to October each year. The budget for the SRA is usually confirmed towards the end of the preceding financial year at the last (October) SRA Board meeting of the financial year.
- 6 The budget is restricted by the available funding identified as part of the ‘net funding requirement’ process undertaken earlier in the year which identifies the amount to be collected from the profession through practising fees. Approval of this amount is required by the Legal Services Board and the application for this is typically submitted in mid-July each year.
- 7 The work programme for the financial year has ordinarily been finalised late in the preceding financial year, after the available funding for the year has already been confirmed. This can have the effect of restraining the activities that can be included within the work programme if they are not identified early enough in the planning cycle to be included as part of the ‘net funding requirement’.
- 8 This paper outlines the proposed timeline for 2020/21 budgeting and planning to ensure that the SRA plans for and consults on the activities to be undertaken during 2020/21, the first year under the new Corporate Strategy.
- 9 We are proposing a different approach to setting the work programme and budget for 2020/21 and beyond. This recognises our wish to be more open and engage and consult more with stakeholders on our plans for the coming years.
- 10 It also allows us to indicate the expected direction of the practising fees as we face increased financial challenges. These include significant changes in our

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approach to anti-money laundering, increased demand for research to support future policy decisions as well as general inflationary pressures, particularly on wages in an increasingly competitive environment.

- 11 There is a possibility that these factors may necessitate an increase in the funding required for the SRA and, in turn, an increase in the individual practising fee. Any increase in the practising fee would require additional LSB approvals and liaison with the Law Society Group as detailed in paragraphs 17 to 21.
- 12 During spring 2020 we will consult on our proposed work programme for 2020/21 as well as the associated high-level budget that supports it.
- 13 Following feedback from the LSB in previous years, in 2020 there will be a separate consultation on the proposed Compensation Fund contributions for the first time.
- 14 Over the coming months we will develop the high-level budget and bring it to Finance and Audit Committee and Board for approval. This is planned for the 21 April 2020 Board meeting. It is proposed that an additional Finance and Audit Committee meeting is scheduled towards the end of March to facilitate this timeline.
- 15 As we seek to develop a more strategic approach to our resourcing, this will also include an indication of the expected movement in the budget over the next three years based on the current expectations and requirements to deliver the 2020-2023 Corporate Strategy. Consideration will be included as to how our emerging property strategy will impact on the requirements and any high level calls on project expenditure (including items that previously would have formed a capital budget) and how these might change over the coming years.

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16 The table below identifies the key approval steps for the practising fee requirement, the work programme and the budget.

Date	Board / Committee	Approvals / discussion points
25 February 2020	FAC	Compensation Fund contribution indicative fees. Draft NFR / practising fee requirement discussion. High level view on risks and likely future direction of the fee
3 March 2020	SRA Board	No planned update
<i>Potential late March</i>	<i>FAC</i>	<i>Compensation Fund consultation paper. Work programme and budget consultation. Three-year projections</i>
21 April 2020	SRA Board	Roadmap for the following two years including high level budget expectations for 2021-2023 Work programme proposal for 2020/21 and associated budget for consultation. Compensation Fund requirement consultation.
12 May 2020	FAC	Recommend SRA NFR / practising fee requirement to SRA Board
May and June 2020		Compensation Fund Contribution – Consultation
2 June 2020	SRA Board	Approve SRA NFR / practising fee requirement
June 2020	TLS Board	Recommend TLS Group requirement to Council
30 June 2020	FAC	Recommend Compensation Fund requirement to SRA Board
14 July 2020	SRA Board	Individual practising fees and turnover based contributions approved (subject to Law Society council approval of the overall requirement). Approve Compensation fund requirement / contribution
15 July 2020	Law Society Council	Approve the overall practising fee requirement for the group based on submissions from TLS, SRA, LSB, LeO, FCA and SDT
16 July 2020		Application submitted to Legal Services Board for approval of the practising fees and Compensation Fund contribution – approval expected mid-August
29 September 2020	FAC	Recommend final 2020/21 budget to SRA Board
20 October 2020	SRA Board	Approve final 2020/21 budget

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Law Society Group practising fees

- 17 It is important to note that the SRA cannot set the practising fee in isolation, only the amount that is to be collected on behalf of the SRA. The practising fee for the Law Society Group includes amounts for TLS, SRA, the Legal Services Board, the Legal Ombudsman, the Financial Conduct Authority (OPBAS) and the Solicitors Disciplinary Tribunal.
- 18 Should there be any proposal to increase individual practising fees, this would require TLS group to submit a longer-term financial forecast indicating the expected future direction of the fee.
- 19 As in previous years, we will work with TLS in the development of our proposals to understand the possible impact of any changes on the practising fee. This will include the development of the longer-term financial forecast if required. It should be noted, however, that figures from LSB, LeO and OPBAS may not be available until after we have finalised our requirements.
- 20 Ordinarily, the total fee requirement is confirmed by the Law Society Council in early July and the individual and firm fees are confirmed by the SRA Board later in the month, based on an already agreed formula for splitting the requirement between firms and individuals. Due to the timing of the relevant meeting this year it is anticipated that the SRA Board will be asked to approve the fees subject to TLS Council approval of the overall amount the following day.
- 21 The fees review planned for 2020 will consult on whether this continues to be an appropriate split of the overall requirement, but any changes will not come into effect until 2021 at the earliest.

Recommendation: the Board is asked to:

- a) **note the approach and timetable and comment as appropriate.**

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